



ISLAMIC ECONOMIC THOUGHT IN MALAYSIA
(1900-1980): IDEAS, SETTING, INTERACTION

BY

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ABSTRACT

This study surveyed a range of ideas of a select group of Malaysia's ulama and religious intellectuals who contributed to the discussion of economic matters from the early 1900s to the early 1980s. These ideas were then placed in context—including the political and social—to show the interaction between those of 'economic' concern and the circumstances that served as their setting. The work focused on three of the most representative scholars, Daud Abdullah al-Fatani, Muhammad Ismail al-Fatani and Zayn al-'Abidin al-Fatani, of the Malay traditional jurisprudence of the 19th century relating to economic subjects, moved to the economic ideas of the religious reformists of the early to mid-20th century, such as Syed Sheikh Ahmad Hasan al-Hady, Salimin Nu'man, Abu Bakar Ash'ari and Zainal Abidin Ahmad, then examined the Islamic 'political economy' of the late 1940s and early 1950s, in the ideas of Abu Bakar al-Bakir, Burhanuddin al Helmy, Dhulkifli Muhammad and Baharuddin Abdul Latif. The economic ideas of the 'da'wah' movement of the 1960s and 1970s, namely those of Anwar Ibrahim, Siddiq Fadhil and Ashaari Muhammad, were then examined, followed by a summary treatment of the ideas current in the 'Islamisation' of economic activities of the 1980s, including those of Mahathir Mohamad, Aidit Ghazali and Muhammad Syukri Salleh. It was found that throughout the various stages of Islamic economics, their development lacked those characteristics needed to make up a conceptual and operational framework for it. In the early phase, the ideas lacked a methodology to dynamically relate the traditionalist text-based jurisprudence to the socio-economic and political circumstances of the times. The ideas of the 1940s and 1950s held the most potential in terms of formulating a comprehensive framework for Islamic economic ideas, but that potential was not realised due to the focus on the pressing political questions of the day. The study also revealed that the most recent stage of Islamic economic ideas in Malaysia, the norms, practices and values, particularly in the Islamic banking and finance sector—has not maintained the connection with the traditional religious socio-cultural framework. The thesis joins those calling for Islamic economics to 'return' to the religio-socio-cultural framework, while at the same time addressing the 'political economic' challenges of the times as opposed to the merely 'technical' differentiation between Islamic economics and conventional economics, finance and banking.

خلاصة البحث

هذه الدراسة هي مسح لمجموعه مختارة من الأفكار والآراء لنخبة من المفكرين وعلماء الدين الذين ساهموا في مناقشة المسائل الاقتصادية في ماليزيا للفترة من 1900 حتى مطلع الثمانينيات. تم وضع هذه الآراء في سياق يتضمن الجانب السياسي والإقتصادي والإجتماعي لظهور العلاقة التفاعلية بين تلك الأفكار والآراء التي تعنى بالإقتصاد و بين الظروف التي كونتها. ركز البحث على ثلاثة من العلماء الأكثر تمثيلا للفقه الإقتصادي الملايوي في القرن التاسع عشر وهم داود عبد الله الفتاني، ومحمد اسماعيل الفتاني، وزين العابدين الفتاني، بعد ذلك ينظر البحث في أفكار الإصلاحيين في الإقتصاد من أوائل القرن العشرين الى منتصفه، مثل سيد شيخ احمد حسن الهادي، و زين العابدين احمد، ثم تفحص البحث الإقتصاد السياسي الإسلامي في أواخر اربعينيات وأوائل خمسينيات القرن العشرين، في أفكار ابو بكر الباكر، وبجر الدين الحلبي. تطرق البحث بعد ذلك الى الأفكار الإقتصادية لحركة الدعوه في ستينيات وسبعينيات القرن العشرين، اي أفكار شخصيات مثل انور ابراهيم، و صديق فاضل. وقد تلا ذلك معالجة ملخصة للأفكار الراهنة مثل "اسلمة" النشاط الاقتصادي في الثمانينيات من القرن نفسه، متضمنة آراء محاضير محمد، ومحمد شكري صالح. وقد خلصَ البحث الى أنّ تطور الإقتصاد الاسلامي وعلى مختلف المراحل الزمنية كان يفتقر الى الخصائص اللازمة لتشكيل إطاره المفاهيمي والعملي. في مرحلة مبكرة افتقرت هذه الأفكار الى منهجية لربط حيوي بين النص الفقهي التقليدي والظروف الإجتماعية والإقتصادية والسياسية لتلك الحقبة من الزمن، ثم حملت أفكار الاربعينيات والخمسينيات من القرن الماضي معظم احتمالات صياغة إطار شامل للأفكار الإقتصادية الإسلامية، ولكن لم تتحقق هذه الاحتمالات بسبب التركيز على المسائل الملحة سياسيا في ذلك الوقت. وكشفت الدراسة ايضا أنّ المرحلة الاخيره من تطور الأفكار في ماليزيا، من حيث المعايير والممارسات والقيم ولا سيما في قطاع التمويل والخدمات المصرفية الإسلامية لم تحافظ على الصلات مع اطار العمل التقليدي الديني الاجتماعي والثقافي. هذه الأطروحة تنضم الى اولئك الداعين الى عودة الإقتصاد الإسلامي في اطار العمل الديني الاجتماعي والثقافي، وفي نفس الوقت تخاطب تحديات العصر في الإقتصاد السياسي التي تتصارع مع مجرد فروقات تقنية بين الإقتصاد الاسلامي والإقتصاد التقليدي، والعلوم الماليه والمصرفيه.

