Draft of the First Chapter of a new textbook on Third Generation Islamic Economics

Chapter 1: The Methodology of Uloom ul Umran

1 Understanding Social Change

This textbook introduces a new way of thinking about Islamic Economics, setting this within the context of a new approach to Social Sciences. We will draw on the ideas of Ibn Khaldun and his study of societies, known as *Uloom ul Umran*, or the "Science of Civilization." Ibn Khaldun was deeply interested in how societies grow, mature, and eventually decline. His goal was to uncover the hidden forces that drive these long-term changes.

Throughout this book, we will use Ibn Khaldun's method to explore how modern societies have evolved, especially focusing on the economic dimension. But we will also remember that economic changes are never isolated—they are closely tied to other parts of society, such as politics, education, and law. Because all these parts are interconnected, it's impossible to fully understand economics without also looking at the rest of society. This approach contrasts sharply with standard economic methodology taught worldwide, which assumes that economics can be studied independently of politics, culture, geography, and historical context.

1.1 Moving Beyond Universal Laws

To study how societies change, we need to take a different approach than what is usually taught in modern economics. Modern economics looks for fixed, universal laws that apply to all societies, at all times. But *Uloom ul Umran* rejects this idea. Instead, it teaches us that social theories must change and evolve just as societies do. However, there's often a delay—meaning that the theories we use today are usually based on the study of past experiences and don't always fit the present. Furthermore, every moment in time is unique, and presents opportunities and threats which may never have existed in the past.

A key part of *Uloom ul Umran* is recognizing that we are not outside observers of society—we are participants in it. The theories we use to understand society shape how we see ourselves and our roles within it. To truly study social transformation, we need to step outside of the dominant theories of our time. This requires looking at society from an external perspective and understanding how our thinking has been shaped by the historical and cultural forces around us.

Imagine it like this: It's hard to understand the layout of a city when you're walking through it, surrounded by buildings and streets. But if you step back and look at a map, the city's structure becomes clear. Similarly, by stepping back from the theories that we are used to, we can get a clearer view of how societies really work. Grasping this methodology can give us insights into how our thoughts have been shaped by historical forces, and how we can free ourselves from these entanglements and arrive at deeper self-understanding.

1.2 The Importance of Context in Social Theories

One of the most important lessons of Uloom ul Umran is that social theories are not universal. They are tied to specific historical, geographical, and cultural contexts. For example, a theory that was developed in Europe hundreds of years ago might not be relevant for understanding societies in other parts of the world today. To fully understand any theory, we must first understand the time and place in which it was developed.

One example of this context dependency is the concept of property ownership. Traditionally, property was viewed as a trust, carrying social responsibilities and obligations. Over time, particularly in Western societies, the notion of property evolved toward absolute ownership, emphasizing individual rights over communal obligations. Islam teaches us that everything belongs to God, and temporary ownership rights are granted to people, as an “Amanah” (trust). This perspective is reflected in the Quranic verse: "O Shu'aib, does your prayer command you that we leave what our forefathers worship or that we cease doing what we please with our property?" (Quran 11:87). Aligned with this natural perspective, the Cherokee Constitution of 1839 states: “The lands of the Cherokee Nation shall remain common property. The conception of property in Europe changed dramatically in response to specific historical circumstances, and cannot be understood without reference to this historical context.

Since theories are developed to understand particular circumstances facing particular societies, they cannot be detached from this context and treated as universal laws. In this book, we will develop and use Uloom ul Umran methodology to show how societies and their theories grow and change together. We will look at both Western and Islamic economic theories to uncover how their historical contexts shaped their development. By doing so, we can gain a deeper understanding of how social theories are created and how they shape our thoughts and actions.

1.3 DEFINING SOCIETY AND SOCIAL GROUPS

To study social change, we must begin by defining what a society is and what constitutes change within it. Societies are incredibly diverse, so no single definition can encompass all forms. In this textbook, we provide broad definitions tailored to the cases we will examine.

Society as a Whole: A society is a structured collection of individuals and groups governed by formal and informal rules. These rules include legal systems, market practices, social norms, and traditions, which together shape how people interact, live, and work within the social structure.

Social Groups and Communities: Every society contains various communities and sub-groups, each with unique identities, goals, and values. These groups may either align with or oppose the broader society's goals. Social change arises from the collective actions of these groups, which may involve cooperation or conflict. Trigger events—such as climate change, wars, or technological innovations—disrupt the status quo and demand responses. The societal response depends on how different groups react to the change and the power dynamics between them, ultimately shaping the collective course of action.

