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Shari'ah Economics as Autonomous Paradigm: Theoretical Approach and Operative Outcomes

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Abstract

Reviewing the ethical approach to Islamic economics and finance, this paper proposes a conceptualization of Shari'ah economics as a scientific paradigm autonomous from the conventional one. Accordingly, it derives from this conceptualization operative outcomes for the structuring of services and products in the Islamic financial market, and their relation with conventional economics.

Keywords

Shari'ah economics, ethical investments, scientific paradigm

Summary

This paper proposes a conceptualization of Shari'ah economics as a scientific paradigm that is autonomous from the conventional one. To this objective, it addresses both theoretical issues and operative aspects.

The first section of the paper is theoretical. (1) After clarifying the notion of paradigm in epistemology of science, (2) the study preliminarily reviews the ethical approach to Islamic economics and finance (IEF) for its intrinsic incapability to challenge conventional economics as universal paradigm. In fact, by setting an antithesis between *homo-Islamicus* and *homo-economicus*, this approach implicitly *re-affirms* the validity of the 'universal', locating Shari'ah economics, as a 'particular' case of ethical investments, in an *ana*-logical relationship with it, where Islamic values *rectify*, but do not substitute, conventional rationales (*Shari'ah-compliant economy*). (3) On the contrary, moving from an approach 'universal/particular' to a perspective 'one/many', the paper argues that the autonomy of Shari'ah economics can be properly recognized by *internalising* Islamic values within an *Islamic economic rationality* as intellectual endeavour (*ijtihad*) aimed at reconciling divine omnipotence and human agency (*Shari'ah-based economy*). Marking this turning point, the rationales of Shari'ah economics are coherently identified through Shari'ah (Qur'an and Sunna) in (a) the primacy of real economy over finance; (b) the equilibrium in commercial transactions; (c) asset-backed and risk-sharing investment strategies, as expression of a theory of justice that is *not* based on the *division* of economic resources (conventional economics), but on *sharing* goods through *participating* in the unique divine justice (Shari'ah economics), and that can be set in a *dia*-logical relation with the former.

From this theoretical shift, the paper derives relevant operative outcomes. (4) While in the approach 'universal/particular' Shari'ah economics, as a 'particular', necessarily depends on the 'universal' for its elaboration, in a perspective 'one/many' IEF stands without a necessary comparison with/dependence on conventional economics. In other terms, since IEF products and services enjoy their *own* rationales, they can be 'thought' as Shari'ah-based and not simply Shari'ah-compliant. Accordingly, their configuration does not merely *rectify* conventional economics, but becomes 'self-conceivable' according to its *own* logical paradigm. On the matter, as practical examples, issues related to Islamic banking regulation and to the admissibility of Islamic derivatives are briefly discussed.

(5) Rejecting an '*ana*-logical' discourse ('one' paradigm) in favour of the recognition of 'many' autonomous paradigms, the paper concludes by emphasizing the viability of a *dia*-logical relationship

between conventional and Shari'ah economics, both in the light of the Qur'an and the rejection of a Eurocentric conception of science.

1. The notion of paradigm in science epistemology: application to Shari'ah economics

While the *Oxford English Dictionary* (Hornby 2000) defines paradigm as 'a typical example or pattern of something', in the more specialized language of science epistemology its meaning is undoubtedly linked to the influential work by Thomas Khun.

In his book *The structure of scientific revolutions* (1962) Khun defines a 'scientific paradigm' as a whole of 'universal recognized scientific achievements that, for a time, provide model problems and solutions for a community of researchers'. A paradigm, by setting *what* is to be observed and *how* the investigation has to be conducted, involves a shared whole of substantial assumptions and methodological techniques which assures, according to its community members, the attainment of valid propositions. According to Khun, history of science can be described as going through periods of 'normal science' and 'scientific revolutions', where the paradigm is drastically challenged through a 'paradigmatic shift' (e.g. Ptolemaic geocentric/Copernicus' heliocentric theory; Newtonian/Einstein's physics; and so on). The ways of understanding the reality by different paradigms are largely incommensurable in natural sciences: as Kuhn points out, 'in a sense that I am unable to explicate further, the proponents of competing paradigms practice their trades in different worlds' (Khun 1970, p. 150). On the contrary, looking at social sciences, where concepts are intrinsically polysemic, paradigms in a strict sense do not exist (Khun 1970, p. x; Dogan 2001), being replaced by competing sub-disciplines and research programmes. In this specific regard, Larry Laudan (1977) refers to the idea of different 'research traditions', which can play a dominant or recessive role over the time.