APPROVAL PAGE

I certify that I have supervised and read this study and that in my opinion, it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a dissertation for the degree of Master of Arts in Muslim World Issues.

.....
Baharudin Ahmad
Supervisor

I certify that I have read this study and that in my opinion, it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a dissertation for the degree of Master of Arts in Muslim World Issues.

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Examiner

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Dean, International Institute
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Civilization

DECLARATION

I hereby declare that this dissertation is the result of my own investigations, except where otherwise stated. I also declare that it has not been previously or concurrently submitted as a whole for any other degrees at IIUM or other institutions.

Fauwaz Bin Abdul Aziz

Signature.....

Date.....

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**ISLAMIC ECONOMIC THOUGHT IN MALAYA/MALAYSIA (1900-1980):
IDEAS, SETTING, INTERACTION**

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ARABIC TRANSLITERATION

This research adopts the Arabic Transliteration Scheme that is based on the American Library Association-Library of Congress (ALA-LC) with slight modifications such as the use of ‘h’ for the ‘هـ’ that indicates the feminine gender in Arabic nouns.

Transliteration Table

ء	’	خ	kh	ش	Sh	غ	Gh	ن	N
ب	B	د	D	ص	ṣ	ف	F	هـ	H
ت	T	ذ	dh	ض	ḍ	ق	Q	و	W
ث	Th	ر	r	ط	ṭ	ك	K	ي	Y
ج	J	ز	z	ظ	ẓ	ل	L		
ح	ḥ	س	s	ع	‘	م	M		

Short Vowels

/	a
–	
–	i
/	
’	u
–	

Long Vowels

ا+ /	ā
ي+ /	ī
و+ ’	ū

CHAPTER 1

INTRODUCTION

RATIONALE

Islamic economics as a discipline systematically and scientifically analysing economic phenomena on the basis of Islamic teachings emerged only a few decades ago around the second half of the 20th century. But Islamic economic 'thought'—in the sense of Muslims' 'opinions and desires'¹ concerning economic subjects and their studied response to the economic issues that they faced²—certainly began much earlier. This is no less true for Islamic thought in Malaysia. There have been much discussions on economic matters, but the overwhelming bulk of such discussions lie buried within the vast and centuries-old materials that exist on Qur'anic tafsir, hadith commentaries, jurisprudence and principles of jurisprudence, history, political thought and so on. Islamic economic thought is, in other words, as old as Islam itself. As generally the case in the Muslim world, and particularly the situation in Malaysia, very little effort has been made to dig out this material and present it systematically.³

Among the first questions that arise is why—given the supposed progress made in Malaysia and beyond in Islamic banking and finance, money market and insurance—

¹ Joseph Schumpeter distinguished between economic thought as 'the sum total of all the opinions and desires concerning economic subjects, specially concerning public policy bearing upon these subjects that at any one given time and place float in the public mind' and economic 'analysis' as the intellectual efforts that men have made in order to *understand* economic phenomena or... the scientific aspects of economic thought.' See Joseph Schumpeter, *History of Economic Analysis* (New York: Oxford University Press, 1994 edition), 3-4.

