The Rise and Fall of the Market Economy

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Abstract: The core economic functions of production and distribution of goods can be handled by many different methods. After the fall of communism, the market mechanism has become nearly universal. Conventional economic theories argue that this is natural, because it is the best and the most efficient method for organizing economic affairs in a society. This paper, based on the analysis of Polanyi (1944) and Klein (2008) argues that the opposite is true. Market mechanisms conflict with natural mechanisms for production and exchange in traditional societies. Unregulated markets cause tremendous damage, as can be witnessed today in terms of countless economic crises, wars, environmental destruction, as well as damage to social networks. Because of this damage, market societies can only be maintained by force, as well as disinformation. To resolve crises on myriad fronts caused by the unregulated market, it is the need of the hour to find viable alternatives.

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I. Introduction

In a classic experiment, kittens raised in an environment with only horizontal stripes were unable to see vertical stripes at a later age (Blackmore and Cooper, 1970). The market economy has become so widespread that it has become difficult for us to imagine societies where the market does not play a central role. Yet, for reasons to be clarified in this article, this is the need of the hour. The unregulated market has done tremendous damage to man, society and nature. Bold, imaginative steps to find alternative ways of organizing economic affairs in a society are essential to our collective survival. In this article, the analysis of the emergence of the market economy...
in the West is based on the conceptual framework of Polanyi (1944), which has been little understood though it continues to be of vital importance. A large number of disruptive changes and disasters were necessary to effect the ‘great transformation’ of moving from a traditional society to a market society. Because of the damages caused to society by the market economy, Polanyi forecast its demise following the largest of them in his time, namely World War II. The unexpected recovery and rise to global dominance of the unregulated market, and its dreadful consequences have been documented by Klein (2008).

By a ‘market economy’, we mean a society so organized that the market is central to its functions – elimination or breakdown of the market would mean disruptions leading to hunger, starvation, and radical changes in living conditions and widespread misery in the society as a whole. Typical isolated villages and rural economies are not market economies, and the (now defunct) Communist economies of Russia and China were also not organized around markets. Many authors have stated that market economies can only exist in market societies – that is, the prominence of the market determines the social structures of the society.

The argument to be advanced below is complex and unfamiliar, runs counter to received wisdom, and is directly opposed to what is taught about economics in leading universities. We outline the main line of our argument below, and flesh them out in sections indicated by the numbers in the outline.

Firstly, markets are not a natural feature of human society. Nearly all societies other than the modern one we live in used different, non-market mechanisms to distribute goods to members. Our society is unique in having made markets the central mechanism for the production and distribution of goods to its members.

Secondly, market mechanisms conflict with other social mechanisms and are harmful to society. They emerged to central prominence in Europe after a protracted battle, which was won by markets over society due to certain historical circumstances peculiar to Europe. The rise of markets caused tremendous damage to society, which continues to this day. The replacement of key mechanisms, which govern social relations with those compatible with market mechanisms, was traumatic to human values. Land, labour and money are crucial to the efficient functioning of a market economy. Appropriating the functions of these alters and harms central social mechanisms governing human relations.
Thirdly, certain ideologies, which relate to land, labour and money, and the profit motive are required for efficient functioning of markets. In particular, both poverty, and a certain amount of callousness and indifference to poverty are required for efficient functioning of markets. Poverty is, in a sense to be clarified, a creation of the market economy. The sanctification of property rights is another essential feature of markets. Thus existence of a market economy necessitates the emergence of certain ideologies and mindsets which are harmful to, and in contradiction with, natural human tendencies.

Fourthly, markets have been fragile and crisis-prone and have lurched from disaster to disaster, as amply illustrated by the current and ongoing global financial crisis of 2008. Polanyi prognosticated in 1944 that the last and biggest of these crises in his time, World War II, had finally killed the market system and a new method for organizing economic affairs would emerge in its wake. In fact, the Keynesian ideas eliminated the worst excesses of market-based economies and dominated the scene for about thirty years following that war. However, the market system rose from the ashes and came to dominate the globe in an astonishing display of power. This story has been most effectively presented by Naomi Klein (2008).

Fifthly, market economies require imposition by violence – either natural or created. As noted by the earliest strategists, deception is a crucial element of warfare. One of the essential ingredients in the rise of markets has been a constant battle to misrepresent facts, so that stark failures of markets have been painted as remarkable successes. There are a number of strategies commonly used to portray an economic disaster as progress and development. Without this propaganda markets could not survive, as the forces of resistance to markets would be too strong.

From this last point, it follows that acquiring and spreading a correct understanding of the limitations and failing of markets is essential to creating a better society, based on more humane values than those necessary for the survival of markets in their current form.

II. Economic Mechanisms of Traditional Societies
Polanyi (1944: 45) writes that “Previously to our time, no society has ever existed that, even in principle, was controlled by markets”. This is in conflict with the traditional wisdom of Adam Smith that the tendency to ‘barter, truck and trade’ was part of the nature of human beings. Allegedly, this tendency led to the development of markets, which have existed since
time immemorial. This idea has been often repeated and forms part of our background assumptions due to our experience of living in a market economy. It is important to understand that, while markets may have existed since time immemorial, they have always been peripheral to the society; in nearly all societies other than the ones we have grown up in, shutting down markets would have been an inconvenience, but not a disaster. Both because our experience is limited to market economies, and because prominent intellectuals have said so, we tend to believe that market economies are the natural means of organizing economic affairs, and, with rare exceptions, have been pervasive in all societies throughout history.

Detailed historical evidence is provided by Polanyi that exactly the opposite is true: the market economy is rare, unique and exceptional, and nearly all cultures throughout time have organized economic affairs in ways such that markets have not been central to society. The goal of this section is to discuss the Islamic principles of social conduct which provide the basis of organization and distribution of goods and services in Islamic society. Different societies prioritize these rules in different ways and have varying interpretations but all can be recognized as belonging to this general Islamic pattern. Polanyi provides detailed historical evidence for how variants of these principles have served as the basis for economics in a variety of traditional societies. The emergence of a market economy requires the extinction, or dampening or weakening of these standard patterns of social conduct, and replacement of all of these rules of behaviour by the single motive of profit-seeking or self-interested behaviour. This is what creates a major conflict between market and traditional societies. An excellent discussion of the conflict between social norms and market norms is given by Ariely (2008). As Polanyi has demonstrated, it requires violence, which destroys the traditional society, to allow a market society to emerge. The goal of this section is to present the traditional mechanisms of social interactions.

2.1. Reciprocity and gift exchange

Human beings have a natural tendency to reciprocate good behaviour; indeed the fable of Androcles and the Lion (and the many analogues of it) suggests that this tendency is imagined to extend to animals as well. The Qur’ān calls upon Qārūn to: “Do good as Allah has done good to you”, invoking this natural human sentiment. Note that the Qur’ān asks for generalized reciprocity – we are to be beneficent to others because God
has been beneficent to us. Strict reciprocity, also called gift exchange, is restricted to a mutual exchange of favours.

The opposition of market society to this sentiment can be seen in the currently popular and dominant theory of self-enforcing contracts, which suggests that regardless of past favours, people will reciprocate only if it is in their interest to do so. Exactly in line with the thinking of Qārūn, a favour will not be returned unless it suits the self-interest of the receiver to do so.