Without entering the debate upon the epistemological distinction between a 'paradigm' (in the strict sense of natural sciences) and a 'research tradition' (with regard to social sciences), but considering the two terms interchangeable for the objectives of this work (being their meaning linked to an underlying social/scientific whole of research postulates), this paper aims at proposing a conceptualization of Shari'ah economics as a paradigm/research tradition that is autonomous from the conventional one.

In particular, while showing that conventional and Shari'ah economics, as competing paradigms, are largely incommensurable in their theoretical approaches, this study remarks the possibility of their operative co-existence (thus adhering to Laudan, according to a perspective 'one'/'many': Paragraph 4). More precisely, conventional and Shari'ah economics are interpreted as autonomous rational discourses (MacIntyre 1988) framing competing paths to economic development a *dia*-logical relationship (Paragraph 5).

Prior to this, anyway, the paper preliminarily reviews the mainstream ethical approach to Islamic economics and finance, arguing that Islamic moral economy suffers from intrinsic weakness for its incapability to challenge the universality of conventional economics as unique paradigm (Paragraph 2). Conversely, moving from an approach 'universal/particular' to a perspective 'one/many', the discussion founds the scientific autonomy of Shari'ah economics on the postulates of Islamic rationality as an intellectual endeavour (*ijtihad*) aimed at reconciling divine omnipotence and human agency in the creation, in relation to a theory of justice that is *not* based on the *division* of economic resources, but on *sharing* goods by *participating* in the unique divine justice (Paragraph 3).

2. The ethical approach to Islamic economics and finance: theoretical weakness of an approach 'universal/particular'

The moral economy of Islam attempted to overcome the shortcomings of the current models of development by proposing an economic system based on Islamic values. However, there seems to be a divergence between the aspirations of the moral economy of Islam and the realities of Islamic banking and finance, since the latter focuses on economic optimality, neglecting the ideals of social justice (Asutay 2012, p. 20).

The previous extract represents a 'paradigmatic' example (not in Khunian, but in common language terms) of the ethical approach to Islamic economics and finance (later on, IEF) which is still predominant in the literature, and identifies in Islamic moral economy (IME) the fundamental distinction of Shari'ah economics in comparison to conventional economic thinking.

In brief, in IME Shari'ah economics is conceptualized according to a value-oriented proposition, frequently referring to *homo-Islamicus* as an ethical antithesis to *homo-economicus*. Accordingly, the current social failure of IEF is explained in terms of insufficient concretization of IME, due to the 'mimicking' tendency by Islamic banking and financial institutions (IBFIs) to replicate conventional structures (Asutay 2007 and 2008).

IME assumes a morally oriented individual at its methodological base, which can be considered as '*homo Islamicus*'. [...] [But] IBFIs have compromised on their 'moral economy' related objectives and outcomes by locating themselves within neo-classical [i.e. conventional] economics (Asutay 2012, pp. 22-23).

Certainly, it cannot be denied that IME, in relating economic behaviour to Islamic ethical values (Hourani 1985) promotes an understanding of economic justice (*adalah*) related to the objectives of Shari'ah (*maqasid al-Shari'ah*) (Arif 1989). But, does this deontological understanding of economics as a value-oriented proposition effectively challenge conventional economics as universal paradigm?

I strongly doubt it.

To be clear, the point here is *not* doubting the indisputable religious and moral foundations of IFE, but to evaluate *if* a Shari'ah-based (and not merely Shari'ah-compliant) model of IFE can be properly founded on IME. In other terms, the reasoning does not contest the ethical bases of IEF, but the aptness of IME (as a theoretical approach) to identify Shari'ah economics as something 'different' from the conventional *homo-economicus*, as the following extract claims.