² Muhammad Nejatullah Siddiqi, "Recent Works on History of Economic Thought in Islam: A Survey," in *Readings in Islamic Economic Thought*, Abul Hasan M. Sadeq and Aidit Ghazali (eds.) (Petaling Jaya: Longman Malaysia Sdn Bhd, 1992), 33.

³ Muhammad Nejatullah Siddiqi, "Recent Works on History of Economic Thought in Islam: A Survey," in *Readings in Islamic Economic Thought*, 33-34; Muhammad Nejatullah Siddiqi, "Islamic Economic Thought: Foundations, Evolution and Needed Direction," in *Readings in Islamic Economic Thought*, 14, 25-26.

one would take such steps backward into the yellowed pages of history to extract the ideas of men who died long ago on issues that concerned them in circumstances much different from those we face us today? Joseph A. Schumpeter, in his monumental work *History of Economic Analysis*, famously provided three reasons for doing so. Firstly, scientific analysis in any field is never a linear progression of enquiry starting from some ‘primitive notions’ proceeding to gather more and more ‘stock’ and accretions of an objective reality. Rather, said Schumpeter, it is an incessant struggle progressing in a ‘chris-cross fashion’ as the impact of new ideas, observations or needs and the bents and temperaments of new men, dictate. Accordingly, as a pedagogical device, the historic consideration of economic problems and ideas cannot be fully grasped without an understanding of the “previous problems and methods to which they are the tentative response.” Secondly, keeping mindful of the legacy left by one’s predecessors and the “whole mountain ranges of past thought” keeps open the door to new insights on matters of current concern. The history of a science can afford us to glean useful lessons even if sometimes discouraging: about “the futility and the fertility of controversies; about detours, wasted efforts, and blind alleys; about spells of arrested growth, about our dependence on chance, about how not to do things, about leeways to make up for.” Lastly, delving into the thoughts of our intellectuals and thinkers would accord us a glimpse into the ways of the human mind, arguably, according to Schumpeter, “the highest claim that can be made for the history of any science or of science in general.”⁴

For Islamic economics, and in the context of Malaysia, in particular, Mohamed Aslam Haneef has laid out a compelling case for greater effort to be made to develop the theoretical foundations of the field in several areas of research. Citing Seyyed

⁴ Schumpeter, *History of Economic Analysis*, 4-5.

Vali Reza Nasr,⁵ Aslam points to the dearth of works articulating the philosophical basis and setting out a rigorous methodology to underpin, drive and provide coherence to the practice and literature of Islamic economics. As the chapters of this thesis show, there exists a wide range of views on various economic issues, such as land ownership and property ownership, labour, resource distribution, the role of the market and state, views on *riba*, etc. Such differences can be tied to the differing fundamental assumptions held about the nature of man and his relationship to other human beings, to nature, to wealth and so on. As Aslam points out, very little has been done to relate such varying positions on certain issues with other positions on other issues because there have yet to develop “coherent, logical and consistent frameworks for understanding the spectrum of Islamic economic thought.”⁶ According to him this is because there has been very little conscious effort to “develop, discuss, create, implement, and evaluate economic thought and policy using an Islamic framework of analysis. “How can one claim to have ‘Islamic’ thought and policy,” asks Aslam, “if the entire process of developing that thought and policy proceeds without reference to an Islamic framework?”⁷

LITERATURE REVIEW

Chandra Muzaffar, in 1987, looked at the connection between ethnicity, the New Economic Policy, “vested interests” and the Islamic resurgence in Malaysia.⁸ In 1996, Norhashimah Mohd. Yasin's *Islamisation/Malaynisation: A Study on the Role of*

⁵ Seyyed Vali Reza Nasr, “Towards a Philosophy of Islamic Economics”, *Hamdard Islamicus*, Vol. XII No. 4.