One important instance of reciprocity is gift exchange. The Prophet (pbuh) said “Give gifts to each other, your mutual love will grow”.1 This has also been a common method of affecting redistribution of goods in traditional societies. Note that, quite apart from the material effects, there is the spiritual affect of increasing love, which is essential to promotion of social virtues.

The conflict between gift exchange and market mechanisms is clearly brought out in the studies of Fehr and Gachter (2000) and his students related to the labour market. Employees put in harder work in response to receiving gifts from the employer. If such gifts/rewards are tied to performance as demanded by the market mechanism, then such responses are substantially diluted. Ariely (2008) gives an excellent discussion of how market norms have gradually replaced social norms, and the loss to society as a result of this change.

2.2 Generosity
The Qurʾān enjoins generosity, and spending on others in many different places and contexts: “God enjoins justice, and the doing of good, and generosity kindred; and He forbids all that is shameful and all that runs counter to reason, as well as envy; [and] He exhorts you [repeatedly] so that you might bear [all this] in mind” (Qurʾān, 16:90). In another example, Qurʾān (68: 17–27) describes people whose garden was destroyed because they wanted to avoid giving from it to the poor. Elsewhere, we are commanded to spend money in excess of our needs in the way of God. Generosity is valued and honoured as a character trait in all traditional societies. This has been an effective non-market mechanism for the redistribution of goods. In Islamic societies, encouragement to spend excess wealth for social benefits led to the creation of awqāf (trusts or endowments for public welfare) on a large scale. Hoexter et al. (2002) writes that these trusts “provided for financing and maintenance of a host of public services”. Non-profit foundations pursuing social goals are institutional representations of this impulse in modern societies.
The marginalization and weakening of this impulse in market societies is well illustrated by the story of ‘Scrooge’ by Charles Dickens. In the early capitalist era, the stinginess of Ebenezer Scrooge is portrayed as a vice. Scrooge redeems himself by repenting and showing generosity towards employees. In modern day Disney portrayals of ‘Uncle Scrooge’, this stinginess is portrayed as a lovable weakness, a necessary accompaniment of the intelligence required to build large fortunes. In market societies, the urge to spend on others has been systematically replaced by the promotion of splurging of luxuries for oneself. The harmful effects of this replacement of generosity by selfishness have been documented in many places, such as Douthwaite (1999).

2.3. Responsibility
A sense of community leads naturally to the idea that we are all responsible for each other. The economically weaker members of society can count on help and cooperation from those who are well off. For example, a Hadeth states that “The person who eats his fill while his neighbor is hungry is not a [true] believer.” Many ayat of the Qur’an urge the feeding of the poor. The second caliph of Islam, ‘Umar al-Faruq (r.a.), ate coarse bread, because he felt ashamed to eat refined bread when not all of the people could do so. He also felt overburdened by his responsibility, saying that if a woman is hungry by the banks of the Euphrates, he will be called to account for this.

Polanyi has documented how differing levels of commitment to help the poor have led to different institutions for social welfare in Europe, UK, and USA. Recent USDA reports show that more than 10% of the US population faced hunger in 2008, and that this number has been going up in recent years. Rising hunger, homelessness, and health problems in the USA, despite the presence of ample funds to fight these problems, testify to the weakening of this sense of responsibility. The response to the current financial crisis, which leaves millions jobless and homeless in the USA, has been to give trillions of dollars to the wealthy owners of financial institutions (who caused the crisis) and large corporations.

2.4. Self-sufficiency and simplicity in living
Simple lifestyles and self-sufficiency are complementary virtues which have been praised in Islam. These contrast with the search for luxury and also the theory of comparative advantage which militates against these virtues.
There is a ḥadīth to the effect that “True richness is the contentment of the heart.” Being satisfied with whatever has been given to us by God is one of the elements of faith. These concepts are well illustrated in the following incident, reported in ḥadīth in al- Bukhārī’s Ṣaḥīḥ (Volume 3, Book 43: Oppressions, Number 648):

I sat down and cast a glance at the room, and by Allah, I couldn’t see anything of importance but three hides. I said (to Allah’s Apostle) “Invoke Allah to make your followers prosperous for the Persians and the Byzantines have been made prosperous and given worldly luxuries, though they do not worship Allah?” The Prophet was leaning then (and on hearing my speech he sat straight) and said, “O Ibn Al-Khatttab! Do you have any doubt (that the Hereafter is better than this world)? These people have been given rewards of their good deeds in this world only,” I asked the Prophet. “Please ask Allah’s forgiveness for me”.

The Qur’ān (43: 33) talks about turning the houses of non-Muslims into gold and silver, showing that these objects are not desirable for Muslims. It also warns Muslims not to envy the glitter, glamour and apparent luxury of the lifestyles of non-Muslims.

In direct contrast to this, pursuit of luxury is promoted to a life goal in market societies. One of the objectives of consumption is to be the envy of others, and this theme is often used to promote goods which have no direct value (such as brand labels). This type of pursuit turns life into a rat race where everybody tries hard to get ahead of others, and collectively the society ends up in the same place, so there is a tremendous amount of wasted effort. The damaging effects of this ‘conspicuous consumption’ have been documented by many, including Lane (2001) in his book Loss of Happiness in Market Economies.

2.5. Cooperation
Cooperation is built around the idea of placing community interests above self-interest, and is strongly encouraged in all traditional societies. The breakdown of this ethic in the West resulted from continuous religious warfare, which dissolved the sense of community. The Hobbesian idea of a ‘war of each against all’ as being the natural state of affairs for humans is the antithesis of the idea of a community. This breakdown of community was a necessary condition for the emergence of a market society, where self-interest is allowed to dominate social considerations. Manicas (1989,
Chapter 2) provides a detailed historical perspective on how the idea of a community united by common goals was replaced by the idea of a ‘commonwealth’: a collection of individuals pursuing separate goals, but living together under common rules.

This contrasts with the teachings of Islam, which stress community. The Muslims are encouraged to feel for each other, so that the *Ummah* is like one body. Muslims are told to cooperate with each other in doing good. The Qur’an indicates that the God’s gift of putting love in the hearts of Muslims for each other is more precious than all the treasures of the earth. It was the effect of such teaching that led the Arabs, who were deeply embroiled in blood feuds and tribal warfare, to unite in harmony and create a civilization unparalleled in history. Toynbee (1951: 245) testifies to this as follows: “The extinction of race consciousness as between Muslims is one of the outstanding moral achievements of Islam”.

Gintis (1972) provides an analysis of how market economies promote social decay. Ariely (2008, Chapter 4) has given an excellent analysis of how market norms displace social norms, and how this has damaged society in contemporary USA.

