Linking Ethics and Economics for Integral Development:
The Need for a New Economic Paradigm and the Three Dimensions of Islam
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Islam, as other religions, sees the end of the human state in the perfection of our spiritual possibilities. Development must therefore address our physical, intellectual, and spiritual needs, balancing all three in such a way that no single dimension is emphasized at the expense of others. E.F. Schumacher, the renowned development economist who wrote on Buddhist and Christian economics (and who was greatly influenced by contemporary Muslim thinkers, as we shall see), discussed this integral approach to development in terms of three objectives of work: first, to provide necessary and useful goods and services; second, to enable every one of us to use and thereby perfect our gifts like good stewards; and third, to do so in service to, and in cooperation with, others, so as to liberate ourselves from our inborn egocentricity.[1]

Of course, economists recognize the first objective of work. But some recognize the second and third objectives to various degrees, acknowledging that different types of work have different effects. For example, Adam Smith acknowledged the ongoing development of individual gifts when he argued that an extremely high division of labor employing few of man's faculties could have serious social costs by reducing certain human capabilities:

> [T]he understandings of the greater part of men are necessarily formed by their ordinary employments. The man whose life is spent in performing a few simple operations… has no occasion to exert his understanding… He naturally loses, therefore, the habit of such exertion and generally becomes as stupid and ignorant as it is possible for a human creature to become… but in every improved and civilised society this is the state into which the labouring poor, that is, the great body of the people, must necessarily fall, unless government takes some pains to prevent it.[2]

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[1] E.F. Schumacher, *Good Work* (New York: Harper & Row, 1979), pp. 3-4. Regarding striving for perfection, he cites the Biblical injunction: "Be ye therefore perfect, even as your Father which is in heaven is perfect." He also cites: "Whichever gift each of you have received, use it in service to one another, like good stewards dispensing the grace of God in its varied forms."

[2] Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations* (Oxford: Oxford University Press, Glasgow Edition, 1976), pp. 781-782.

Other figures such as David Ricardo and James Mill, the father of John Stuart Mill, opposed this view, denying the existence of such harmful effects, and asserting that all types of work were homogeneous in terms of human development.[3] And due to an anthropology that heavily emphasized psychological hedonism, these thinkers also denied the possibility of liberation from egocentricity, leaving only the first objective, the production of useful goods, for economics. More recently, some neoclassical economists have assumed that all types of work are homogeneous on one hand, while asserting the legitimacy of all three objectives on the other.[4] These various positions clearly have important implications for the link between ethics and economics and the extent to which economic realities can be governed by their own logic.

On one hand, Islamic law establishes a minimum division of labor to fulfill the first objective of work, asserting that some members of the community must practice *each* profession to fulfill the needs of society. The division of labor is thus analogous to other collective duties (*fard kifā'i*), such as building orphanages and hospitals. If no members in the community fulfill these needs, each member of the community is held spiritually accountable. The division of labor is thus conceived of as a duty, not simply a right.

On the other hand, the division of labor must leave ample room for human creativity according to the Islamic intellectual heritage, facilitating the second objective, "to use and thereby perfect our gifts like good stewards." A too-extreme division of labor creates an unsustainable trade-off between the various objectives of work, leading to lopsided development that fails to provide people with psychological and spiritual fulfillment, and that fails to keep nature clean and self-replenishing. Such trade-offs can only exist in the short or medium-term, not the long-term, from the Islamic point of view. "Equilibrium on the socio-economic plane is impossible to realize without reaching that inner equilibrium which cannot be attained save through surrender to the One and living a life according to the dictum of Heaven."[5]

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[3] For an excellent survey of classical and neoclassical approaches to work in the history of economic thought, see Ugo Pagano, *Work and Welfare in Economic Theory* (Oxford: Basil Blackwell Ltd, 1985).

[4] Some economists adopt this position implicitly by acknowledging the validity of religious beliefs on one hand and employing the neoclassical approach to work as "forgone leisure" on the other. On the latter point, see for instance Ugo Pagano, *Work and Welfare in Economic Theory*, pp. 111-115.

[5] Seyyed Hossein Nasr, "*Review of Ethics and Economics: An Islamic Synthesis*," Rev. of *Ethics and Economics: An Islamic Synthesis*, by Syed Haider Naqvi, *Hamdard Islamicus*, Summer 1982, p. 89.

Accordingly, only when the division of labor is above the minimum level required for the community's material needs and below the maximum level for human development, or between a "floor" and "ceiling," are all three objectives of work and integral development possible from the Islamic perspective. The balance of this chapter is therefore structured according to the famous *Hadīth* of Gabriel that has been used as a model for discussing the essentials of Islam for over 1,000 years. It divides Islam into three dimensions: submission or "right action" (*islām*), faith or "right understanding" (*īmān*), and virtue or "right intention" (*ihsān*), corresponding to the legal/ethical, intellectual, and esoteric dimensions of an integral tradition.[6] As we shall see, the first and second dimensions establish the minimum and maximum levels of the division of labor, respectively, and are closely connected to the first and second objectives of work, whereas the third dimension is closely connected to the third objective. These interconnections are not reducible to a one-to-one correspondence, however, because all three dimensions are interdependent and necessary to achieve socioeconomic equilibrium from the Islamic perspective.

Objectives of Islamic Law and the Hierarchy of Needs

Islamic economic law represents one of four major areas of Islamic positive law (*fiqh*), comprising approximately one-quarter of the body of law.[7] According to Islam, every aspect of life, including the economic, is sacred, because nothing is outside of the Absolute, and no aspect of life is profane, because everything is attached to God. What would appear to be the most mundane of activities has religious significance, integrating all of life around a sacred Center.