⁶ Mohamed Aslam Haneef, “Islamic Economic Development in Malaysia—A Reappraisal,” in *Journal of Islamic Studies*, 12: 3, 2001, 269-290.

⁷ Aslam adds: “The process of ‘analysing and evaluating policies and technology with the intention of modifying them to ensure that they were in line with Islamic values’, which was the expressed aim of the government, can only be done if you have an Islamic frame of reference to begin with and to use consciously.” Mohamed Aslam, “Islamic Economic Development in Malaysia,” 289.

⁸ Chandra Muzaffar. *Islamic Resurgence in Malaysia* (Kuala Lumpur: Fajar Bakti Press, 1987).

Islamic Law in the Economic Development of Malaysia 1969-1993 outlined how Islam and the Syariah have been applied by the government to promote economic development on its terms.⁹ In 1992 and 1996, M.A. Choudhury attempted an analysis of Malaysia's development from an Islamic perspective.¹⁰ Aslam in 1994 defined the parameters within which "a spectrum of Islamic economic positions" could be formulated and the choice of policy options towards achieving those goals.¹¹ Similar to an earlier work by Ozay Mehmet in which the developmental experiences of Malaysia and Turkey were compared as 'alternatives' to the conventional capitalist models,¹² Bruce B. Lawrence in 1998 discussed Malaysia as an example of economic model 'Corporate Islam' for other Muslim countries to look up to.¹³ In addition to the abovementioned, there also exist works on Islam and development by academics and intellectuals such as Syed Othman Al-Habshi, Syed Abdul Hamid Al Junaid, Nik Mustapha Nik Hassan, Mohammed Ariff, K. S. Jomo, Muhammad Syukri Salleh, Abdul Hasan Sadeq, Ataul Haq Pramanik and Aidit Ghazali. Political leaders who have spoken and written on Islam and economics in Malaysia include former prime minister Dr. Mahathir Mohamad and ex-deputy prime minister Anwar Ibrahim.¹⁴

Notwithstanding the above, there are only three works known to the writer that can be regarded as being directly relevant to a historical survey of Islamic economic

⁹ Norhashimah Mohd. Yasin, *Islamisation/Malaynisation: A Study on the Role of Islamic Law in the Economic Development of Malaysia 1963-1993* (Kuala Lumpur: A.S. Noordeen, 1996).

¹⁰ M. A. Choudhury, *The Principles of Islamic Political Economy*. (London: Macmillan, 1992), "The Principles of Islamic Political Economy," in *Alternative Perspectives in Third World Development* (London: Macmillan, 1996).

¹¹ Mohamed Aslam Haneef, "Intellectual Parameters of Contemporary Islamic Economic Thought and Policy: A Malaysian Case Study," (PhD Thesis, University of East Anglia, 1994).

¹² Ozay Mehmet, *Islamic Identity and Development: Studies of the Islamic Periphery* (Kuala Lumpur: Forum Press, 1990).

¹³ Bruce B. Lawrence, *Shattering the Myth: Islam Beyond Violence* (Princeton: Princeton University Press, 1998).

¹⁴ Rodney Wilson, "Islam and Malaysia's Economic Development," *Journal of Islamic Studies* (Vol. 9, No. 2, 1998), 260-265.