III. Requirements of a Market Economy

The creation of an economy where markets are central to the distribution of goods and services requires several ingredients for success. We list some of the key ingredients below:

(i) If self-sufficiency and simplicity are dominant values, then few will need to trade for necessities, and markets will remain peripheral to society. Thus the idea of specialization and comparative advantage *must* be propagated to allow markets to become important in the lives of people;

(ii) Profit-seeking and greed are not normally motives strong enough to be reliable, and must be strengthened to allow a market economy to function – if the baker decides to take a holiday, the community would be seriously inconvenienced. If we are seduced by theories of specialization and comparative advantage into relying on strangers and trade for the provision of necessities, then the society as a whole must place much stronger emphasis on jobs, regularity, discipline and profit-seeking, so that other human values and vagaries do not interfere with the market mechanism;
(iii) Stable prices are essential for regular functioning of the market mechanism. This requires stable money, and this has been the bane of capitalist economies. None of the numerous alternatives tried has functioned effectively in this regard, and large numbers of crises have resulted from the instability of money;

(iv) The market mechanism must bring production processes within its scope by creating markets for the fictitious commodities of labour, land and money – this is a key insight of Polanyi. Labour is not a commodity; it is the fabric from which human lives and societies are fashioned. Similarly, land and our relationship to the land are deeply embedded in the pattern of social relations governing a society. Redefining these as commodities requires destruction of existing social patterns and creation of new ones compatible with a market economy.

Once we see the stringency of the requirements for a market economy, it is easy to see why markets have not been central in traditional economies – these conditions have never been fulfilled. It remains to investigate how these conditions came into being in the West. We present a few of the crucial steps in this story below.

3.1. The labour market
Why did England get started on its industrial revolution a full fifty years before the rest of Europe? Cromwell’s rebellion, even though eventually reversed, permanently weakened the power of the monarchy against the landed aristocracy. Powerful aristocrats utilized this newly gained power to ‘enclose’, as private property, large portions of land previously part of common property used by large numbers of people for their individual livelihoods. This first privatization led to the displacement of vast numbers of people and created mass poverty for the first time. Note that poverty was the result of disruption in lives as well as creation of a philosophy, which allowed the rich to be indifferent to the fate of these poor. It was the desperate condition of the large numbers of people evicted from their houses that led to the possibility of a labour market. Under normal social conditions, people would not submit to the indignity of a labour market requiring them to sell their lives for money. Massive disruption of the social fabric created the conditions required for large-scale production in factories.
to come into existence. A similar catastrophe did not take place in Europe, which caused it to lag behind. Market economies create pressures on other economies to conform to market patterns, for reasons to be discussed. Thus, eventually Europe was forced to follow suit, but the nature of social disruption required was different. The greater strength of traditional society relative to markets is reflected to this day in the stronger social welfare system, which mitigates the worst effects of markets in Europe. Similarly, the individualist bent of American society and the correspondingly weaker sense of community is reflected in the substantially poorer social welfare networks currently in existence in the USA.

3.2. The market for land

Bringing land into the ambit of the marketplace was a slow process, which took centuries to accomplish in Europe. As put poetically by Polanyi (1944: 187): “Land is tied up with the organization of kinship, neighbourhood, craft, and creed – with tribe and temple, village, guild, and church. … It invests a man’s life with stability; it is the site of his habitation; …; it is the landscape and the seasons”.

Yet a market economy must separate the man from the land, and turn both into commodities freely available for sale and purchase. The processes by which this took place in Europe are illuminating, and detailed by Polanyi. First agricultural capitalism created the need for enclosures of vast tracts of land. Arguments favouring private property over the public need for commons were created to support this need. Apart from creating the pool of surplus labour required for mass production, agricultural capitalism was also able to generate the surplus food required for supporting large urban populations engaged in industrial production.

Development of new theories of property was necessary to accomplish this transformation. Instead of viewing land as a sacred trust, a gift of God to all humans, the idea of ownership and private property as a sacred right was introduced. Philosophers like Locke argued that the right to own property was prior to the social contract, so that governments could not alienate property. His theories of property have become a bedrock of contemporary economic thought – modern economic textbooks assume property rights as given, and state unambiguously that redistribution of property involves value judgements and hence does not belong within the scope of economic theory.
3.3. Stable money and prices

Another requirement for efficient functioning of markets is the stability of prices. Erratic price fluctuations can easily drive businesses out of production – this cannot be tolerated in a society where markets are the main mechanism by which goods are distributed. Polanyi points out that theorists have neglected this crucial fact, and therefore have been deceived as to the nature and role of money in an economy. Starting from Hume and to this day, the quantity theory of money states that the quantity of currency in circulation does not affect the real economy – doubling or halving the money supply would merely double or halve the price level without causing any other real economic change. This neglects the fact that traders would be driven out of business in the process of adjustment. Thus all market-based societies must and do take steps to try to keep prices stable.

There is no doubt that the market economy results in rapid expansion of business, far beyond the possibilities of traditional closed economies which do not even attempt to produce much beyond levels required for self-sufficiency. It is this economic power, which gave market economies the strength and resilience to overcome the numerous obstacles and to eventually dominate the globe. The big threat to market economies is deflation, since a fall in prices leads to fall in revenues without a fall in costs, which tend to be fixed. Commodity money cannot accommodate the needs of rapidly expanding businesses, since a fixed money supply would naturally lead to a disastrous fall in prices. This was the dynamic that led to the rapid introduction of token monies in market economies.

Market economies seek rapid expansion and hence have an inherently international character. This creates the dilemma that the international transactions must be conducted in some commodity money – they cannot be conducted in national level token currencies for obvious reasons. This creates a tension which is a permanent source of instability. Attempts to maintain a gold standard can compromise the needs of the domestic economy while going off the gold standard will cause serious disruptions in international trade. As Polanyi has established with detailed historical evidence, maintenance of the gold standard required international cooperation at a high level. For the short period of about a century, a combination of fortuitous factors created the possibility of such cooperation, which led to an unprecedented era of peace in Europe. Historical contingencies which led to the collapse of the balance of power, the gold standard and eventually the breakdown of international markets were responsible for both the world wars. Rochet
(2003) has documented the excessively large number of financial crises in the last quarter of the twentieth century, illustrating the continuing validity of Polanyi’s thesis.

3.4. Effects of allowing markets to control society

There are numerous sources of instability in markets, as is testified to by the entire theory of business cycles devoted to their study. The problem is that when markets are central to an economy, these cycles cause misery and disruption of lives of large numbers of people. This is amply attested to by the record of economic crises of the twentieth century, which is unparalleled in history. Palliatives have been tried and found wanting. The need of the hour is to create a new system based on a humanitarian set of principles very different from those required for a market economy to function.

Polanyi (1944: 76) was prescient in his description of the effects of markets on society:

To allow the market mechanism to be the sole director … would result in the demolition of society. For the alleged commodity “labour power” cannot be used without affecting the human individual … In disposing of a man’s labour power, the system would dispose of the physical, psychological and moral entity “man” attached to that tag. Robbed of the protective covering of cultural institutions, human beings would perish from the effects of social exposure; they would die as victims of acute social dislocation through vice, perversion, crime and starvation. Nature would be reduced to its elements, neighbourhoods and landscapes defiled, rivers polluted…

All of these events have occurred as a result of the global dominance of markets, as we discuss in detail in a later section. The current global situation, with wars, co-existence of extreme poverty and extreme luxury, destruction of environments and large numbers of species of plants and animals, an innumerable man-made catastrophes, bear witness to the truth of the Qur’ān (30:41): “Mischief has appeared on land and sea because of what the hands of men have earned, that [God] may give them a taste of some of their deeds: in order that they may turn back [from evil to good].”