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[6] For an in-depth treatment of each dimension in the *hadīth* and corresponding Islamic sciences, see Sachiko Murata and William C. Chittick, *The Vision of Islam* (New York: Paragon House, 1994). We have adapted some of the following arguments from our article "Islamic Environmental Economics and the Three Dimensions of Islam: 'A Common Word' on the Environment as Neighbor," in *Muslim and Christian Understanding: Theory and Application of "A Common Word,"* Waleed El-Ansary and David Linnan (eds.) (New York: Palgrave Macmillan, 2010), pp. 143-157.

[7] Other major areas of Islamic law include social and political transactions (grouped under *fiqh al-mu'amalāt*) and religious rites (under *fiqh al-'ibadāt*). For a brief overview of Islamic law, particularly in relation to Islamic finance, see Caner Dagli's chapter in this volume. For a general discussion, see Hashim Kamali, *Introduction to Islamic Law* (Cambridge: Islamic Texts Society, 1999).

This unity of purpose is reflected in a saying from the Prophet of Islam that an individual working to feed his or her family is performing "an act of worship as if [they] were praying."[8] Such a statement may be very difficult to understand in the modern West where a large domain of human life has been secularized, and it is not possible to find religious meaning in most actions. However, the Divine Law in Islam makes the effort to earn one's daily bread a religious act as obligatory as any other specifically religious duty, to be performed with an awareness that it is pleasing in the sight of God. In fact, the Divine Law gives religious meaning to all acts that are necessary for human life, but not those that are simply luxuries.[9]

This distinction between needs and wants is particularly important in analyzing the first objective of work, "to provide necessary and useful goods and services," as well as any trade-offs between the three objectives. As Caner Dagli's chapter in this volume suggests, the objectives of the Divine Law (*maqāsid al-Sharī'ah*) are used to interpret Islamic positive law (*fiqh*) in terms of the protection of one or more interests in a hierarchy of spiritual and other needs, or *masālih*. (The intimate connection between the "right" and the "good" in this view is indicated by the fact that *masālih* (sing. *maslahah*) is derived from the root word *salaha*, which means that something has become "pure, correct, and right."[10])

Jurists generally classify these *masālih* for human society into three levels.[11] The first level concerns fundamental necessities (*darūriyyāt*), such asthe preservation of religion (*dīn*), life (*nafs*), posterity (*nasl*), intelligence ('*aql*), and property (*māl*). Disregarding any of these will result in disruption and chaos. Next are complementary needs (*hājiyyāt*), which, if unfulfilled, lead to real hardship and distress but not the ruin of the community. Finally, supplementary

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[8] Seyyed Hossein Nasr, *Ideals and Realities of Islam* (San Francisco: The Aquarian Press, 1994), p. 98.

[9] Seyyed Hossein Nasr, *Traditional Islam in the Modern World* (London and New York: KPT, 1987), p. 38.

[10] For a detailed analysis of *maslahah* in the context of Islamic economics, see Waleed El-Ansary, "The Spiritual Significance of *Jihād* in the Islamic Approach to Markets and the Environment," (Ph.D. diss., George Washington University, 2006), chs. 1–3.

[11] For a full discussion of all three levels and the philosophy of Islamic law, see Imran Khan Nyazee, *Theories of Islamic Law: The Methodology of Ijtihād* (Islamabad: International Institute of Islamic Thought and Islamic Research Institute, 1994).

benefits (*tahsīniyyāt*) involve the beautification of life and refinement and perfection of ethics.[12] Based on this hierarchy, priority is given to higher-level needs if there is a conflict with lower level needs or wants. Important juristic principles that flow from this hierarchy include: "The averting of harm from the poor takes priority over the averting of harm from the wealthy," "There shall be no damage and no infliction of damage," and "The averting of harm takes precedence over the acquisition of benefits."[13] Of course, such general principles need qualification depending on the particular context.

These principles have major implications for assessing production processes, establishing a minimum floor for the division of labor in order to provide necessary and useful goods and services on one hand, and the *possibility* of a maximum ceiling for integral human development on the other. This returns us to the question of trade-offs between potentially competing Islamic objectives of work. Although Islamic law sets certain conditions for production, it neither prescribes particular processes nor contains all the necessary information to make all-things-considered ethical judgments (*ijtihād*) regarding a ceiling to the division of labor. This requires input from the Islamic intellectual and productive sciences, as we shall see in the next section.

But economists such as Paul Heyne argue that a high division of labor makes economics *amoral* rather than immoral:

> Most of us behave courteously toward others. But we do not, because we cannot, put their interests ahead of our own. In families and perhaps in small face-to-face communities, it is possible for individuals to sacrifice their interests to the interests of others. But in the large and unavoidably anonymous societies in which we produce for others and obtain from others most of what we need to live, our moral responsibility to others cannot be much more than to refrain from doing to them what we would consider unfair if done to us. …[14]

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[12] Of course, qualitative differences exist *within* each of the three levels as well as between them. The *hājiyyāt* and *tahsīniyyāt* may also simultaneously serve spiritual as well as other needs.

[13] Othman Abd-ar-Rahman Llewellyn, "The Basis for a Discipline of Islamic Environmental Law," in *Islam and Ecology: A Bestowed Trust*, edited by Richard C. Foltz, Frederick M. Denny, and Azizan Baharuddin (Cambridge: Harvard University Press, 2003), pp. 196–97.