The essence of this [IME] approach is the realization that there is a substantial difference between the Western *homo-economicus*, the rational man, who has discarded all religious and ethical teachings and acts purely to maximize his profit, and the *homo-Islamicus*, the Muslim person, who also tries to maximize his profits but does so subject to the laws and ethics of Islam. [...] the *Shari'ah* compliant approach, to the extent that it borrows economic laws and financial institutions from the West, ends up subjugating the *homo-Islamicus* to the laws designed for the *homo-economicus* (Cizakca 2011, pp. 5-6).

In my opinion, IME suffers from at least two epistemological limits.

On the one side, by identifying the rational/secular *homo-economicus* as acting in denial of any social justice, a reduction of the human being to greedy economic actor, outside Islam, is apodictically proclaimed. This anthropological nihilism represents an unfortunate oversimplification, that not only obscures the efforts by conventional economics to promote social justice (as a recent example, Sen 2009), but also forgets deep religious elements that Western capitalism embodies (on the matter, Weber 1958; see also, in a historical perspective, Le Goff 1986 and 2010).

On the other side, and to a certain extent paradoxically, the more IME depicts *homo-Islamicus* in terms of an ethical opposition to the rational/secular *homo-economicus*, the more it contributes to *re-affirm* the validity of conventional economics as unique 'logic', i.e. as a rational discourse enjoying the status of a universal scientific paradigm, and denies its own *Islamic rationality*. As a result, Shari'ah economics is reduced to an ethical 'particular' of a 'universal' as they were *ana-logues* (from the Greek *ana-*, 'again', and *logos*, 'discourse' = 'similar discourses' resembling one another) when, in actual facts, they are not: in a classic default of anti-thetical reasoning, the 'thesis' is implicitly confirmed by re-naming its validity as starting point of the discussion.

Thus, not by chance, the idea of *homo-Islamicus* always stands by opposition to *homo-economicus*, which paradoxically remains, in this way, the real 'protagonist' of the discourse; IEF is explained 'in the negative', i.e. by rejecting the aspects of conventional economics prohibited by *Shari'ah* (e.g. the absence of interest-based transactions; the avoidance of activities involving speculation), while *riba*, *gharar* and *maysir* are not described in positive terms, i.e. as expressions of a self-founding Islamic rationality; in the same way, even the principles 'in the positive' of Shari'ah economics, such as risk-sharing and the favour towards real economy, are conceptualized in opposition to the debt-based and excessively financialized conventional economy.

In a nutshell, within a discourse which continues to be related to a unique paradigm, Shari'ah economics is unconsciously reduced to a sub-category of the loose realm of ethical investments (Cattelan 2010) lacking in autonomous rationality, while conventional economic paradigm, on the background, remained unquestioned. Better, the very existence of Shari'ah economics in the IME approach logically depends on the persistence of the conventional paradigm, being the 'injection' of

Islamic religious values simply conceived as a 'moral' constraint to Western individualistic attitude in an *ana*-logical relationship with it (Figure 1).

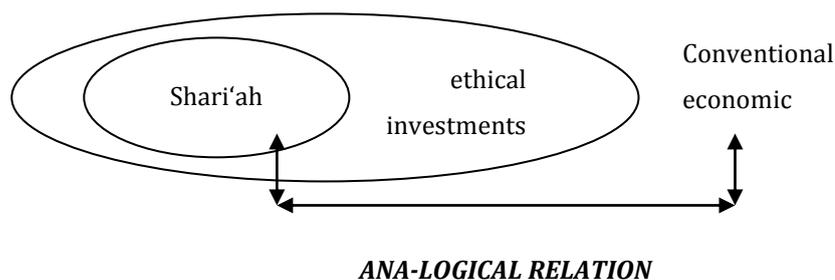


Figure 1 – Shari'ah economics conceptualized in terms of ethical investments: conventional paradigm remains unquestioned = ana-logical relation

3. Shari'ah economics and Islamic rationality: recognizing alternative paradigms according to a perspective 'one/many'

Making up for this theoretical weakness, this paper proposes an understanding of Shari'ah economics as a scientific paradigm autonomous from the conventional one, moving from an approach 'universal/particular' to a perspective 'one/many'.