thought in Malaysia. In 1988, Shaharuddin Maarof's *Malay Ideas on Development*,¹⁵ itself a sequel to an earlier work (1984) of seminal importance,¹⁶ discussed the ideas of Malay-Muslim thinkers in relation to development. However, the figures whose ideas were under consideration therein were predominantly secular ethno-nationalists, and not much space was dedicated to the Islamist genre specifically, or to any great extent. Shaharuddin himself declared in his Preface that he would only make passing reference to the economic ideas of personalities, such as the Islamist leader Burhanuddin Al Helmy, due to their marginal impact on mainstream economic discourse and activities. In 1997, Shamsul Amri Baharuddin examined the economic aspect of Malay nationalism and the New Economic Policy. He did not consider ideas belonging to the *ulama* or Islamist intellectual circles. Shamsul did note, however, that the literature on the development of ideological thought in Malaya has overwhelmingly focused on the political aspects of nationalism, to the neglect of its economic aspect.¹⁷ Rodney Wilson, in his 1998 article "Islam and Malaysia's Economic Development," asked whether there is a distinctively Islamic model of economic development, and whether such a model has been applied by Malaysia's Muslim political leaders. To answer the two questions, Wilson provided a cursory overview of Islamic economists in Malaysia and their ideas, gave a rough narrative of the development path over the previous four decades, then focused on the growth of Islamic banking and finance in Malaysia since over the past 20 years. While the contributions and criticisms of Malaysia's development path by Islamic intellectuals

¹⁵ Shaharuddin Maaruf, *Malay Ideas on Development: From Feudal Lord to Capitalist* (Kuala Lumpur: Times Book International, 1988).

¹⁶ Shaharuddin Maaruf, *Concept of a Hero in Malay Society* (Petaling Jaya: Eastern Universities Press, 1984).

¹⁷ Shamsul Amri Baharuddin, "The Economic Dimension of Malay Nationalism: The Socio-Historical Roots of the New Economic Policy and Its Contemporary Implications," *The Developing Economies*, Vol. 35, No. 3 (September 1997), 240–61.

have been acknowledged by Malaysia's decision- and policy-makers, they have ultimately been ignored, Wilson concluded.¹⁸

Wilson's *Islam and Economic Development in Malaysia*, thus, comes closest to the subject matter of this paper, but there remains much room for further work on the areas that Wilson left untreated. Firstly, the ideas of Malaysia's Islamic intellectuals and scholars on economic matters was treated only cursorily as Wilson in his short article skimmed past only contemporary figures over the course of five pages—with one page dedicated to Mahathir and two on Anwar. Secondly, the scope of issues raised by the Islamist intellectuals and scholars is limited to the five pages allotted to them.

AIMS OF STUDY

This study seeks, thus, to fill in part of those gaps described above as well as to lay the first stepping stones and groundwork for further research on the development of ideas by Malaysia's Islamist intellectuals and scholars on economic matters. It analyses the their economic ideas as these were held current and expressed from the beginning of the 20th century to roughly two decades before its end. It seeks to shed light on the nature of Malay-Muslim religious economic thought prior to its formalisation as a distinct field of intellectual and institutional concern, especially in the form of Islamic finance and banking, and to pave the way for further rigorous research and analysis on the development of Islamic economic thought and analysis in Malaysia by placing the

¹⁸ Wilson, "Islam and Malaysia's Economic Development," 260-265. In 2006, Mohamed Nawab Mohamed Osman investigated the role of the *ulama* in modern Malaysia in the late 20th century and how they have mobilised and reconstructed Islamic tradition around the issues of religious identity and authority and how they sought to formulate a changing role for themselves in the country's politics. The focus of Nawab is on the religio-political sphere rather than the economic sphere *per se*. See Mohamed Nawab Mohamed Osman's "Religio-Political Activism of *Ulama* in Malaysia," (M.A. Thesis, National University of Singapore, 2006).

economic ideas of its religious scholars and intellectuals within their social, economic and political setting. The significance of this thesis is in being the first serious effort at building an analytical, conceptual and historical framework of understanding of Islamic economic ideas in Malaysia, which the researcher believes cannot be done without looking into the roots of those ideas and how they developed—or, perhaps, did *not* develop—from those roots. Furthermore, such ‘thought’—in the Schumpeterian sense clarified earlier—also cannot proceed towards deeper analysis and research without an *a priori* understanding of where, and how, such thoughts were formed. Writing on the need for more works on the history of economic thought in Islam, Muhammad Nejatullah Siddiqi says,

The present writer can only emphasise the importance of this task which will throw much needed light on how the Islamic mind responded to changing economic conditions in various regions of the world of Islam. We urgently need this light to chart our own course through history. To be under the illusion that we can do without it will increase the hazards of an already difficult journey.¹⁹

This thesis is, therefore, an attempt to begin laying the groundwork by way of a preliminary survey of the main issues related to economics on which the *ulama* and religious intellectuals²⁰ in Malaya/Malaysia deliberated. It is an intellectual history of Islamic economic thought in Malaya/Malaysia within its political, economic and social context. The importance of framing intellectual issues within their historical setting has been stressed by F. Gilbert, who writes:

Intellectual history ... exists only in connection with, and in relation to, the surrounding political, economic, and social forces. The investigation

¹⁹ Siddiqi, “Recent Works on History of Economic Thought in Islam: A Survey,” 33.