[14] Paul Heyne, *A Student's Guide to Economics* (Wilmington, Delaware: ISI Books, 2000), p. 24. He adds,

> It is a common mistake, one unfortunately made by many economists when they are not thinking carefully, to assert that a market-coordinated economy encourages or rewards or depends upon *selfish* behavior. Markets coordinate *self-interested* behavior, which certainly may be selfish behavior, but much more frequently is not. Even to speak of self-interested behavior risks

Most of those who complain about the 'immorality' of the marketplace have misread the situation. Market interactions are not less moral or more selfish than nonmarket interactions. But they are generally more impersonal. And that cannot really be changed without giving up the benefits derived from specialization: the greater range of more attractive choices that constitute an increase in wealth.[15]

In short, impersonal exchange, rather than immorality, is simply the price of high specialization and productivity.

But such arguments quickly unravel the instant one asserts that an industrial economy has already surrendered the spiritual objectives of work.
Heyne is correct to argue that impersonal exchange essentially delinks ethics and economics at an individual level, and that this does not necessarily imply immorality. But to claim that delinking ethics and economics is amoral (not immoral) at the *collective* level presupposes that either industrial production processes can accomplish all three objectives of work, or that the second and third objectives are not relevant to begin with Economists must therefore put forward corresponding philosophical arguments to contend that conventional economic theory and praxis based on impersonal production and exchange processes are amoral, not immoral.

Some economists may nevertheless object that ethics and economics are in principle separate, regardless of the division of labor, citing Lionel Robbins' popular definition of economics as "the science which studies human behavior as a relationship between ends and scarce means which have alternative uses."[16] According to this definition, economics analyzes the (optimal) allocation of means, given some set of ends, rather than the ends themselves, which are a subject for ethics. Yet, this way of separating ethics and economics in investigating an aspect of affairs in general (economizing) rather than a particular domain of affairs (exchange) presupposes that

> … means and ends can be *given* and defined independently of their relationship – with the latter and not the former being the only concern of the economist. In particular, it is implicitly assumed in this definition that the variables that the economist studies show a peculiar kind of stability: they are either means or ends,

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misunderstanding. Perhaps we ought to say that markets coordinate the behavior of people who are *pursuing the projects that interest them* (25).

[15] Ibid, p. 30.

[16] Lionel Robbins, *An Essay on the Nature and Significance of Economic Science* (London: MacMillan and Co., Ltd, 1937), p. 16.

> and they never switch their role by crossing into intermediate stages in which they are both means and ends at the same time.[17]

Accordingly, human activities are divided into two "sets":

1) leisure activities, which affect social welfare but do not affect production (i.e., they are only ends);
2) work activities, which affect production but do not affect social welfare (i.e., they are only means).[18]

Human activities do not fit this rigid definition according to the three objectives of work, because work can be both a means *and* an end (even a form of prayer). Of course, work can be meaningless if its spiritual objectives have been surrendered. But one cannot then claim that economics is amoral based on this separation of means and ends, because it is precisely the reduction of work to a means rather than an end that is morally problematic. In short, separating means and ends can itself be immoral, and arguments for the amorality of economics based on the economizing definition must therefore make the same presuppositions regarding industrial production processes as Heyne's exchange-based view, even raising the possibility that the economizing definition cannot apply in the first place. The exchange definition is, in this sense, more inclusive than the economizing definition, since it does not necessarily separate ends and means.[19]

The Islamic Intellectual Heritage and the Spiritual Significance of Art and Work

Islamic law is necessary for any integral approach to Islamic development, but it is not sufficient. Islamic intellectual and productive sciences are needed as well, for the norms and principles of Islamic art, which are also derived from the Islamic revelation, govern the making

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[17] Ugo Pagano, *Work and Welfare in Economic Theory*, p. 172. For an extensive analysis of alternative definitions of economics, see for instance Lindley Fraser, *Economic Thought and Language: A Critique of Some Fundamental Economic Concepts* (London: A. & C. Black, ltd., 1947), ch. 2.

[18] Ugo Pagano, *Work and Welfare in Economic Theory*, p. 172.

[19] For a detailed discussion of these definitions of economics from an Islamic point of view, see Waleed El-Ansary, "The Spiritual Significance of *Jihād* in the Islamic Approach to Markets and the Environment," ch. 1.

of things in an Islamic economy.[20] From this point of view, what man makes, or man's art, should communicate a spiritual truth and presence analogous to nature, or God's art. "The ethical aspect of work in this case embraces also the aesthetic."[21] The production process is thus conceived as, and elevated to the level of, a spiritual discipline in which what one makes is an instrument of livelihood and devotion. "Every man is a special kind of artist" in this perspective; the artist is not "a special kind of man."[22]

Indeed, the link between metaphysics and cosmology on one hand and the making of things on the other hand is to be found in Islamic doctrines regarding the correspondence between the cosmos and the soul.[23] Islamic metaphysics and sciences of nature therefore transform everything in the productive sciences from architecture and urban planning to the art of dress and personal living space. The same applies to the practical sciences dealing with everything from social organization to the treatment of the environment. The link between work, spiritual education, and sacred ambiance forged by the Islamic intellectual sciences is thus crucial to fulfilling the three objectives of work and highlighting the interconnections between religion, economics, and civilization from the Islamic point of view.

In fact, the application of these principles within communities of different sizes helps to explain why the classical Arabic meaning of *al-iqtisād*, the modern Arabic word for economics, is related to properly managing the affairs of one's household (consistent with the original Latin meaning of *oeconomicus*, itself of Greek origin). The word is derived from the root *qasd*, which literally means "equilibrium" or the "state of being even, equally balanced, or evenly in

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[20] See for instance Titus Burckhardt, *Art of Islam, Language and Meaning* (Bloomington, Indiana: World Wisdom, 2009); Jean-Louis Michon, *Introduction to Traditional Islam: Foundations, Art and Spirituality* (Bloomington, Indiana: World Wisdom, 2008), part II; and Seyyed Hossein Nasr, *Islamic Art and Spirituality* (Albany, New York: State University of New York Press, 1987).