In other words, while the IME approach results in the conceptualization of IEF as an 'ethical' particular of a conventional 'universal' (interpreting Islamic religious values as a moral constraint to the individualistic attitude of *homo-economicus*), speaking of 'many' alternative economic paradigms permits to highlight the nature of Shari'ah economics as *autonomous rationality*.

But which is the essence of this autonomous rationality?

This autonomy can be logically founded on *Islamic rationality as expression of God's will*, that is to say as an intellectual endeavour (*ijtihad*) aimed at reconciling the divine omnipotence of the Creator and the human agency (*khilafah*) in the creation, as specific foundation of the Shari'ah economic paradigm. In other words, rectifying the IME approach to IEF, this paper argues that the ethical dimension of Shari'ah economics should not be *externalised* as a corrective to conventional economic thinking (as it occurs in the *ana*-logical antithesis *homo-Islamicus vs. homo-economicus*), but *internalised* in Shari'ah economics as manifestation of Islamic rationality. Only in this way, by recognizing the logical autonomy of Shari'ah economics in terms of Islamic rationality (and not according to comparative terms with conventional economics), IEF products and services can be conceived within their *own* logic, as expression of an autonomous paradigm, and 'thought' as authentically *Shari'ah-based* and not simply Shari'ah-compliant.

The issue, then, becomes not the 'moralization' of economics by opposing Shari'ah standards to the conventional ones (which finally leads to an *ana*-logical description 'in the negative'), but a coherent disclosure of Islamic rationality *outside/beyond* conventional economic paradigm, with a *scientific paradigm autonomously nourished by Shari'ah (primarily Qur'an and Sunna) through human ijtihad*, whose logics can be consequently described 'in the positive', without any antithetical opposition. In this way, by rejecting the effects of an *ana*-logical discourse ('one' paradigm) in favour of the recognition of autonomous logics ('many' paradigms) in conventional and Shari'ah economics, a *dia*-logue between the former and the latter becomes actually possible in logical terms (Paragraph 5).

But which are the logical postulates of this *Islamic economic rationality* founding an autonomous paradigm on Shari'ah sources (Qur'an and Sunna)?

(a) First and foremost, Islamic rationality upholds a conceptualization of justice (*adl*) as expression of the divine Will in establishing what is 'right' (*haqq*: *Haqq* is also a name of Allah) through the Truth (again, *haqq*) given in the revealed Path (*Shari'ah*). More precisely, not only is Allah the only 'sovereign' of all the universe as Legislator (*Hakim*), but He is also the only 'Actor' of the creation, while the human beings simply perform His will as 'agents' (Watt 1985; Netton 1989).

Q. 2:117: '... When He decrees a matter, He only says to it: "Be!" – and it is'

In this constant tension between divine omnipotence and human agency, God's decree (*hukm*) determined the pre-defined status of the action that the reality ontologically asserts in the right (*haqq*): in a nutshell, the rights (*huquq*, pl. of *haqq*) are the means thanks to which God *realizes* (in the proper sense of 'making' real in the creation) that status. In this constant interdependence *hukm/haqq*, giving rise to 'a vision of reality as being in its essence imperative, a structure not of objects but of wills' (Geertz 1983, p. 187), the *haqq* enjoys a sort of 'material' connotation (not by chance 'reality' is one of the various meaning of *haqq*, next to 'truth' and 'right': Lane 1985) as a 'concrete' entity whose 'place' is necessarily compliant with the *hukm*. On the point, Smirnov remarks that in the Islamic conception of justice, 'what is meant is not ensuring the freedom of the subject of rights, but ensuring something real to the person' (Smirnov 1996, p. 344). A postulate of **primacy of real economy over finance** is consequently conceptualized in Islamic rationality in relation to the human performance of God's Will, by *internalising* ethical postulates in its rational/logical discourse.