²⁰ ‘Ulama’ and ‘religious intellectuals’ are loosely distinguished in this thesis by the general attribute of the latter—although their thoughts may be driven by or even based on religious and/or textual principles—as lacking the scholarly education and training in the traditional religious sciences that are generally held by the former.

of subjects of intellectual history leads beyond the purely intellectual world, and intellectual history per se does not exist.²¹

A note of explanation is warranted regarding the focus—or limitation—of this survey to the years between the start of the 20th century until about the early 1980s. The ideas of Mahathir Mohamad, Aidit Ghazali and Muhammad Syukri Salleh and the interaction between those ideas and the social, economic and political setting is treated relatively briefly and as part of the concluding chapter. (Exceptions have been accorded to the discussions on Darul Arqam as well as on the beginnings of Islamic banking and finance in order to ‘tighten up’ the loose ends of the issues as they stood, rather than leave them hanging, at the cut-off point of 1981.) This is only partly due to the limited scope of the thesis. It is also mainly due to the fact that beginning 1981 and Mahathir’s 22-year premiership, elements of Islamic thought were institutionalised as an ingredient in policy-making, programmes and laws, and the discourse on Islamic economics gains traction and pace not seen before the 1980s. A separate effort and set of analytical devices would therefore be needed to compile, study and analyse the Islamic economic discourse post-1982—even if much of it focused rather narrowly on Islamic banking and finance.²²

FRAMEWORK: SETTING, IDEAS, INTERACTION

This thesis employs an analytical-historical approach that structures the subject matter across five chapters and in sections roughly conforming to an order wherein the social, economic and political setting is first presented, followed by a discussion of the religious scholars and intellectuals and their economic ideas roughly belonging to one

²¹ Cited in Hafiz Zakariya, “Islamic Reform in Colonial Malaya: Shaykh Tahir Jalaluddin and Sayyid Shaykh al-Hadi,” (PhD thesis, University of California at Santa Barbara, 2006), 18.

²² Mohamed Aslam, “Islamic Economic Development in Malaysia,” 279-282.

or other category and their ideas, and then consideration of how those ideas interacted with the realities of their environment.

In the last section of this Introduction, we consider the socio-economic and political setting of Malay ‘society’ at the late 19th century and early 20th century, followed by a discussion on the social structure and relations surrounding production and labour.

Picking up where the Introduction left off, Chapter Two (‘The Traditionalist Foundations’) considers the place of the *ulama* within traditional Malay society and the structure of the traditionalist religious discourse (*Aqidah*, *Tasawwuf*, and *Fiqh*). After a brief description of the overall nature of *fiqh* as contained in three of the most representative works of jurisprudence in the Malay world—Daud Abdullah al-Fatani's *Furu' al-Masā'il wa Usul al-Masā'il* (completed in 1841), Muhammad Ismail al-Fatani's *Matla' al-Badrain wa Majma' al-Bahrain* (1885/1886) and Zayn al-'Abidin al-Fatani's *Kashf al-Lithām* (1890)—the discussion proceeds to the principles, structure and content of traditionalist Islamist thought on economic matters as contained in the jurisprudence of *muamalat* (social relations and transactions). Having considered the traditionalist norms, rules and values that serve as the starting point for discussions on Islam’s socio-economic teachings, the discussion turns to how those norms, rules and values interacted with the realities, challenges and changes of modernity facing Malay society in the late 19th and early 20th centuries. For that purpose, Islamic teachings on land tenancy and development are discussed by way of the activism of Abdul Rahman Abdul Rahim ‘Limbong’ and the peasant Terengganu Revolt of the 1920s.