[21] Seyyed Hossein Nasr, *Traditional Islam in the Modern World*, p. 43. He also notes that *husn*, the root of *ihsān* in Arabic, means both "beauty" and "goodness," whereas *qubh* means both "ugliness" and "evil."

[22] According to the famous quote of Ananda Coomaraswamy, "The artist is not a special kind of man, but every man is a special kind of artist." See Rama Coomaraswamy (ed.), *The Essential Ananda K. Coomaraswamy* (Bloomington, Indiana: World Wisdom, 2004), p. 124.

[23] See for instance Titus Burckhardt, *Alchemy: Science of the Cosmos, Science of the Soul* (Louisville, Kentucky: Fons Vitae, 1997).

between."[24] Both the classical and contemporary meanings of *al-iqtisād* are therefore related to exchange in the sense that it can occur outside the market *within* the household as well as *between* households within the market. Thus, Nasīr al-Dīn Tūsī wrote a widely read classical treatise on philosophical ethics divided into three parts: Part I examined the management of one's self, simultaneously establishing a hierarchy of spiritual and other needs and refuting egoism; Part II examined the management of the household, or exchange within the smallest traditional community, based on the aforementioned spiritual principles; and Part III examined the division of labor in the larger community in the context of political philosophy and management of the state.[25]

From this point of view, competitive industrial markets necessarily and systematically de-skill work for "efficiency gains."[26] In this regard, Schumacher is highly critical of industrial production processes and the reductionist approach to man and nature upon which they are based:

> … industrialism as such, irrespective of its social form… stunt(s) personality… mainly by making most forms of work – manual and white-collared – utterly uninteresting and meaningless. Mechanical, artificial, divorced from nature, utilizing only the smallest part of man's potential capabilities, it sentences the great majority of workers to spending their working lives in a way which contains

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[24] For this etymology and some of its economic implications, see for instance Baqir Al-Hasani, "The Concept of *Iqtisād*," in Baqir Al-Hasani, and Abbas Mirakhor (eds.), *Essays on Iqtisād: The Islamic Approach to Economic Problems* (Silver Spring, Maryland: Nur Corporation, 1989), p.24. Abbas Mirakhor and Baqir al-Hasani also note that:

> "In one of his supplications, Imam 'Ali ibn al-Husayn, Zayn-ul-'Abidin (As) said: 'Oh God, bless Muhammad and his family. And bless me with *iqtisād*, let me be of the people of righteousness, of the guides to virtue, and of the pious servants…' In another supplication, he (As) said: 'O *Allāh*, bless Muhammad and his family. Restrain me from extravagance and excess. Strengthen me with generosity and *iqtisād*. Teach me the (secret of) accurate measure. Graciously restrict me from wastefulness. Let my sustenance flow from honest sources. Direct my expenditure in matters of righteousness…' "(i).

[25] Nasīr al-Dīn Tūsī, *The Nasirean Ethics* (London: G. Allen & Unwin, 1964).

[26] Also see for example Ugo Pagano, *Work and Welfare in Economic Theory*, especially ch. 1. For a useful survey of neoclassical counter-arguments and the corresponding rebuttal, see Louis Putterman, *Division of Labor and Welfare: An Introduction to Economic Systems* (Oxford: Oxford University Press, 1990), ch. 4.

> no worthy challenge, no stimulus to self-perfection, no chance of development, no element of Beauty, Truth, or Goodness. The basic aim of modern industrialism is not to make work satisfying but to raise productivity; its proudest achievement is labor saving, whereby labor is stamped with the mark of undesirability. But what is undesirable cannot confer dignity; so the working life of a laborer is a life without dignity. The result, not surprisingly, is a spirit of sullen irresponsibility which refuses to be mollified by higher wage awards but is often only stimulated by them.[27]

Rama Coomaraswamy likewise argues that, "Only when an individual's body and soul can participate in his work – something never possible in a factory – can the medieval principle that *laborare est orare* [to labor is to pray] fully apply."[28] What we wish to emphasize here is that the economist cannot address these questions regarding the intertwining of means and ends and the relation between ethics and economics *qua* economist. Dialogue between economists and theologians is urgently needed; one must kick this debate up to the philosophical level where it belongs.[29]

Indeed, there is an increasingly urgent debate over whether the secular paradigm that has indirectly created industrial production processes can generate new technologies quickly enough to solve the accompanying crises related to the environment, depletion of non-renewable resources, and escapism. There is no question that the technology must change. The only question is whether the paradigm within which the technology is developed must also change. If the current paradigm does not correspond to the nature of reality, then attempting to find a technological "fix" *within* this paradigm can lead to a vicious cycle of technologies that backfire, ending in a catastrophe. This point can be illustrated with the true story of a man who, having a spot of arthritis in his finger joints, was given tablets by his doctor that resulted in a stomach

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[27] E.F. Schumacher, *Good Work*, pp. 27-28.

[28] Rama Coomaraswamy, "Traditional Economics and Liberation Theology," in *In Quest of the Sacred*, Seyyed Hossein Nasr (ed.) (Oakton: The Foundation for Traditional Studies, 1987). Roger Sworder also provides a remarkable overview of critiques of industrial production processes from this point of view in "The Desacralization of Work," in Harry Oldmeadow (ed.), *The Betrayal of Tradition: Essays on the Spiritual Crisis of Modernity* (Bloomington, Indiana: World Wisdom, 2005), pp. 183-216.