4. The Creation of Market Ideologies

The emergence of markets required the destruction of traditional social institutions and their replacement. The processes involved have been graphically described by Polanyi (1944: 37) as follows:
The lords and nobles were upsetting the social order, breaking down ancient laws and custom, … by violence… They were literally robbing the poor of their share in the commons, tearing down the houses … [of] the poor. The fabric of society was being disrupted; desolate villages and the ruins of human dwelling testified to the fierceness with which the revolution raged, endangering the defences of the country, wasting its towns, decimating its population, turning its overburdened soil into dust, harassing its people and turning them from decent husbandmen into a mob of beggars and thieves.

Such a social revolution requires an ideology and a moral force to accompany it, and one was duly provided by a collection of ideologues for the emerging market economy. It is important to note that most of these ideologues were pre-capitalist thinkers and many of their ideas were expropriated and used by later capitalists in ways that they would not have intended. Furthermore, there was selective appropriation of these ideas in the sense that ideas of these thinkers which did not suit the needs of the market economy were discarded or ignored. It is not our intention below to provide a thorough examination of the original thinkers, but to examine variants of their thoughts which have become the bedrock of market economies.

4.1 The pursuit of wealth
The pursuit of wealth has been universally condemned in all cultures other than the modern one. According to the Bible, “The love of wealth is the root of all evil.” Similar sentiments are found in nearly all scriptures. A market economy cannot be built in a society that honours those who take vows of poverty and renounce materialistic goals and luxury. The emergence of a market economy required the promotion of the opposite sentiments.

Mandeville became infamous for his ‘Fable of the Bees’, which argued that it was the knavery and greed of the bees which led to the production of honey. Production stopped when the bees turned honest. Adam Smith argued that it was the selfishness of the baker that produced the bread on the tables. The philosophy of the ‘invisible hand’, which suggests that public good results from individuals pursuing selfish goals, made a deep impact. This became deeply ingrained in Western consciousness, even though this idea is in direct conflict with myriad observations from a variety of sources. Rare are the situations where individually selfish behaviour leads to public good – much more common are prisoners’ dilemma type of situations
where individuals profit only at the cost of much greater harm to the public. The idea that wealth generated by markets would lead to the solution of all social and moral problems led Bernard Shaw to proclaim that it is the “Lack of money which is the root of all evil”. The paradox has been clearly expressed by Keynes (1931: 199) as follows:

When the accumulation of wealth is no longer of high social importance, there will be great changes in the code of morals. We shall be able to rid ourselves of many of the pseudo-moral principles which have hagridden us for two hundred years, by which we have exalted some of the most distasteful of human qualities into the position of the highest virtues. We shall be able to afford to dare to assess the money-motive at its true value. The love of money as a possession - as distinguished from the love of money as a means to the enjoyments and realities of life - will be recognised for what it is, a somewhat disgusting morbidity, one of those semi-criminal, semi-pathological propensities which one hands over with a shudder to the specialists in mental disease ... But beware! The time for all this is not yet. For at least another hundred years we must pretend to ourselves and to everyone that fair is foul and foul is fair; for foul is useful and fair is not. Avarice and usury and precaution must be our gods for a little longer still. For only they can lead us out of the tunnel of economic necessity into daylight.

This reversal of traditional values – where greed is a virtue rather than a vice – is necessary for the advance of capitalism. Note the direct contrast with Islamic values. The Qur‘ān denies that accumulation of wealth will solve the problems of man, as evidenced in the following verses:

Do they think that because We have granted them abundance of wealth and sons, We would hasten them on in every good? Nay, they do not understand (Qur‘ān, 23:55-56).

[Woe unto him] who amasses wealth and counts it a safeguard, thinking that his wealth will make him live forever! (Qur‘ān, 4:2-3).

The Qur‘ān also denies the idea, expressed by Keynes and many others, that men will become generous once they have enough wealth:

And among them are such as vow to God, “If indeed He grant us [something] out of His bounty, we shall most certainly spend in charity, and shall most certainly be among the righteous!” But as soon as He has given them out of His bounty, they cling to it niggardly, and turn away in their obstinacy [from all that they vowed] (Qur‘ān, 9:75-76).
4.2. Problematization of poverty
Functioning labour markets require a distinctive approach to poverty which is in stark contrast to those prevalent in traditional societies. The social mechanisms of traditional societies ensure that the poor can rely on the more well-endowed for support. These circumstances prevent the creation of a reliable pool of surplus labour necessary for mass production in market economies. A two-pronged attack is required to change public thinking about poverty so as to create a “market society”.

4.2.1. Poverty is dishonourable, and the poor are degraded human beings
Christian monks take vows of poverty, and *faqr* or the removal of desire for worldly possessions and luxuries is an honourable condition in Islam. While not all the poor share this honour, the according of honour to poverty ensures that poverty by itself is not considered a disgraceful condition in the society as a whole. The needs of the market society were well served by Malthus, whose philosophy exerted a tremendous influence on the thinking of the upper classes in English society. According to Malthus, the poor were responsible for their lot because of overbreeding, leading to an imbalance between the population and the food. Unless this overbreeding was checked, it would lead to the spread of vice and misery, which is the natural result of poverty.

4.2.2. Helping the poor hurts them in the long run
If the poor can count on social support, they will not submit to the degrading conditions for labourers common in market societies. Therefore it is necessary to curb the natural tendency of human beings to help those in need. Malthusian theory was used to argue that feeding the poor would aggravate the problem of poverty by creating even more poor. A clearer expression of the necessity of poverty for providing labour is given by Burke (1877, cited by Winch, 1985: 240), who wrote: “When we affect to pity as poor those who must labour or the world cannot exist, we are trifling with the condition of mankind.” Ricardo (2010: 45) wrote that “The principle of gravitation is not more certain than the tendency of (laws providing relief for the poor) to change wealth and vigour into misery and weakness ... until at last all classes should be infected with the plague of universal poverty.”

These philosophies have evolved and continue to play an important role in supporting policies which enrich the rich at the expense of the poor. The trickle-down theories suggest that we must ignore the lot of the poor in the
short run as it will automatically improve in the long run. Early attention to the poor would increase consumption at the expense of savings and reduce growth rate by reducing funds available for investment – thereby hurting the poor in the long run. As Mahbub-ul-Haq (1963: 1), who implemented conventional economic policies in Pakistan, designed by Harvard University experts wrote: “It is well to recognize that economic growth is a brutal, sordid process. There are no short cuts to it. The essence of it lies in making the labourer produce more than he is allowed to consume for his immediate needs, and to reinvest the surplus thus obtained.”

The Qurʾān counters these philosophies by inveighing against those who do not urge the feeding of poor – note that this is a step ahead of simply urging the feeding of the poor. The Qurʾān takes a stance against those who promulgate philosophies, which suggest that it is harmful to feed the poor, as exemplified by the ideologies discussed above.

4.3. Separating politics from economics
The strong connection between political power and economic policies appears patently clear. Taxes, public policies, provision of welfare and social services, justice and the legal system, all have strong and direct impacts on lives of people in all aspects including material ones. It should be surprising then that one can acquire a PhD in Economics at the leading institutions without taking a single course in politics, or even one mentioning the connection between the two fields of study. Indeed, this is the usual course of affairs, and a graduate in economics would have to go out of his way to study politics; usually, there are no facilities within his department to do so. What accounts for this unusual disconnect?