(b) Not only is the 'real' (*haqq*) deeply moralized in Islam, but the 'right' (again, *haqq*) as materialization of God's decree (*hukm*) reflects in its conceptual structure the unity (*tawhid*) of the creation, to the extent that an opposition between the 'right' (the active side of a bilateral juridical relation) and the obligation (its passive counterparty), as in the Western legal thought, does not exist anymore. In the light of social justice, the Shari'ah does not seek to eliminate the distinction between rights and obligations or to emphasize their duality and division [...]. In the Qur'an, right and duty merge into justice so much so that they become, in principle, an extension one another. [...] *hukm* (ruling) subsumes both rights and obligations. The relationship between ruling and justice is also of means and ends: a ruling is the means towards justice, while the fulfilment and realization of *haqq* in its dual capacities of right and obligation is predicated upon justice. Islam thus seeks to establish justice by enforcing Shari'ah rulings which, in turn, is expected simultaneously to mean the proper fulfilment of rights and duties (Kamali 1993, p. 357).

Thus, since the *haqq* is not conceived as the 'right' of a person in opposition to the 'right' of another person, but as both the right and the obligation, which make sense 'only within the *unity* of the "elements"' (Smirnov 1996, p. 345; emphasis in the original text) in equilibrium (*mizan*, 'balance' as synonym of justice, 'adl'). Accordingly, with reference to the archetype of a balance as metaphor of justice, one may say that Western thinking is concerned with the pans of the scales and their contents, while for classical Islamic thought the stress lies on the central balancing pivot. It is making one equal to the other (equality between two necessarily *separate* entities) that is important in the first case, and theoretical discussion tries to determine the accuracy of this equalising... In the second case it is the fact of balancing the opposites that is important, this balance being centred by means of the centring and mediating pivot; the theoretical task is to find out how the two might be linked to form a balanced unity and what the conditions are for such a linkage (Smirnov 1996, pp. 346-347).

As I have already stressed in a previous paper (Cattelan 2009), only contextualizing the *haqq* within this Islamic theory of justice, the doctrines of *riba*, *gharar* and *maysir*, commonly interpreted as evidence of the ethical bases of IEF in terms of avoidance of exploitation of the poor (an approach that leads to explain IEF in the *ana*-logical terms of interest- and speculation-free economics, unconsciously re-affirming the postulates of the conventional paradigm), express a requirement of 'balanced unity', of an **equilibrium in the transaction** in terms of avoidance of unjust enrichment (*riba*), unreasonable risk (*gharar*) and gambling (*maysir*) (on the matter, see El-Gamal 2000 and 2001; Saleh 1992, p. 16). As with reference to the primacy of real economy over finance, by *internalising* Islamic ethical postulates in the logical discourse of Islamic rationality, no *ana*-logical relations are needed with the conventional paradigm, and an autonomous logics emerges, a logic whose values are realised in the *haqq*, and specified in the prohibitions of *riba*, *gharar* and *maysir*, which represent a logical consequence of a conception of justice where 'rights' do not compete one against the other, like in the Western tradition, but are 'share'... of the unique, divine justice, according to an ontological status of the action [the *hukm* as God's Will] (Cattelan 2009, p. 396).

(c) The last extract allows, with reference both to (a) and (b), to highlight the third fundamental postulate that founds Shari'ah economics within Islamic rationality, that is to say the **focus on asset-backed and risk-sharing investment strategies**, that emerges from the Qur'an and the Sunna:

Q: 2:275: '... Allah has permitted trading and forbidden *riba*'

Sunna (al-Bukhari): 'The Prophet said: "Profit accompanies liability for loss" (al-kharaj bi-l-daman)'

As remarked for the previous two rationales, the preference for asset-backed (e.g. *murabaha* or *ijara*) and risk-sharing (e.g. *mudaraba* or *musharaka*) contractual schemes in IEF should not be ethically intended in the light of a fair distribution of economic resources among all the members of the community (in an opposition to the greedy attitude of *homo-economicus*), not it should be explained in rejection of the financialization of conventional economics with the dominance of debt-based structures. On the contrary, a self-founding explanation of distributive justice as Shari'ah-based can be set by recognizing how IEF embraces a capitalist model of development, where labour and investment are the only legitimate instruments for the acquisition of properties and where money (lacking in any tangible nature) cannot be conceived as commodity, but only as a means of exchange and investment in real activities. In other terms, Islamic distributive justice necessarily refers (from a 'paradigmatic' perspective) to **(a)** 'real' (*haqq*) assets according to a **(b)** balanced unity, which do not signal a major solidarity as ethical value, but *embodies* this solidarity in a **rationality based on participating in a unique justice**, where profits and gains are coherently distributed among the partners.