[29] See Paul Knitter, ch. 1 in this volume.

ulcer.[30] A subsequent operation for the ulcer in conjunction with strong antibiotics interfered with his cardiovascular system to the extent that the doctor felt an obligation to carry out a couple of minor operations. Complications from this then required a heart specialist, and in the patient's weakened condition, he contracted a lung infection. The patient died within two weeks of the operations despite the continual care of three doctors and the hospital staff. Accordingly, those who hope for technological fixes within the current reductionist paradigm are arguably substituting a secular faith for a traditional one (this is quite literally true in light of the history of the notion of progress).[31]

The intellectual dimension of *īmān* is also necessary to respond to the erroneous claim that modern mainstream, or "neoclassical," economic theory accommodates any set of internally consistent values or tastes.[32] In fact, neoclassical theory routinely reduces needs to wants and

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[30] Ezra J. Mishan, *Economic Myths and the Mythology of Economics* (Atlantic Highlands, NJ: Humanities Press International, 1986), pp. 174–75.

[31] For example, the positivist cult of Saint-Simon, who "envisaged an assembly of 'the twenty-one elect of humanity' to be called the Council of Newton," acquired "all the paraphernalia of the Church—hymns, altars, priests in their vestments, and its own calendar, with the months named after Archimedes, Gutenberg, Descartes, and other rationalist saints" [John Gray, *Al Qaeda and What It Means to Be Modern*, (New York: The New Press, 2003), pp. 30–34]. Fortunately, the discoveries of physics over the course of the last century have prompted a search for a non-reductionist philosophy of nature that resolves quantum paradox on one hand and integrates the findings of physics into higher orders of knowledge on the other. See Wolfgang Smith, *The Quantum Enigma: Finding the Hidden Key* (Ghent, New York: Sophia Perennis et Universalis, 2005). Remarkably, Muslim philosopher-scientists such as Ibn Sīnā (d. 1037 CE), 'Umar Khayyām (d. 1131 CE), and Nasīr al-Dīn Tūsī (d. 1274 CE) anticipated a solution to this centuries earlier based on an Islamic philosophy of nature. See Seyyed Hossein Nasr, *Islamic Philosophy from its Origin to the Present: Philosophy in the Land of Prophecy* (Albany: State University of New York Press), pp. 169–83.

[32] As Shaun Hargreaves Heap asserts:

> The desires (of *Homo economicus*) can be 'good,' 'bad,' 'selfish,' 'altruistic' – anything you like. The only proviso is that those desires generate a preference ordering; that is, the person can always say whether he or she prefers one bundle to another or is indifferent between them, and that the ordering satisfies the following conditions (reflexivity, completeness, consistency, and continuity).

Shaun Hargreaves Heap, Martin Hollis, Bruce Lyons, Robert Sugden, and Albert Weale, *The Theory of Choice: A Critical Guide* (Oxford: Blackwell Publishers, 1994), p. 5.

values to tastes by assuming a single use value devoid of any qualitative differences, i.e. a purely quantitative aggregate. This negates the distinction between needs and wants in the three objectives of work, with all this implies for a limit to the division of labor that the intellectual dimension establishes in the first place. Indeed, "'need' is a non-word" in neoclassical economics.[33] As Nicholas Georgescu-Roegen points out, it "reduces all wants to one general abstract want called 'utility.' In line with this reduction, one need not say 'these people need more shoes': instead, 'these people need more utility' should suffice."[34] Yet, common sense suggests that "he who does not have enough to eat cannot satisfy his hunger by wearing more shirts."[35] The conventional neoclassical approach assuming a single use value, or mono-utility, therefore implicitly attributes "to man 'faculties which he actually does not possess,' unless we could drink paper, eat leisure, and wear steam engines."[36]

The three objectives of work require a *multiple* utility approach in which each type of value combines an essentially useful object with the corresponding capacity to use it. Accordingly, "a mattress, knife, so much bread … are things that have by design particular qualities in virtue of which they are useful for particular purposes and meet particular needs, and they are inherently different."[37] At stake is the difference between a whole consisting of *qualitatively* different parts and a quantitative aggregate reducible to the *sum* of its parts.[38] The solution from the Islamic point of view is therefore *multiple* use values on one hand and a spiritual end on the other hand. Such a combination may appear paradoxical, since multiple use

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[33] William Allen, *Midnight Economist: Broadcast Essays III* (Los Angeles: International Institute for Economic Research, 1982), p. 23, as quoted in Mark Lutz and Kenneth Lux, *Humanistic Economics: The New Challenge* (New York: The Bootstrap Press, 1988), p. 21.

[34] Nicholas Georgescu-Roegen, "Utility and Value in Economic Thought," in *Dictionary of the History of Ideas*, ed. Philip P. Weiner, vol. 4 (New York: Charles Scribner & Sons, 1973), p. 458.

[35] Ibid, p. 457.

[36] Mark Lutz and Kenneth Lux, *Humanistic Economics: The New Challenge* (New York: The Bootstrap Press, 1988), p. 324.

[37] Scott Meikle, *Aristotle's Economic Thought* (Oxford: Oxford University Press, 1995), p. 16.

[38] The fundamental opposition between Islamic values and a mono-utility function is based on the polarity between "unity" and "uniformity" according to the technical vocabulary of contemporary Islamic philosophy. See for instance René Guénon's classic, *The Reign of Quantity and the Signs of the Times* (Ghent, New York: Sophia Perennis, 2001), particularly chs. 1 and 7.

values would seem to imply multiple ends, but it is possible given a *hierarchy* of levels of reality, as Islam and other religions assert.[39] (This approach also differs from a lexicographic function involving *multiple* ends related to different use values, since this compromises internal unity and consistency of preferences.[40]) A mono-utility approach should only be applied *within* a given need or want, not *between* needs and wants, e.g. choices involving tastes rather than values. The incorrect application of neoclassical theory therefore compromises any limit to the division of labor based on a hierarchy of spiritual and other needs.