As we have seen, the transformation to a market economy requires disruption of lives on a large scale, and is actively resisted by the majority of the population. Polanyi provides detailed historical accounts of the resistance offered by society to markets. He places great emphasis on the ‘Speenhamland’ episode as having played a decisive role in shaping the thoughts of British economists: “…the study of Speenhamland is the study of the birth of nineteenth century civilization … mostly uknown to the present generation, our social consciousness was cast in its mould. The imprint (of its discussion) was as powerful as that of the most spectacular events in history” (Polayni, 1944: 82).

The tremendously popular Speenhamland law guaranteed a basic income to the poor without any conditions. But by this time the market
system had become fairly established, and the enclosures precluded the possibility of a return to pre-market forms of life. This guaranteed income deprived the market of suitable labour supplies and resulted in a collapse of productivity. Economic theory was born around this time and absorbed the ‘wrong’ lessons from this episode, three of which are as follows. There are iron laws of economics which resist any attempt at political meddling. There is a ‘law of unintended consequences’ such that attempts to do good lead to unexpectedly poor outcomes. Economics was subject to a set of inexorable laws, and its study was the discovery of laws.

The idea born out of Speenhamland that there are ‘natural laws’ governing economics, has had grave consequences. It puts an insuperable barrier between politics and economics, as the one is subject to human decisions while the other is not.

Recognition that any economic laws that exist do so as a result of our individual and collective decisions about how to structure our societies places a tremendous responsibility squarely upon our shoulders. We choose the economic structure of our societies by the form of legislation, the development of institutions, and by teaching our children to be kind and generous (or greedy and acquisitive). Shoudering responsibility for enjoining the good and prohibiting the evil, and for working to transform human beings from a materialist to a spiritual perspective, is fundamental to the message of Islam. This creates a great gap between Islamic and Western views on economics.

4.4. Optimality and efficiency of markets
In order to put up patiently with the ravages of the markets, it is necessary to believe that economics is subject to natural laws, unlike politics. It is also essential to believe that interfering with these natural laws will lead to worse outcomes: the unregulated market automatically leads to the best possible outcome for the society as a whole. The Speenhamland episode created a climate which made possible the ‘invisible hand’ of Adam Smith. The general experience of a welfare policy which led to a collapse of productivity weakened the efforts and arguments of the large numbers of people adversely affected by markets. Prominent intellectuals having deep sympathy for the poor were nonetheless led to argue that hunger tames the poor and forces them to labour; unless we tolerate this, society would collapse. Maintaining this ideology required the erection of several specially structured theories to serve the needs of the market economy. We focus on some of these arguments, all of which can be found in current economics textbooks.
Weber’s (1918) assertion that social science should be value-free also became widely accepted. Social sciences were portrayed as collections of facts and regularities about human behaviour which did not depend on moral judgements. It was eventually realized that “modern human sciences (biological, psychological, social) purport to offer universal scientific truths about human nature that are, in fact, often mere expressions of ethical and political commitments of a particular society”7. Studying laws of human behaviour collides with the idea of human agency: humans are free to act in ways not determined by the past. Most social sciences have adjusted to a greater or lesser degree to these post-modern insights, but economics remains recalcitrant because acknowledgement of underlying value judgements would go against its raison d’être.

To recommend any economic policy, one must argue that some economic states are better than others, which would appear to involve a value judgement. Economists have gotten around this dilemma by arguing that the Pareto principle is value-free: if all individuals have greater wealth, then the society as a whole has been made better off. In fact, there are several value judgements buried within this apparent neutrality. Most importantly, failure to make a value judgement is itself a value judgement. A proposal to redistribute wealth from the rich to the poor does not satisfy the Pareto principle. Hence the economist in his capacity as a social scientist cannot recommend it, even though he may like the proposal in his capacity as a human being. But this failure to recommend change is a value judgement in favour of the status quo. It judges the property rights of the wealthy to be sacrosanct, compared to the rights of the poor to better lives. This goes against the Islamic recommendations to recognize the rights of the poor in the wealth of those who have more than they need.

There are numerous other value judgements hidden in the framework of economic theory. Maximizing wealth for the economy is given precedence over the lives of labourers, who must suffer displacement and ‘transitional’ unemployment in the process of shifting to a higher equilibrium. The idea that society might prefer job stability even at the cost of less wealth for all is not admissible within the economic calculus. Freedom and non-interference are portrayed as egalitarian ideals desirable for the entire society, without any recognition of the fact that freedom means entirely different things for the poor and the wealthy. The Marxist idea that the capitalists exploit labourers is countered by the assertion of marketplace equality between the two – both sell their products (labour and capital) in the market at
their marginal product. The stark asymmetry of this exchange, and value judgements implicit in this acceptance of labour as a commodity, are not recognized.

V. A History of Crises and Capitalism
Markets do not function as advertised. That is, they do not produce the best possible outcomes for society as a whole; the recent global financial crisis has brought this fact out into the open, although attempts to cover it up continue as usual. We focus on two features of markets only indirectly discussed in graduate programmes in economics.

Economic theory says that markets produce efficient outcomes (wealth) via the process of competition: efficient firms drive inefficient ones out of business. The transition from one equilibrium to the next is not studied; the human costs and trauma of job loss, anxieties of re-training, transition, and instability of life is not part of the calculus of economic theory. The supposedly value-neutral advice to agricultural economies, based on comparative advantage, is to export agricultural products and import manufactures. This doctrine of free trade has the effect of raising food prices and making life difficult for the poor while making luxury goods available to the wealthy at lower prices. For this, and other reasons discussed earlier, the vulnerable and the poor resist the encroachments of the market economy.

The dynamics of capitalism are created by pursuit of wealth for its own sake, “to the point of being absolutely irrational”, according to Weber (1958: 47-78). This means that markets are forever seeking to expand. This creates a rat race where one must struggle to retain market position. The expansion of wealth that undoubtedly accompanies this struggle gives the market economy the power to expand, as it has, over the globe. Expansion of the market requires destruction of alternative social patterns and subduing of labour, but is nonetheless favoured by the wealthy, who seek to become even wealthier.

The twentieth century can be viewed as the story of the war between these two opposing forces: the working classes seek protection from poverty and unemployment which are inevitable results of the working of free markets, while the wealthy seek freedom to pursue profits without constraint via an unregulated market. While Polanyi remains the key reference for the pre-World War II period, the sharpest analyses of the post-war period has recently been presented by Klein (2008). Below we present some of the crucial episodes of this history.
(i) Enclosures in England disrupt lives and create misery on a massive scale, creating a surplus pool of labour required by factories for mass production. This jump starts the industrial revolution. Capitalists argue that this was best for the poor and show a statistical increase in incomes of the poor. They fail to account for the costs of social disruption and the fact that money plays little role in pre-market economies so that pre-industrial income is not a good measure of welfare;

(ii) After England acquires a fifty-year lead over Europe, the philosophy of free trade is discovered – significantly – in England. Adoption of these policies leads to recession in Europe. Exports of surplus food created by the market economy disrupts the rural economy of Europe. The dislocated peasants provide the fuel for the industrial revolution in Europe, which starts after protectionist policies advocated by the German economist List are adopted to protect the infant industries from competition with England;