The Role of Institutions: Institutions—such as governments, families, schools, religious organizations, and economic structures—provide stability and continuity in society. They

maintain social cohesion by setting shared expectations and regulating behavior. Crucially, institutions serve as tools for achieving society's collective goals.

In the next chapter, we will examine Europe's 'Great Transformation,' a shift from a Christian society to a secular modern one. This transformation fundamentally changed the concept of society. Traditional societies were seen as unified bodies, where all members, despite their different roles, worked toward a shared purpose. By contrast, secular societies assume that individuals are free to choose their own religion and life goals. As a result, secular societies lack a single, common goal. Instead, they rely on laws, regulations, and institutions to ensure peaceful coexistence and cooperation on shared concerns like defense.

Key Takeaways:

1. **Uloom ul Umran**: Societies pass through stages of growth, maturity, and decline, and these changes are driven by hidden forces. Ibn Khaldun pioneered this approach to the study of social change.
2. **Interconnectedness of Society**: Economic changes are deeply linked with political, educational, societal, and legal changes, so they must be studied together.
3. **Rejecting Universal Laws**: Unlike modern economics, *Uloom ul Umran* teaches us that social theories must evolve with societies and cannot be applied universally. Even the concept of what a society is can, and has, changed radically under pressure of historical circumstances.
4. **Step Outside Dominant Theories**: To truly understand social change, we must free ourselves from the dominant social theories of our time and look at things from an external perspective.
5. **Context Matters**: Social theories are closely tied to the historical, geographical, and cultural contexts in which they were developed. Applying them outside their context risks misunderstanding their true meaning

2 NARRATIVES, SOCIAL THEORIES, AND WORLDVIEWS

History is the foundation of *Uloom ul Umran* because it provides the record of how societies evolve and change over time. However, there are many different ways to approach the study of history, and these differences matter because they shape how we understand social change. Ibn Khaldun's contribution to the study of history was groundbreaking—he sought to uncover the hidden forces driving the rise and fall of civilizations. In doing so, he laid the groundwork for modern social theory. But much of this approach has been forgotten or abandoned, especially in economics. To revive these insights, we need to introduce a new conceptual framework, one that contrasts sharply with the dominant methods of studying history and society today. Our framework for analysis revolves around three related concepts: narratives, social theories, and worldviews. Group identities and social norms are created by narratives. Social classes develop social theories in order to analyze and manage social change processes. Narratives and social

theories are all framed within specific worldviews, which guide both narrative creation and acceptable social theories. The collective response of a society to a trigger event creating changes is governed by the relative power of the different social classes and the social theories which come to dominate the public discourse, thereby becoming the basis of the collective response to change.

2.1 Rejecting Material Determinism

The dominant approach in modern economics and social sciences is based on materialistic determinism. This philosophy claims that human thoughts, actions, and social phenomena are entirely or mostly determined by material conditions, such as economic forces, physical environments, or technological developments. In this view, human agency, ideas, and spiritual influences are secondary or irrelevant, reducing history to a predictable sequence of material causes.

In Uloom ul Umran, we reject both materialism and determinism. The Quran teaches us that human beings are the most honored of God's creations, and that each individual has the potential to shape history. Human choices make a difference. Material conditions do not strictly limit what humans can achieve. Furthermore, the future is not predetermined—it is shaped by billions of human choices, each contributing to the unfolding of historical events. Because human beings have free will, the course of history is non-deterministic and unpredictable.

By rejecting determinism, we affirm that human choices are central to driving social change. This perspective contrasts sharply with the concept of "social science." Each moment in history is unique, presenting opportunities that have never existed before and will never exist again. A "scientific" perspective, which relies on lessons from past experiences, will systematically blind us to novel opportunities. Making decisions in unprecedented circumstances requires thinking that transcends the limits of the scientific method.

Material determinism asserts that material conditions—such as geography, resources, and economic factors—entirely dictate the course of history. Yet historical evidence reveals that human agency, ideas, and cultural influences play pivotal roles in shaping societal trajectories.

Divergent Paths of Resource-Rich Continents: Four to five centuries ago, continents such as Russia, North America, South America, and Africa possessed vast resources and were at similar stages of development. If material determinism were valid, these regions would have followed comparable historical trajectories. Instead, they experienced vastly different outcomes shaped by factors such as colonization, indigenous cultures, and political decisions. For example, Europe’s colonization strategies, combined with the varied responses of native populations, produced distinct outcomes in North and South America.