In this sense, the neoclassical economic claim to provide a neutral theory of choice can effectively smuggle a form of psychological hedonism into economic policy while suppressing the need for substantive philosophical debate over these policies.[41] This draws the wrong welfare and efficiency implications for ethical constraints in favor of libertarian policies. To help illustrate this point, imagine that we have the authority to prevent an evil act, and someone is trying to bribe us to permit it in violation of the third objective to work "in service to, and in cooperation with, others, so as to liberate ourselves from our inborn egocentricity." Although we may be unwilling to accept any amount of money to permit the evil act, we may also have a limit on how much we would be willing to pay to stop the same event that others have the authority to prevent. The two situations are different in the sense that the former is an "act" in which we participate to accomplish an evil, whereas the latter is an "event" others perform that perhaps we cannot afford to stop. The mono-utility approach, however, requires that willingness to accept (WTA) be equal to willingness to pay (WTP) (adjusting for "income effects" is not relevant in

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[39] Some economists may assume that a single end is incompatible with multiple use values, but this is only true if they are all on a single level of reality. Islamic treatises on philosophical ethics explicitly establish the ontological basis of multiple use values in the context of spiritual needs. For a classic example, see the "First Discourse" of Nasīr al-Dīn Tūsī's *The Nasirean Ethics*, translated by G. M. Wickens (London: G. Allen & Unwin, 1964).

[40] For a detailed discussion, see Waleed El-Ansary, "The Spiritual Significance of *Jihād* in the Islamic Approach to Markets and the Environment," chs. 1 and 4.

[41]The objection that a mono-utility function does not necessarily imply psychological hedonism, because mono-utility is compatible with psychological masochism hardly rebuts the current argument regarding the neoclassical exclusion of a hierarchy of spiritual and other needs. Moreover, one could define psychological masochism as a form of psychological hedonism.

this context and cannot account for divergences in contingent value surveys in any case[42]). This excludes the ethical values of one who "cannot be bought at any price," although it can accommodate the egoistic preferences of a miser or a hedonist. In fact, if we constrain choice to alternatives that equate WTA and WTP, no alternative is more "right" or "wrong" than any other (in the absence of special assumptions that the cost of eliminating the damage happens to equal WTA, theoretically allowing one to compensate for the damage in permitting an otherwise evil act). Unconditionally equating WTA and WTP therefore implies arbitrary choice from a normative point of view and denies a rational basis for ethics, with all this implies for the division of labor. As John Finnis points out, "there is no difference in principle between buying the right to inflict injury intentionally and buying the right not to take precautions which would eliminate an equivalent number and type of injuries accidentally."[43] In short, a mono-utility approach ultimately substitutes technical market solutions (appropriate for tastes) for substantive philosophical debate (appropriate for values).[44]

Paradoxically, the most important economist of the twentieth century from an Islamic point of view was not a Muslim, but a Christian, namely, E.F. Schumacher.[45] His personal library reveals the immense influence of contemporary Muslim philosophers, showing that he took far more extensive notes *within* the books of René Guénon (Shaykh 'Abdul Wāhid Yahyā), Frithjof Schuon (Shaykh 'Īsā Nūr al-Dīn), and Titus Burckhardt (Shaykh Ibrāhīm) than most other authors, including leading Catholic thinkers such as Jacques Maritain. Moreover, this Islamic influence appears in Schumacher's notes for a 24-lecture course he taught at London University in 1959 and 1960 entitled "Crucial Problems for Modern Living."[46] His lecture notes are highly detailed with extensive commentary and references, including notes on the perennial

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[42] See for instance Mark Sagoff, *Price, Principle, and the Environment* (New York City: Cambridge University Press, 2004); and Thomas C. Brown and Robin Gregory, "Survey: Why the WTA-WTP Disparity Matters," *Ecological Economics* Vol. 28 (1999), pp. 323–35.

[43] John Finnis, "Natural Law and Legal Reasoning," *Cleveland State Law Review*, Vol. 38:1, 1990, p. 12.

[44] For a detailed exposition of this, see Waleed El-Ansary, "The Spiritual Significance of *Jihād* in the Islamic Approach to Markets and the Environment," chs. 1–3.

[45] For Schumacher's biography, see Barbara Wood, *Alias Papa: A Life of Fritz Schumacher* (London: J. Cape, 1984).

[46] See Waleed El-Ansary, *Not by Bread Alone: E. F. Schumacher and Islamic Economics* (Bloomington, Indiana: World Wisdom, forthcoming 2012).

philosophy and Burckhardt's *Alchemy: Science of the Cosmos, Science of the Soul* in German. However, Schumacher died a few weeks before a scheduled meeting on Islamic economics in Tehran with Seyyed Hossein Nasr. Despite such profound influences, this foundation of Schumacher's work is not widely known. But it is precisely this type of interfaith intellectual collaboration that points the way forward.