(iii) Expansionist tendencies of market economies lead to an era of colonialism and imperialism, creating misery in the lives of people on a planet-wide scale. Almost complete annihilation of Asian, African and American cultures and traditional ways of living. Together with killing, enslavement, and reduction to surplus labour of the majority of the world population is portrayed as progress. Economies are transformed from self-sufficient ones to instruments for production of European wealth;

(iv) Carving out of spheres of influence limits conflicts between European economies initially. Exhaustion of colonial frontiers leads the inexorable expansionist logic to mutual trade and increasing interdependence among European powers. A balance of power among European countries prevents the dominance necessary to establish an international market economy by force. A compromise based on the gold standard, and cooperation in adjusting to market shocks – shared pain – is evolved. Political events disrupt the balance of power. Refusal to submit to the discipline of the gold standard leads to disproportionate economic shocks to weaker parties, resulting in the first world war;

(v) Attempts to restore the gold standard, and go back to the pre-war system fail. The losers of World War I are stripped of power and forced to submit to the victors on humiliating terms. The imposition of the market economy upon them leads to their revolt, in the shape of World War II.
Polanyi prognosticated the end of the market economy following this failure. His prognosis came true in the following form: Keynesian economics became widely accepted following World War II – in the words of Nixon: “we are all Keynesians now”. Economists are still arguing about the details of what Keynes said, but the crucial contribution of Keynes was to take labour out of the ambit of the self-regulating market. Keynes said that free self-regulating markets would not eliminate unemployment, and hence it was necessary for the government to undertake policy measures to accomplish this.

The mechanism which creates efficiency in market economies is the law of the jungle – inefficient firms are driven out by efficient ones. The human cost of such ‘transitional’ employment is tragically high, and completely ignored by economists. Indeed, instability in employment is important in keeping labour docile, which is required for high profits. Allowing for government policy to alleviate unemployment curbs the worst excesses of capitalism, and makes it possible for humans to live with it. Many analysts have said that Keynes saved the market economy by making the smallest possible alteration that would make it possible to live with it. The public in the USA and Europe was in the mood for much more drastic changes, but accepted the Keynesian compromise.

Free market ideologues put forth many arguments against Keynes, but in the post-depression era, no one was listening. However, a small number of wealthy corporations wanted a return to pre-Keynesian ways, with greater profits, greater freedom for the wealthy, and a more docile labour force. Both historical experience and small scale experiments showed that the public would not willingly accept the rule of the market. Accordingly, new tactics (labelled ‘disaster capitalism’ by Klein) were devised. These involved using or creating natural or political crises to impose the free market rules which would not be accepted under democratic conditions. Funds provided by large corporations were used to train students to believe in the free market. The presence of a pool of intellectuals brainwashed into believing that free markets were the solution to all social problems was essential to the operations of disaster capitalism as practised in the late twentieth century. Some of the key historic episodes are described below; for documentation, details, and many other episodes of a similar nature, the reader should refer to Klein (2008).
(vi) Many Latin American countries attempted to protect their people from the damages of free markets, just as Europe and USA had protected themselves from Great Britain to develop in the late eighteenth century. This was harmful to the interests of US corporations, and the full powers of the government, US military power, CIA, as well as IMF and World Bank were utilized to protect the interests of US and multinational business. Army leaders from Latin American countries were trained in the notorious School of the Americas both to believe in capitalism, and in the ruthlessness required to impose capitalistic policies on a resistant population. The trail was blazed by General Pinochet, who imposed Chicago University economics by force in Chile. He overcame all resistance by public torture and execution of opponents by the thousands in the national stadiums of Chile and via a ‘Death Caravan’ sent to all major cities of Chile. This success of the market economy was then replicated in many countries all over Latin America with some local variations and some learning from experience.

(vii) One of the important lessons from the Latin American experience was that in a crisis situation, the public will accept measures that they would not in normal times. This turned out to be the key to imposing ruthless capitalism, and dismantling social welfare and Keynesian policies in countries like the USA and UK, where strong democratic traditions prevented the imposition of dictatorships. Reagan was able to exploit the oil crisis for this purpose, while Thatcher was able to use the Falklands War as a crisis which united public opinion behind the ‘iron lady’ – both leaders substantially undermined the gains of the working classes made in the era of Keynesian economics, and increased income inequalities by boosting the wealth of the wealthiest among their populations at the expense of the poor.

(viii) Russia was the most prominent among the many countries where the democratic process was derailed by disaster capitalism. A peaceful transition to democratic forms, and gradual adjustment of economy away from the communistic forms was in progress under the leadership of Gorbachov. This did not suit the needs of multinational companies eager quickly to exploit the vast natural resources of Russia. A coup by Yeltsin was engineered, who promised to deliver the ‘shock treatment’ to the Russian economy in return for foreign aid via IMF and the World Bank. The shock of a completely unregulated free market was
duly imposed, resulting in sudden decline in living standards, mass poverty, hunger and starvation, in an economy which had previously been capable of feeding its population. This was accompanied by the emergence of billionaires in Russia, and a sell-off of the vast natural resources of Russia to foreigners.

(ix) In the *The East Asian Miracle*, World Bank authors documented how systematic government interventions contrary to free market ideals led to the highest growth rates seen in the region. It was essential to destroy this bad example, and East Asian governments were pressured by carrot and stick into opening their markets to foreign investors. Massive amounts of capital flowed in, leading to a dramatic rise in real estate prices and numerous unsound financial ventures. A sudden withdrawal of large sums precipitated the East Asian crises, which destroyed the livelihoods of millions of people, creating the conditions necessary for the imposition of capitalism. Subsequent events, where foreign corporations bought out domestic enterprises cheaply, and rules of the free market were imposed on labour, have been painted as a recovery, and the massive increase in income inequality and transfer of capital abroad has not been highlighted.

(x) The most recent of the catastrophes caused by capitalism is the global financial crisis of 2008. Many commentators have called it the death-knell of capitalism, while others have said that capitalism is a flexible system and will adapt and survive. In any case, there is no dispute about the tremendous damage caused to millions of lives by this crisis, clearly attributable to failed theories which justify capitalism as an efficient system for organizing economic affairs. This was so evident that a Congressional Committee was set up to investigate this failure. Robert Solow’s testified that the Dynamic Stochastic General Equilibrium (DSGE) models currently used for macroeconomic modelling are completely unrealistic.

A free market economy is inherently unstable for many reasons. An important one is that keeping domestic prices stable is impossible if international trade is significant. Keeping foreign prices stable imposes erratic shocks on the domestic economy. The large majority of the population, the working class, pays heavily for these shocks in terms of disruptions in jobs and living conditions. The gains from the market economy go overwhelmingly to the wealthy and do not trickle down. Every day 25,000 people die of hunger, when only 0.7% of the GNP
of twenty two nations would be enough to eliminate this problem. Similarly, a recent article by Stiglitz entitled “Of the 1%, for the 1% and by the 1%” discusses how inequality has increased tremendously in the USA over the past few decades. Because it causes substantial damage to the lives of the majority, free markets cannot be achieved under democratic conditions, and must be imposed by violence, or by subterfuge in crisis conditions.