Chapter Three (‘The Reformists’) begins again with the setting by considering how Malay society had changed during the decades of British colonial expansion and by the onset of colonial capitalism. As the chapter points out, these transformations

led to “anguished debates” among Malay-Muslim intellectuals and scholars and spurred many to offer their prognoses and diagnoses for the socio-economic ills affecting Malay-Muslims society and its indigence, particularly *vis-à-vis* the migrant communities. The ‘Kaum Muda’ (Young Faction) reformist movement is discussed by way of its leading voices: Syed Sheikh Ahmad Hasan al-Hady, Sheikh Salimin Nu’man, Abu Bakar Ash’ari, the reformist journal *Intisari* and Zainal Abidin Ahmad (Za’ba). The interaction between this ‘young faction’ and their nemesis, the ‘Kaum Tua’ (Old Faction), is then treated by considering the intense debates that took place around the issues of *zakat* and *riba*. The discussion then proceeds to the ‘political economy’ of Abu Bakar al-Baki, Burhanuddin al Helmy, Dhulkifli Muhammad and Baharuddin Abdul Latif, all leaders of the emerging Islamic party organisations Hizbul Muslimeen and PAS.

In Chapter Four (‘The Post-Independence Period To 1982’), the setting is portrayed by way of the developments following the declaration of *Merdeka* in 1957, which include the bewildering and rapid changes and considerable social tumult—including the outburst of violence in May 1969—and the responses of the government in the form of the affirmative action and social restructuring programmes of the New Economic Policy (NEP). Among the figures whose ideas are discussed in this context are Anwar Ibrahim, Siddiq Fadhil and other leaders of the Angkatan Belia Islam Malaysia (Muslim Youth Movement of Malaysia–Abim) movement, and Ashaari Muhammad of the revivalist sufi organisation Darul Arqam. The environment in which Mahathir Mohamad began his term as prime minister is then described, the aspect most relevant for the purposes of this discussion being the resurgence of Islamic consciousness in Malaysia and the Muslim world generally, with which Mahathir and his predominantly secular regime had to contend. Mahathir’s ideas—in

which can be discerned the influences of the early religious reformists– are placed side-by-side with those of development analysts Aidit Ghazali and Muhammad Syukri Salleh. Prior to that, however, in the manner of ‘interaction’ between concepts and reality, consideration is made of the foundation of the Tabung Haji Pilgrimage and Fund Board, the Islamic Bank and other initiatives which ‘took off’ from the 1980s.

The Concluding Remarks and Analysis summarizes the main contours of the thesis then points to some of the fundamental contradictions and tensions associated with the latest developments relating to Islamic economic ideas–particularly in relation to Malaysia– in finance, banking and land laws, and then suggests topics for further research on the topic of Islamic economic thought in Malaysia.

MALAY SOCIETY ON THE EVE OF THE 20TH CENTURY

'Malay society' in the Malay peninsula at the turn of the 19th century was made up of predominantly agrarian, but ethnically and culturally divergent, settlements, isolated, self-contained and separated by mountain ranges, swamplands, tropical rainforests and major rivers (in some cases, bodies of water such as the straits of Melaka or Johor or the South China Sea), all of which served as the boundaries of the *negeri* (state). Between and even within each *negeri*, the settlements were separated from each other, resulting in the formation of autonomous maritime-based and riverine-based state sultanates of various stages of political and administrative formation and dissolution, all of them–due to the natural factors referred to above–of generally poor transportation, communication and bureaucratic integrity.²³

²³ Donald M. Nonini, *British Colonial Rule and the Resistance of the Malay Peasantry, 1900-1957* (New Haven: Yale University Southeast Asia Studies, 1992), 19-20; Lim Teck Ghee, *Peasants and Their Agricultural Economy in Colonial Malaya 1874-1941* (Kuala Lumpur: Oxford University Press, 1977), 3.