The United Kingdom's Global Influence: Despite being geographically small and relatively resource-poor, the United Kingdom’s outsized impact on world history defies material determinism. It was the visionary planning and economic policies of Queen Elizabeth I (1558–1603) which laid the foundations for the eventual rise of the UK to the status of a world

power. The impact of human ideas and visions on the course of history is minimized or marginalized in the materialistic determinism approach.

Impact of Marxist Ideology: Karl Marx's theories, which emphasize material conditions as the primary drivers of history, ironically became catalysts for major social upheavals. The Russian and Chinese Revolutions, profoundly shaped by Marxist ideology, illustrate how human ideas and beliefs can drive significant historical change, even when detached from material determinants.

These examples illustrate that while material conditions influence societal development, they do not solely determine historical outcomes. Human choices, cultural narratives, and ideological movements play crucial roles in shaping the course of history, highlighting the limitations of a strictly material deterministic perspective.

2.2 What are Narratives?

Narratives are the stories we create to make sense of our past, define our identities, and guide our actions. They go beyond mere historical facts by interpreting events, assigning causes, and connecting them to human motivations, beliefs, and values. Narratives shape how we view heroes and villains, understand our purpose, and envision the future. They are essential for giving meaning to history and fostering group identity.

Key Terms

- **History:** The complete record of all events, encompassing both external circumstances and internal motivations. Only God has full knowledge of this comprehensive account.
- **Recorded History:** A much smaller subset of history for which written records or physical evidence exist. Even this limited record is often too vast for any individual to fully comprehend. These records may also reflect biases, suppress significant facts, or present conflicting accounts.
- **Narratives:** Stories created from recorded history that fill in gaps, assign motivations, remove conflicts, and link events causally. Narratives often include myths or interpretations that unify groups and give meaning to history.

The Role of Narratives

Narratives go beyond recorded history, shaping how we interpret history and identify causes. Unlike scientific experiments, where variables can be controlled, history is shaped by countless factors changing simultaneously. This complexity makes it impossible to pinpoint definitive causes and opens the door to multiple interpretations and conflicting narratives. For example:

- **Global Financial Crisis (2007):** After the crisis, two contrasting narratives emerged. The “Banker’s View” emphasized the need to preserve financial liquidity, justifying bailouts for banks. The “Household Debt View,” presented by Atif Mian and Amir Sufi in *House of*

Debt, argued that excess private debt was the crisis's root cause and advocated for bailing out borrowers instead. The adoption of the Banker's View led to ineffective policies, demonstrating how dominant narratives shape decisions.

Although narratives are subjective, they are not arbitrary. Their truth depends on how closely they reflect actual history, even if the complete truth remains unknowable. Narratives differ in accuracy, and some are deliberately distorted.

Deceptive Narratives

Because narratives powerfully shape public perceptions and influence collective responses to emerging social issues, powerful subgroups within society have a vested interest in shaping these narratives to control outcomes and steer public thought in their favor. False narratives can be constructed in several ways:

1. **Misattributing Causes:** For example, blaming economic issues on immigrants, as is common in the U.S. and Europe, even when evidence shows otherwise.
2. **Omitting Relevant Facts:** For instance, Israel's narrative about the October 7th attack by Hamas ignores preceding events, disregarding the broader historical context.
3. **Inventing Facts:** A notable example is the Hindutva narrative in India, which fabricates a mythological history of a Hindu-dominated India invaded by Muslims.

Why Certain Narratives Dominate

Among conflicting narratives, those that come to dominate public discourse often do so because they align with the interests of powerful groups. However, other factors—such as cultural resonance, accessibility, and repetition—also play a role in determining which narratives prevail. Understanding how and why certain narratives achieve dominance is a critical focus of our study. A study of historical experience shows that narratives come to dominate not because they are true, but because they are aligned with the interests of the powerful. This ties in with the need to clear our minds from the influence of dominant narratives, as a pre-requisite for an objective study of human societies.

2.3 Identity Narratives

Narratives are essential to collective action because they define group identity, establish social norms, and provide shared goals. One particularly powerful type is an identity narrative that encourages individuals to identify with the trials, tribulations, and triumphs of a particular group.