Islamic Mysticism and Socio-economic Equilibrium

The connection between religious beliefs and economic praxis is particularly clear in Islamic mysticism, the dimension of *ihsān*, or 'right intention,' which has always been closely wed to the Islamic productive sciences. As Yusuf Ibish points out,

> The Damascene weavers, for example, preceded their work by hours if not days of spiritual preparation: prayers, meditation and contemplation were an integral part of the creative process, at the end of which beautiful design would emerge: outwardly inspiring designs reflecting inwardly the realised harmony with the source of all inspiration. One could say the same for the calligraphers: purity of soul and nobility of character were regarded as indispensable conditions for the accomplishment of this, the sacred art of Islam *par excellence*.[47]

Greed would be inconsistent with the spiritual vision necessary to execute the art that results from this inner work, for the necessary condition in this approach to the making of things is consciousness of one's contingency and complete dependence on the Absolute, or "spiritual poverty" (*faqr*).[48] (This explains the fact that, although traditional craftsmen generally had adequate incomes, they did not amass significant wealth.[49]) *Ihsān* is thus clearly connected to the

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[47] Yusuf Ibish, "Traditional Guilds in the Ottoman Empire: An Evaluation of their Spiritual Role and Social Function," *Islamic World Report* (1999), p. 6.

[48] For the man who has acquired *faqr*, its immediate consequence is "detachment with regard to all manifested things, for the being knows from then on that these things, like himself, are nothing, and that they have no importance whatsoever compared with the absolute Reality." This detachment implies "indifference with regard to the fruits of action… which enables the being to escape from the unending chain of consequence which follows from this action" [Rene Guenon, "*Al-Faqr* or 'Spiritual Poverty'," *Studies in Comparative Religion*, Winter Issue (1973)].

[49] "It is indeed interesting to note that, among those who had become large landowners (in Egypt) in the 19th century – perhaps the most significant sign of affluence at the time – we have not found a single shaykh [master] of a guild"

third objective of work, "to liberate ourselves from our egocentricity," although this dimension also affects the distribution of useful and necessary goods and services in the first objective, as well as the use and perfection of our gifts in the second objective.

In traditional Islamic society, the guilds (*asnāf*, sing. *sinf*) transmitted these doctrines and practices on the division of labor, production, and market exchange that allowed man to live in harmony with himself, his fellow men, and nature.[50] Of course, we are not suggesting a replication of Islamic economic history. But this history can serve as a source of inspiration for understanding how Islamic economic principles were previously applied and how we can apply them today. Prior to the late nineteenth century, the guild system comprised practically the entire gainfully occupied population in Islamic towns.[51] The guilds themselves highlighted their religious origins with important implications for interreligious cooperation:

> … practically every guild identified a particular Prophet or saint as being the patron of its particular craft, thus endowing the craft with something of the sacred character of the personage… . For example, the carpenters took as their patron the Prophet Noah: having built the ark, he stands forth as the exemplary master carpenter. The Virgin Mary was adopted by the weavers as their patroness: it was she who wove the swaddling clothes for the child Jesus. The Persian companion of the Prophet, Salman al-Farisi, having been the Prophet's barber, was the patron of the barbers' guild… . The Caliph 'Umar was reputed to have

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[Gabriel Baer, *Egyptian Guilds in Modern Times* (Jerusalem: Israel Oriental Society, 1964), p. 74]. In fact, if a particular shaykh or master craftsman did happen to amass wealth, it was frequently donated to an Islamic educational or religious institution such as a *madrasah* or a *zāwiyah*.

[50] Brian Keeble, *Art: For Whom and For What?* (Ipswich, UK: Golgonooza Press, 1998), p. 4.

[51] Gabriel Baer, *Egyptian Guilds in Modern Times*. In the case of Cairo, Baer explains:

> Not only were all the artisans and merchants organized in guilds according to their crafts and trades, but also people engaged in transport (such as donkey-drivers) and in services (such as story-tellers and other types of entertainers). The guild system embraced owners of shops… , owners of workshops (*karhane*) such as starchworkers, makers of wax and candles, makers of dyes, bottles, carpets, etc.; owners of large stores (*mahzen*) such as salt-merchants, corn-merchants, iron-merchants, etc. There were also guilds of people who worked in their own houses, such as painters and those who worked with sulphur ('because of the bad smell'), as well as of salaried workers (e.g. in the building trade) and government employees, such as employees of the mint… . Both rich and poor had their guilds: corn-merchants as well as sewermen, saddlers as well as makers of rope (pp. 5-6).

Even the *ulamā'*, or religious scholars, had their own organization that was not dissimilar to the guilds (47).

> said that he would have adopted perfume-making as his profession: if he made no profit, he would at least have with him always a beautiful scent – hence his adoption by the perfumiers as their patron.[52]

In fact, the link between the prophets encouraged the existence of inter-faith guilds as well as promoting harmony between different intra-faith guilds in traditional Islamic civilization.[53] There was thus a link between members within a particular guild as well as between guilds, for all had a common origin.

This approach to production and social organization entails a system of personal exchange in which coordination between members is highly manageable. In fact, traditional craftsmen accepted the duty to supply their goods at "just" and stable prices, since the division of labor was a duty, not just a right.[54] To avoid over- or under-supply of the market at a particular time, for example, a master craftsman could postpone or accelerate taking on extra apprentices while another qualified craftsman had insufficient or excess work, respectively. Equilibrium therefore occurred by design based on spiritual principles rather than as an unintended consequence of greed.

Motivational assumptions are thus clearly important in the traditional Islamic economic system, tightly linking ethics and economics. Even if guilds became corrupt in places such as Western Europe after the Renaissance, as Adam Smith asserts, this does not imply that *all* guilds were necessarily corrupt in *all* places at *all* times. In the case of Islamic economic history, it would be incorrect to assume that greed was automatically the motivating cause of traditional production and exchange, and that the hidden purpose of the guilds was simply to serve the interests of its members by eliminating competition and increasing prices to the consuming public.

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[52] Yusuf Ibish, "Traditional Guilds in the Ottoman Empire: An Evaluation of their Spiritual Role and Social Function," *Islamic World Report* (1999), pp. 6-7. He adds that, "material work and holy significance were in this manner never allowed to diverge, the sacred was manifested outwardly in the work, and the work was ennobled by the inward presence of the sacred."