Whether long-settled or recent immigrant, the communities that made up the population of peninsular Malaysia came from different parts of the Malay world and elsewhere. There were the numerous aboriginal tribes that made up the Orang Asli, different groups of Acehnese from northern Sumatra, *orang Minang* from Minangkabau in eastern Sumatra, the Kerinchi, Rawa and other groups from Java, the Bugis from Celebes, the Bajau from eastern Borneo, as well as Indian, Chinese, Siam, Indian and European migrants.²⁴ Each arriving group resided in villages separated by natural barriers, which further accentuated the differences between the communities.²⁵ The inhabitants of the settlements located within the boundaries of the *negeri* sultanates before the third quarter of the 19th century did not feel any cultural affinity to the members of the other settlements, let alone those from the other states. This is not to say that there were no commonalities among those who made up the majority populace in the peninsula, for there was indeed the shared religion of Islam, the Malay language as their lingua franca, and 'rulership by a *raja*' (*kerajaan*) over the *negeri*. But the feeling of belonging to the larger rubric of being 'Malay' with common religious, linguistic and social-political traits tied together by common roots and perceived common destiny, was to be forged much later in the 20th century by colonialisation.²⁶ Those who had migrated earlier to the Malay peninsula and had subsequently acquired an autochthonous identity and status as *anak negeri* (children of the state) saw themselves as forming a cultural (and perhaps superior) group, distinct from more recent immigrants (*anak dagang*, children of commerce), even if

²⁴ Zaharah Mahmud, "The Period and Nature of 'Traditional' Settlement in the Malay Peninsula," *Journal of the Malayan Branch of the Royal Asiatic Society*, Vol. 43, Part II, 1970, 81-113.

²⁵ Tunku Shamsul Bahrin, "The Pattern of Indonesian Migration and Settlement in Malaya," *Asian Studies*, Vol. 5, No. 2, 1967, cited in Nonini, *British Colonial Rule*, 55

²⁶ See Nonini, *British Colonial Rule*, 20; also Charles Hirschman, "The Making of Race in Colonial Malaya: Political Economy and Racial Ideology," *Sociology Forum*, vol. 1, no. 2 (1986), 340-361; also Paula Pannu, "The Production and Transmission of Knowledge in Colonial Malaya," *Asian Journal of Social Science*, Vol 37 (2009): 427-451.

both *anak negeri* and *anak dagang* might have hailed from the same village of their original country. At least for this particular period, the characterisation of the settlements making up the majority of the populace as 'Malay' serves, as Nonini put it, more as a convenient classifying device for historical inquiry than a label reflecting a unitary cultural or social reality.²⁷

Most of the population in the subsistence agricultural economy of the Malay peninsula in the 19th century were either wet-rice (*sawah*) or dry-rice (*ladang*) farmers who also planted as side-crops items such as durian, betel, areca, gambier, coconut and other fruits in addition to tapioca, sugar cane, corn, cassava, yam, banana, sago, tobacco and coffee.²⁸ Full-time, part-time or seasonally, Malays engaged also in hunting, coastal and riverine fishing and/or tin-mining and, in order to make up for the items that they could not themselves produce, imported textiles, ornaments, salt, iron goods and tobacco. These were bought or exchanged, by means of a small trading and artisan class, for padi, rice, rattan, finery, gutta percha, and other, mainly forest, products.²⁹

A mix of barter and money usage served as the exchange method that girded the trade and financing system of the traditional economy, with 'bookkeeping barter' serving as an effective 'halfway house between the pure barter and the money economy'. Rice itself functioned as a unit of account in addition to notes and, more generally, coins of Spanish, East India Company, Rix, Mexican, British and American dollars and Japanese yen. By 1910, notes had overtaken coins as the major circulating

²⁷ Nonini, *British Colonial Rule*, 20-21.

²⁸ Shaharil Talib, *After Its Own Image: The Trengganu Experience, 1881-1941* (Singapore: Oxford University Press, 1984), 115.

²⁹ Commodity trade in the traditional Malay economy was dominated by the rulers and their close officials, who monopolised foreign trade and ensured that all transactions passed through their hands. Lim, *Peasants and Their Agricultural Economy*, 4; Nonini, *British Colonial Rule*, 23-25; Shaharil, *After Its Own Image*, 49, 115.