In pre-Islamic Arabia, tribal poets recited stories of valor and kinship, weaving a shared history that united tribes. These narratives cultivated asabiyyah, the social cohesion necessary for collective tribal action. In the modern world, identity narratives have replaced asabiyyah, serving a similar purpose by fostering group solidarity and enabling collective action.

We present three examples of identity narratives, one of the most significant drivers of history. These narratives not only create group identity but also drive conflicts and wars.

1. **American National Identity (Joyce Appleby):** In *Telling the Truth About History,* Joyce Appleby explores how American national identity was formed through a selective, often mythologized narrative of history. This narrative unified diverse groups within the United States by promoting the idea of shared values and a unique national destiny, even though it relied on many oversimplifications or outright inaccuracies. This identity narrative was crucial for uniting Americans but also created divisions, setting the American identity in opposition to other nations and justifying American expansion and exceptionalism.
2. **The Rise of Nationalism (Benedict Anderson):** In *Imagined Communities,* Benedict Anderson argues that the invention of the printing press and the use of vernacular languages made it possible to create and spread shared narratives among the masses. These shared narratives fostered a common identity, enabling the formation of national identities. However, these shared narratives also fostered divisions, as each nation-state developed a distinct identity often defined in opposition to others. This dynamic led to competition and conflicts on an international scale.
3. **European Unity Against Islam (Pirenne Thesis):** Historian Henri Pirenne argued that before the rise of Islam, Europe was a war-torn and fragmented region with no unifying identity. However, the threat posed by the expanding Muslim empires created a sense of a unified "Christendom," a collective European identity positioned against Islam. This narrative fostered solidarity among European states, but it was also exclusionary, defining Europe in opposition to a perceived Islamic threat. The notion of “Europe” as a united entity persisted, later influencing concepts of Western identity.

These examples demonstrate that while identity narratives unite groups and create a strong sense of purpose and belonging, they also define 'others' in opposition, fostering division. The identity narratives of the nation-state create the concept of 'national interest,' often justifying conflict and war. They prepare individuals to defend these interests, even to the point of sacrificing their lives or taking the lives of others, making such narratives a powerful driver of social conflicts and wars.

2.4 SOCIAL THEORIES

All societies face the challenge of collective decision-making because different groups often have conflicting goals, perspectives, and priorities. Social theories play a crucial role in addressing this challenge by offering apparently objective frameworks to analyze societal issues, propose solutions, and guide collective action.

Social theories are composed of three key elements: descriptive, prescriptive, and transformative. The descriptive element provides a narrative of the current state of society, including the history leading up to it, often highlighting specific social problems that need attention. The prescriptive element envisions an ideal state of affairs—a 'good society'—and identifies the deficiencies that separate the present state from this ideal. The transformative element outlines the steps and policies needed to move society closer to this ideal state.

Because social theories are designed to guide collective action, they always have an appearance of objectivity – they explain what is good for everyone, for the society as a whole. At the same time, social theories are crafted by human beings who are analyzing society, often with a specific perspective or goal in mind. This means that social theories are often crafted or shaped to justify policies that powerful classes perceive as being in their best interests.

As an example which continues to be of central importance in economic theory, consider Marxist and Capitalist Economic theories. Both are social theories. Marxism focuses on the exploitation of laborers by capitalists, and finds no solution within capitalism, which provides increasing power and wealth to the capitalists. Therefore, it advocates a workers' revolution that would transfer the source of power, capital, away from the capitalists and give ownership of capital to the public. In contrast, Capitalist theory asserts that individuals' lives should be valued based on their monetary earnings. Within this framework, laborers are said to receive what they deserve—the monetary value of their contributions. Capitalists also get what they deserve—the monetary value of their contribution to society. Furthermore, this is presented as an ideal system.

This intentional crafting of social theories helps explain why two theories describing the same economic system can be so dramatically different from one another. One theory aligns with the interests of the laboring classes, offering a description and prescription that advocate for their needs while claiming objectivity. Similarly, capitalist economic theory is crafted to describe and prescribe in ways that uphold the interests of the wealthy and powerful classes.

The dominance of one theory over another has historically depended on the relative power of the social classes they represent. These social classes, in turn, are shaped by the narratives embedded in the descriptive elements of these theories. For instance, Karl Marx's work helped create the idea of a class of "laborers" with shared interests, capable of collective action to further those interests. Narratives also influence the concept of "self-interest." In some societies, honor is valued above life and wealth, leading individuals to consider sacrificing their lives or property for honor—high social status and the respect of others—as self-interest. In capitalist societies, where wealth is a primary marker of social status, people often pursue wealth even when it offers no material benefits in terms of better lifestyles.