VI. ‘Lies, Damned Lies, and Statistics’

It has been widely recognized by strategists since the earliest of times (and also supported by Ḥadith”) that deception is permissible in warfare. This fog of deception complicates access to the history of capitalism, which is basically the war of the wealthy against the poor. Our goal in this section is to discuss some of the main elements of the campaign of disinformation that is required to maintain that capitalism is a successful system, in the presence of strong historical evidence to the contrary. We have discussed earlier how certain ideologies have been constructed to support capitalistic structures. In this section, we discuss certain methods of looking at historical events and of collecting and manipulating facts and data to support these ideologies.

A crucial element of the strategy to make capitalism look good, essential to its continuation, is the reduction of everything to its monetary aspect. This strategy is used in many dimensions. For example, the massively disrupting effects of the industrial revolution on the lives of people is covered up by looking at money incomes, which rose in the process. All qualitative factors, such as social relations, trust, harmony and stability, are automatically discounted because they have no direct monetary value.

Hobbes (1668, reprinted 1994: 51) first introduced the idea that: “The value, or worth of man, is as of all other things, his Price; that is to say, so much as would be given for the use of his Power”. This generated a storm of horrified refutations in his time, but the idea has since become norm. According to this calculus, the lives of the poor are of no value, and hence it is easy to discount the destruction of their lives in the process of the creation of wealth.

In a similar way, effects on environment, pollution, destruction of natural habitats, global warming, etc. are not taken into consideration when evaluating the merits of capitalism, because they cannot be easily assigned a direct monetary value. Even opponents of capitalism are forced to bow
to this logic and assess the environmental impacts by assigning them some dollar value (in terms of health, tourism, agricultural productivity and other market activities), instead of making a direct argument. Many such calculations show that when environmental damage, depletion of resources, and other negative aspects of growth are properly taken into account, the spectacular growth record of capitalism dwindles to less than nothing – see for example Douthwaite (1999).

The yardstick for progress is considered to be aggregate wealth, starting from Adam Smith. There is substantial evidence that additional earnings have the most impact on the lives of the poor, and only marginal impact on those with adequate wealth. While tremendous amounts of money are spent on gathering data, very little effort is invested on this question of vital importance – currently a debate rages on how to count the poor, a debate in which all parties are agreed that the available statistics are of very poor quality. The point is that as long as we focus on aggregate wealth, it is possible to make capitalism look good. A laissez-faire system, which allows all to act freely, will inevitably give more power to the powerful. Experience shows that income inequalities increase as money is inevitably channeled from the poor to the wealthy in free markets. If the growth rate is sufficiently high, the lot of the poor may also be bettered but this is by no means guaranteed.

Klein (2008) has documented the deceptions involved in promoting free markets in Pinochet’s Chile. It is a classic study in deception. Pinochet finally lost patience with the Chicago Boys, and fired them all – the long awaited economic miracle that Milton Friedman had personally promised would result from free market policies never materialized. Nonetheless, using a statistical trick, Milton Friedman declared Chile to be an economic miracle (for more details, see Rayack, 1984; or Kangas, 1986). The Chilean economy had an extremely erratic performance, as can be expected from the vagaries of the free market. Friedman compared the worst year in this period to a recent good year to get a superior rate of growth, when in fact the average performance over the Chicago Boys period was inferior to that of comparable Latin American economies over the same period. The power of the capitalists to cover up the facts is illustrated by fact that the myth of this Chilean miracle was celebrated in the obituaries of Friedman who “transformed a bankrupt economy into the most prosperous in Latin America”.

Many authors have shown how misleading statistics are used to repaint failures as success by the IMF. The most damning case has been made by
an insider who resigned due to an attack of conscience over the “blood of millions of poor and starving people.” Budhoo documents how the IMF engaged in “statistical malpractice” to double labour costs, invent exaggerated debt figures and create an artificial financial crisis in Trinidad (cited in Klein, 2008). This was used to compel the government to turn to IMF for aid, which was granted under the standard conditions of imposing free market conditions on the protected economy. The Structural Adjustment Programs (SAPs) of the World Bank have effects opposite of those claimed for them, as noted by Cheru (2001: 1):

Increasing malnutrition, falling school enrolments and rising unemployment have been attributed to the policies of structural adjustment. Yet these same institutions continue to prescribe the same medicine as a condition for debt relief, dismissing the overwhelming evidence that SAPs have increased poverty.

Danaher and Yunus (1999) provides further documentation of the case against IMF and the World Bank.

VII. Concluding Remarks
This story of the market economy is a tremendous challenge for the Muslims of today. The prescient Iqbal wrote:

Dwellers of the West: the city of God is not a marketplace
That which you think is pure will turn out to be fool’s gold.

The rise of marketplace ethics and the glorification of greed and competition has damaged the fabric of society beyond repair in the West, and the same ethics are rapidly being spread over the globe, and being absorbed in Muslim societies. The fundamental unit which recreates a society is the family, where children learn what it means to be a human being, how to love and sacrifice, and the defining characteristics of society. This means the job of the mother is the most vital one in the society, as this is where all children receive their first training. Islam recognizes this, as witnessed for example by the Ḥāđeeth in which our Prophet prioritized the rights of the mother three times before mentioning the father.12 Because mothers are not paid, the market places zero value on their work. The identity of mother and housewife became a source of embarrassment – women are ashamed to say that they are mothers and housewives in Western Society. This led
to the women’s liberation movement, which asked for equal rights in the job market for women, so that they too could earn and become ‘valuable’ members of the society. Monetary calculations of the costs and benefits of raising children revealed this to be a profitless activity. These and other forces led to the breakdown of this fundamental unit of society, which has been documented in many places. A recent report on ‘Fractured Families’ put out by the Social Justice Foundation (2006: 5):

This Report paints a worrying picture of family breakdown in the UK. We now have one of the highest divorce rates in the Western world and the fabric of family life has been stripped away in the past thirty years. This study also shows more clearly than ever the destructive effects of family breakdown upon millions of children, as well as the links between family breakdown and addictions, educational failure and serious personal debt.

Similar issues are also raised by Morgan (2000). This change in the fabric of society appears irreversible – Humpty Dumpty cannot be put back together.

Islam came as a stranger, and has become a stranger. The need of the hour is to construct a society based on traditional Islamic principles of cooperation, generosity, hospitality to show the world a model society where markets are not central. Muslims did succeed in creating such a society, but they have forgotten this past, as stated by Iqbal:

I lament the loss of the treasures of the travellers
And even more, the loss of the sense of loss

Instead of spending wealth beyond their needs on the senseless pursuit of even greater wealth, Muslims followed the Qur’anic injunctions to spend generously on others. The fact that about one-third of the lands of the Ottoman Empire were dedicated as awqāf of various types bears testimony to this extraordinary generosity. Sait and Lim (2006) write that the system of awqāf “succeeded for centuries in Islamic lands in redistributing wealth”, leading to equitable outcomes and the circulation of wealth in accordance with Qur’anic injunctions. According to Hoexter (1998):

Prior to the twentieth century a broad spectrum of what we now designate as public or municipal services, e.g., welfare, education, religious
services, construction and maintenance of the water system, hospitals, etc. were set up, financed and maintained almost exclusively by endowments, was documented in this stage. So was the fact that very large proportions of real estate in many towns and in the rural areas were actually endowed property.