What we find, applying a perspective 'one/many', is a theory of economic justice in Islamic rationality that, logically speaking, cannot be 'reduced' to its conventional counterparty (*ana*-logical default implied by IME).

In fact, in the **conventional economics paradigm** the individual is conceived at the same time source and beholder of any right ('rights' as opposing logical entities) as well as centre of attribution of economic resources, seen as separate 'portions' of justice to be achieved by competition in the marketplace. As a result, in this conceptual framework, competition in the **division** of economic resources becomes the paradigm for economic justice (Cattelan 2013a, p. 6).

Moving from independent assumptions, which cannot be said commensurable to those of this conventional paradigm (as Khun points out, 'the proponents of competing paradigms practice their trades in different worlds': 1970, p. 150), in **Shari'ah economics paradigm** the assumption of the centrality of God as the only Creator has directed... towards a conceptual framework focused not on dividing separate portions of economic justice, but on **participating** in the unique divine justice ('*adl*') by **sharing** economic resources. Accordingly, jural inter-personal relations have been framed through the lenses of a human agency towards God, witnessing the conception of life as God's vice-regency [i.e. agency] on Earth. [...] ... the prohibitions of *riba*, *gharar* and *maysir*, which may appear from an external eye simple moral corrections to Western economic thought, are, on the contrary, logical consequences of an autonomous rationality interested not on the contents of the pans (as 'portions' of justice), but on maintaining the central balancing pivot of the scale, 'sharing' divine justice (Cattelan 2013a, p. 7; emphasis added).

To conclude by summarising the previous points, the scientific autonomy of Shari'ah economics as alternative paradigm can be derived from the understanding of

- (a) the primacy of real economy over finance not in terms of 'ethical superiority', but in relation to the performance of God's 'decree' (*hukm*) in 'rights' (*huquq*) linked to tangible goods;
- (b) the prohibitions of unjust enrichment (*riba*), unreasonable risk (*gharar*) and gambling (*maysir*) not in terms of avoidance of exploitation of the poor, but in the light of maintaining an equilibrium in the transactions as expression of the divine unity (*tawhid*);
- (c) the preference for asset-backed and risk-sharing investment strategies as specific rationales linked to a capital model whose assumptions derive from a theory of justice that is *not* based on the *division* of economic resources (conventional paradigm), but on *sharing* goods and *participating* in the unique divine justice (Cattelan 2013b).

Postulating the logical independence between conventional and Shari'ah economics, the *ana*-logical default is overcome by a *dia*-logical relationship between 'separate' discourses, which autonomously contribute to the development of the economic and financial system as competing models for growth (Figure 2).

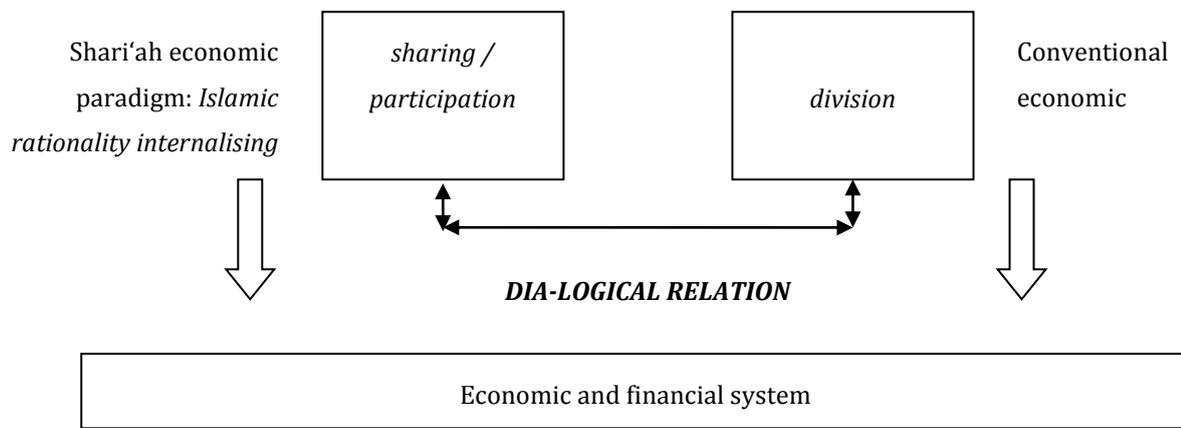


Figure 2 – Shari'ah economics conceptualized in terms of autonomous paradigm = dia-logical relation