[53] See for instance Bernard Lewis, "The Islamic Guilds," *Economic History Review* (1937), pp. 20-37.

[54] See for instance volumes 17 to 19 on prices (*al-as'ar*; sing. *si'r*) in Ali Goma'a (ed.), *Revealing the Islamic Economic Heritage* (*Takshīf al-Turāth al-Islāmī al-Iqtisādī*) (Cairo: International Institute of Islamic Thought, 1997).

Since the nineteenth century, the guild system in the Islamic world has been devastated by the advent of colonialism and by attempts to imitate Western industrialization, breaking the connection between work and spiritual education.[55] Nevertheless, some guilds survive to this day from Fez to Benares, and it is vital to carefully examine how and why they survive to help inform an integral Islamic development strategy.[56]

Accordingly, the first step in an integral Islamic development program must be recovering the Islamic intellectual heritage, shaping education accordingly, and bringing forth Islamic science and technology.[57] Education is indeed the "greatest resource," for it shapes supply and demand according to Islamic principles, so to speak. On the one hand, the contemporary Islamic educational system must integrate the findings of modern physics into higher orders of knowledge based on the traditional sciences of nature, and on the other hand, contemporary Islamic productive sciences must integrate *neutral* technologies into the making of things based on traditional metaphysical principles. We conclude with Titus Burckhardt's masterful and penetrating summation of the current situation of traditional craftsmen still left in the Islamic world:

> I knew a comb-maker who worked in the street of his guild, the *mshshātin*. He was called 'Abd al-Azīz (the 'slave of the Almighty') and always wore a black *jellaba* – the loose, hooded garment with sleeves – and a white turban with a *lithām*, the face veil, which surrounded his somewhat severe features. He obtained the horn for his combs from ox skulls, which he bought from butchers. He dried the horned skulls at a rented place, removed the horns, opened them lengthwise, and straightened them over a fire, a procedure that had to be done with the greatest care, lest they should break. From this raw material he cut combs and turned boxes for antimony (used as an eye decoration) on a simple lathe; this he did by manipulating, with his left hand, a bow which, wrapped

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[55] "The conquered imitate the conquerors" as Ibn Khaldun suggested, creating an educational "domino effect." Ibish also points out:

> In many instances, the colonialists were looking for raw materials and markets and hence their first victims were the local manufacturers. The reorganization of local government under colonial rule and the introduction of new systems of taxation weakened the powers of the traditional authorities and hit the crafts severely. … New, oppressive taxes and duties caused many trades to be taken over by Europeans, because they were exempted from taxes by the capitulations (124).

[56] Seyyed Hossein Nasr, *Heart of Islam*, p. 180.

[57] As Schumacher argues, the modern world "has been shaped by its metaphysics, which has shaped its education, which in turn has brought forth its science and technology" (E.F. Schumacher, *Small Is Beautiful*, p. 120).

round a spindle, caused the apparatus to rotate. In his right hand he held the knife, and with his foot he pushed against the counterweight. As he worked he would sing Qur'ānic sūrahs in a humming tone.

I learned that, as a result of an eye disease which is common in Africa, he was already half blind, and that, in view of long practice, he was able to 'feel' his work, rather than see it. One day he complained to me that the importation of plastic combs was diminishing his business: 'It is not only a pity that to-day, solely on account of price, poor quality combs from a factory are being preferred to much more durable horn combs,' he said; 'it is also senseless that people should stand by a machine and mindlessly repeat the same movement, while an old craft like mine falls into oblivion. My work may seem crude to you; but it harbours a subtle meaning which cannot be explained in words. I myself acquired it only after many long years, and even if I wanted to, I could not automatically pass it on to my son, if he himself did not wish to acquire it – and I think he would rather take up another occupation. This craft can be traced back from apprentice to master until one reaches our Lord Seth, the son of Adam. It was he who first taught it to men, and what a Prophet brings – for Seth was a Prophet – must clearly have a special purpose, both outwardly and inwardly. I gradually came to understand that there is nothing fortuitous about this craft, that each movement and each procedure is the bearer of an element of wisdom. But not everyone can understand this. But even if one does not know this, it is still stupid and reprehensible to rob men of the inheritance of Prophets, and to put them in front of a machine where, day in and day out, they must perform a meaningless task.'[58]

Conclusion

Islamic intellectual and productive sciences suggest a limit to the division of labor for integral development, whereas Islamic law suggests a minimum division of labor to fulfill the material needs of the community. This combination links ethics to economics in both production and exchange, the breaking of which has dire consequences for both man and nature from the Islamic point of view. Economic realities cannot therefore be governed by their own logic and systems.

Accordingly, the opposing claim that ethics is irrelevant to economics only applies to an economic system that has already surrendered the spiritual objectives of work through an excessive division of labor based on a reductionist view of man and nature. It does not apply to choices within an Islamic (or other religiously defined) economic system based on traditional

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[58] Titus Burckhardt, *Fez: City of Islam*, trans. William Stoddard, as cited in Ibish, pp. 124-125.

metaphysics or to choices between systems *a fortiori*. Thus, there are no economic laws separate from spiritual ones, and economics cannot be a separate science.

Linking ethics and economics therefore requires far more than Islamic law. To employ the categories of Islamic thought, knowledge, or *al-'ilm*, must accompany action, or *al-'amal*. In short, integral development requires the legal/ethical, intellectual, and esoteric dimensions of an integral tradition. The *Hadīth* of Gabriel thus provides the basis for a new paradigm in economic theory and practice.