As the above quote from Hoexter (1998) shows, contrary to Adam Smith’s belief, people in the Islamic world could rely on the generosity of the public to be fed, clothed, housed, treated for sickness and educated. Accounts of travellers for ḥajj show that people competed to provide them room and board, in accordance with Qur’ānic injunctions for hospitality. Numerous accounts of educational systems in Muslim lands show that it was freely available to all talented students from any strata of the population.

Research on the Genizeh documents has revealed the existence of a vast global network of commercial transactions centred around the Islamic empire, and based on the Ḥanafi fiqh. For example, Lopez (1976) shows that in the age of ‘commercial revolution’ (950-1350AD) trade flowed freely across the then known world, supported by risk sharing methods of finance, which had been developed in Muslim countries. Many different Muslim inventions which made global trade possible were subsequently copied by European traders.

Significantly, these Muslim contributions to global civilization form part of the “Lost History” currently being rediscovered by many different researchers. The myth of ‘Oriental despotism’ had led Europeans to assume that there was no significant public sector in Islamic societies, and only recent research has discovered that this is entirely contrary to fact – see for example Hoexter (1998). Similarly, many Muslims have swallowed the market society thesis that man is inherently selfish, and hence it is impossible to base large-scale modern trade on the principles of trust, cooperation and generosity. The nearly complete destruction of Muslim social structures and institutions due to colonization and the imperatives for modernization has led to a situation where Muslims are largely unaware of the achievements of our ancestors and our heritage. Most would be surprised by this assessment of the well-known historian Hodgson (1974, vol. 1977, Vol. 1: 71):

Muslims are assured in the Qur’ān, ‘You have become the best community ever raised up for mankind, enjoining the right and forbidding the wrong, and having faith in God.’ Earnest men have taken this prophecy
seriously to the point of trying to mould the history of the whole world in accordance with it. Soon after the founding of the faith, Muslims succeeded in building a new form of society, which in time carried with it its own distinctive institutions, its art and literature, its science and scholarship, its political and social forms, as well as its cult and creed, all bearing an unmistakable Islamic impress. In the course of centuries, this new society spread over widely diverse climes, throughout most of the Old World. It came closer than any had ever come to uniting all mankind under its ideals.

Those who have undertaken to rebuild life in Islamic terms have ventured on an enterprise with a high potential reward – that of winning through to the best that is open to mankind; but with correspondingly great risks of error and failure.

Today, we face an urgent challenge of a critical nature. It is obvious to all that the market economy has reached its limits – it is on the verge of destroying human society, as well as the planet we live in. While all are aware of the urgent need to cooperate to save the planet from ecological and environmental disasters, as well as global warming, the spirit of competition and greed has prevented a solution – shared sacrifice is needed but all parties want to put the burden of adjustments and cleanup on others. Whereas the history of the rise of the West has been a story of the search for power and wealth, Muslims stand out as unique in their quest to establish justice in accordance with God’s will on earth. Islam offers an alternative vision of a society based on cooperation and community harmony, people who take care of each other in times of need, and an economic system to match. Historically, Islamic civilization has taken much better care of its disadvantaged and poor, as well as minorities, than any others, including current European civilizations – though Muslims have forgotten this history.

Our Prophet revolutionized the world by teaching us to strive for excellence in ourselves and to spread this message to all human beings. As he prophesied, the real Islam has become a stranger, even among Muslims. Inspired by the teachings of Islam, our ancestors created a new world. Today we face the same challenge – the teachings of jāhiliyyah, and all the evils that existed in that pre-Islamic society are widespread and dominate the globe. Can we bring the light of Islam to our world, as they did successfully to theirs?
Notes
1. الأدب المفرد
   [كتاب
   المعرض
   باب قول الهذينة (three baabs from the end of the kitab)
   حدثنا عمرو بن خالد قال حدثنا ضياء بن إسحاق قال سمعت موسى بن وراد عن
   أبي هريرة عن النبي صلى الله عليه وسلم قَالَ: "هَذَا تَحْلٍ دَمَّٰرُوا"
   فَكَّرَ اللَّهُ فِيهِ الْمَجْهَدِ

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2. الأدب المفرد
   باب الوصيّة بالجار
   (باب لا يشيع دون جاره)
   حدثنا عثمان بن كثير قال ابراهيم بن أبي سفيان عن عبد الملك بن أبي بكر
   ﷺ عن المسارق قال سمعت بن عباس يسير بين الزبير يقول سمعت النبي صلى
   الله عليه وسلم يقول: "لِئَلَّا يَكُونَ الْمُؤْمِنُ الَّذِي يَشْعَرُ وَجَارَ جَانِعٍ"

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   قال الشيخ الألباني: صحيح
   Bukhari’s al-Adab al-mufrad
   Chapter enjoining one to be good to one’s neighbor Chapter: One should not fill
   one’s stomach while one’s neighbor is unable to. The person who eats his fill while his
   neighbor is hungry is not a [true] believer

3. Umar al-Fārūq (r.a.), ate coarse bread, because he felt ashamed to eat refined bread
   when not all of the people could do so.
   مصنف ابن أبي شيبة
   كتاب الزهده
   كتاب عمر بن الخطاب
   حدثنا تغلان قال حدثنا سليمان بن المغيرة قال ثابت قال أسن غلابしましょうه
   غلاب الطعام بالمدينة فكان عينه فجعل يأكل الشعير. فاستذكره يطقه فأدهم
   بيده إلى طنه فقال والله ما هى إلا آل مازى حتى يوضع الله على المسلمين

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4. He also felt overburdened by his responsibility, saying that if a woman is hungry by the
   banks of the Euphrates, he will be called to account for this
   مصنف ابن أبي شيبة
   كتاب الزهده
   كتاب عمر ابن الخطاب
   وكعب عن أُمَّةً عن الزهرى عن حميد بن عبد الرحمن قال: قال عمر: "لو هكذا
   حمل من ولد الفناء ضباها بشناط الفناء عسيت أن يسألني الله عنه

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5 There is a ḥadith to the effect that “True richness is the contentment of the heart.”

6 The Muslims are encouraged to feel for each other, so that the Ummahis like one body.

7 Quoted from entry on Michel Foucault in Stanford Encyclopaedia of Philosophy (accessed 23 February 2008): http://plato.stanford.edu/entries/foucault/

8 In fact, the *sumnum bonum* of this ethic, the earning of more and more money, combined with the strict avoidance of all spontaneous enjoyment of life, is above all completely devoid of any eudaemonistic, not to say hedonistic, admixture. It is thought of so purely as an end in itself, that from the point of view of the happiness of, or utility to, the single individual, it appears entirely transcendental and absolutely irrational. Man is dominated by the making of money, by acquisition as the ultimate purpose of his life. Economic acquisition is no longer subordinated to man as the means for the satisfaction of his material needs. Weber (1955, Chapter 2).

9 For data sources, see: www.poverty.com.

10 Mark Twain popularized the phrase: “There are three kinds of lies: lies, damned lies, and statistics”, and attributed it to Benjamin Disraeli. It refers to the power of numbers to deceive.

11 It has been widely recognized by strategists since the earliest of times (and also supported by Hadeeth) that deception is permissible in warfare.

12 Islam recognizes this, as witnessed for example by the Hadeeth in which our Prophet prioritized the rights of the mother three times before mentioning the father.
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