4. From 'universal/particular' to 'one/many': operative outcomes

As shown, moving from a 'universal/particular' approach (where Islamic values merely rectify the rationality of conventional paradigm – Shari'ah-compliant economy) to a 'one/many' perspective (where Islamic values are wholly embedded in the rationality of Shari'ah economics – Shari'ah-based economy), a *dia*-logical relation (= a relation resulting 'through', 'across' a discourse between 'separate' entities) can be established.

Indeed, in the IME approach, the implicit perpetuation of the conventional paradigm as 'universal' reduces Shari'ah economics into a 'particular', which necessarily depends on the former for its operative elaboration: thus, IEF is constantly interpreted in comparison to conventional economic theory (universal); its religious/moral values are deemed to be a 'correction' of the conventional paradigm (universal) in the form of ethical investments (particular). Being the relation merely *ana*-logical ('similar to'), services and products are (necessarily) structured by replicating conventional ones according to a 'form-above-substance approach' (El-Gamal 2006, p. 2), thus merely mimicking the rationales of conventional economics through a logical process 'in the negative' (*no*-interest; *no*-speculation; *no*-gambling; *no* debt...), which perpetuates the validity of conventional economics as unique rational discourse: the starting point in this formula is conventional financial practice, from which Islamic finance deviates only insofar as some conventional practices are deemed forbidden under Shari'a.

In other words, Islamic finance is not constructively built from classical jurisprudence [i.e. *Shari'ah*-based]. Rather, Islamic alternatives or modifications of conventional practice are sought whenever the latter is deemed forbidden. Thus, Islamic finance is a prohibition-driven industry (El-Gamal 2006, p. 8).

On the contrary, conceptualizing Shari'ah economics as autonomous paradigm by embedding Islamic values within its *own* rational discourse, IEF stands without a necessary comparison to conventional economics; it enjoys its own rationales, independently from conventional ones; in the Islamic financial market, services and products can be 'thought' as Shari'ah-based and not simply as Shari'ah-compliant. Accordingly, they can contribute to the development of the financial system (Figure 2) through autonomous configuration, and not simply by replicating conventional ones.

On the point, valuable examples can be made with regard to Islamic banking regulation and the admissibility of Islamic derivatives contracts.

On the side of Islamic banking regulation, the literature is already massive (e.g. Chapra and Khan 2000; Cihak and Hesse 2008; El-Hawary, Grais and Iqbal 2004 and 2007; IFSB 2005; Sundararajan and Errico 2002). Regrettably, anyway, the perpetuation of an *ana*-logical approach has led national regulators (both in Arab and non-Arab countries; Malaysia is an exception with its dual banking system) to simply add a section to the conventional banking law – underlining deviations of Islamic banking practice wherever appropriate. In the European Union, for instance, an Islamic bank authorized to operate has necessarily to comply with the conventional regulation (requiring, for instance, the access to a deposit-guarantee scheme): as a result, Islamic banking is forced to *resemble*

to conventional banking, complying with level of capital adequacy that its profit-sharing model does not require. On the contrary, a proper level playing field (avoiding unnecessary added costs of capital adequacy for Islamic banking), able to recognize the logical autonomy of Shari'ah economics, would lead to identify a 'structural distinction between the Islamic *bank* in the narrow sense on the one hand [i.e. the assets related to current account holders' funds], and the entity that *manages the profit-sharing investments accounts* on the other hand [i.e. the profit-sharing scheme]' (Archer and Karim 2009, p. 300; italics in the original text). Of course, identify Shari'ah economics as autonomous economic paradigm is a prerequisite for this regulative advance.

This issue is maybe even more dramatic with regard to the conceptualization of Islamic derivatives. While said acceptable according to parameters of *maslaha* ('public interest') and *istislah* ('taking the public interest into account') as hedging risk management instruments, derivatives transform risk into an unbundled commodity (thus violating postulate **(a)**) which is transferred in the market without any equilibrium in the exchange (issues of *riba*, *gharar* and *maysir* are always involved in the speculative function of these instruments: **(b)**). This transfer of risk, furthermore, logically undermines the principle of risk-sharing intrinsically embedded in Shari'ah economics (see postulate **(c)**). Accordingly, 'none of the requirements of tolerable risks are satisfied by derivatives. This raises deep questions about Islamic legitimacy of these instruments' (Al-Suwailem 2006, p. 68). Notwithstanding, legal structures have been suggested (and continue to be proposed) as Islamic equivalents to derivatives (e.g. for financial options, *khiyar al-shart*, 'stipulated option', or the contract of *bay' al-'urbun*, 'sale with advance payment': see, for instance Al-Amine 2008; for a critical approach Cattelan 2011). This tendency, of course, simply confirms the perpetuation in the practice of a 'form-over-substance approach' which replicates conventional products and services, being the *ana*-logical discourse of IEF unable to really promote a Shari'ah-based economic paradigm. Conversely, the recognition of the autonomy of Islamic rationality as alternative logical discourse, as this paper has postulated, would suggest alternative patterns of asset-backed and risk-sharing hedging instruments (as in the *takaful* industry: e.g. a model of *ijara wa-hiba* options: Cattelan 2011), fostering not simply a parameter of compliance, but a foundational elaboration of Islamic finance products and services as expression of Islamic rationality.

5. Conventional and Shari'ah economics in a *dia*-logical relation: Qur'anic argument and rejection of a Eurocentric conception of science

This paper has proposed a conceptualization of Shari'ah economics as a scientific paradigm, according to Khun's (1962) and Laudan's (1977) epistemology of science.

More precisely, this conceptualization adheres to Laudan through a perspective 'one/many' (different 'research traditions') that infers the possible co-existence of conventional and Shari'ah economics as competing paradigms for economic science.

In this way, the *ana*-logical conceptualization of IEF fostered by IME, where Islamic values merely *rectify* the conventional paradigm (*Shari'ah-compliant economy*), is replaced by a *dia*-logical understanding of Shari'ah economics, which is not framed in terms of *anti*-thesis (with a logical default ending in replicating conventional structures), but through the autonomous discourse of Islamic rationality as human *ijtihad* aimed at understanding God's Will (*Shari'ah-based economy*).

Only by assuming this *dia*-logical relation, the *theoretical* distance between conventional and Shari'ah economics as *autonomous* paradigm can be *practically* reconciled in the ethical agency of the Muslim believer. An ethical agency based on the performance of the divine Will according to the ethical values embedded in Islamic rationality, whose social reality have been blessed by God in the light of diversity to test His followers:

Q. 5:48: [...] *If Allah had willed, He would have made you one nation, but that (He) may test you in what He has given you; so compete in good deeds. The return of you (all) is to Allah; then He will inform you about that in which you used to differ.*

In the end, the *dia*-logical relation deduced in the paper appears *itself* an expression of the Shari'ah economics paradigm, confirming its self-foundation in Islamic rationality as human performance of God's Will.

At a broader scale this *dia*-logical approach can be also seen as a point of criticism towards a hyper-dominant European conception of science, responsible for not recognizing the contribution of

other cultures (Islamic, Chinese, Hindu, African) in the development of world's knowledge (Bala 2006), and for weakening their potential, by labelling non-Western knowledge as lacking in any scientific or philosophical value (recently, Dabashi 2013). In this regard, the conceptualization of Shari'ah economics as autonomous paradigm highlights, on the one side, the deficiency of this hyper-dominant epistemological approach, as well as, on the other side, the responsibility of Islamic culture for persistently looking at the West as the 'universal' to be opposed to (hence paradoxically feeding Eurocentric fallacies).

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