2.5 Worldviews

Worldviews are more comprehensive than social theories, combining an identity narrative with a coherent framework that explains all aspects of our social lives. A worldview provides a complete system for interpreting the world, addressing both societal issues and humanity's deepest existential questions.

Key questions in any worldview include:

- **Origins:** How was the universe created, and what is our place within it?
- **Purpose:** What is the meaning of life, and what ideals should we strive for?
- **Moral and Ethical Conduct:** How should we treat one another, and what defines right and wrong?

- **Ultimate Destiny:** What happens after death, and what are the consequences of our actions in this life?
- **Social Structure:** What defines a just society, and how should we organize our collective lives?

Unlike narratives, which are continuously updated, and social theories, which emerge in response to specific problems, worldviews remain relatively fixed over time as they address broader questions of meaning. Narratives and social theories are embedded within worldviews, whose underlying assumptions are often taken for granted and not subject to discussion or debate.

Changes in worldviews can occur, and we will study the Great Transformation in European thought, which resulted in a change in worldviews, in the next chapter. However, changes in worldviews are never evolutionary; they are always revolutionary: that is, one must abandon one worldview to adopt another. Today, the primary competitor to Islam is not another religion but secular modernity, which has its own distinct worldview. In the next paragraph, we will present the secular modern worldview as an example to illustrate the concept of a worldview.

A secular, modern worldview starts by rejecting the existence of God, an afterlife, and a Day of Judgment. This perspective places the life of this world as the central concern and sees the universe as a product of cosmic accidents, with life emerging from chance molecular interactions. Human beings are viewed as a result of evolutionary processes, governed by competition and survival instincts. In this view, life has no inherent meaning beyond personal fulfillment, and secular modern societies prioritize material success and power as markers of progress.

This sharply contrasts with the Islamic worldview, which centers on a purposeful creation by God and a life guided by moral and ethical principles in preparation for an eternal hereafter. In this worldview, humans are stewards of the Earth, accountable to God for their actions. Knowledge, purpose, and values are derived from divine guidance, with the Quran offering a framework for both personal conduct and social justice, rather than a focus on material gain alone. This fundamental difference in worldview shapes every aspect of life and society, illustrating the profound impact of competing worldviews on human values and social organization.

The dominance of the secular modern worldview is evident in the near-universal global consensus on national economic policies aimed at maximizing wealth, measured by GDP. Yet, a well-known hadith of the Prophet (PBUH) tells us that *Khairul Quroon a Qarni*—"the best of times is my time"—suggesting that virtue, morality, and simplicity, rather than wealth, mark true development. Similarly, the Quran gives us examples of Qaroon and Firawn, who were materially rich and politically powerful, but ultimately failures. Thus, policy goals are shaped by worldviews. To get a deeper understanding, it is essential to recognize that dominant worldviews shape our own thinking. Stepping back and reconsidering dominant ideas, as we will learn to do, can reveal alternative ways of thinking about the goals and successes of societies.

Key Takeaways from Section 2: Narratives That Shape Our Lives

- **The Role of Narratives**: Narratives are the stories that shape our understanding of the world. They help us make sense of history, create group identities, and provide shared values and goals.
- **Materialistic Determinism vs. Narrative Agency**: Unlike materialistic determinism, which views social change as driven by impersonal forces, Uloom ul Umran emphasizes human choices and narratives as key drivers of history. This approach allows us to see history as something shaped by human agency and collective action.
- **Different Types of Narratives**:
    - **Identity Narratives** give a group a sense of unity and purpose, creating bonds based on shared stories and values.
    - **Deceptive Narratives** are crafted by those in power to support their interests while presenting themselves as fair and neutral to the broader society.
    - **Worldviews** combine identity and social theories, answering deep questions about the nature of life, morality, and society.
- **Social Theories and Worldviews**: Social theories are frameworks for understanding specific social issues or changes, while worldviews provide a complete picture of reality, including our purpose, values, and ideas about the ideal society.

3 Society and the Drivers of Social Change

To understand how societies evolve, we must analyze their structure and the forces that drive change. Societies are not uniform; they are composed of diverse groups, each with its own identity, goals, and values. These groups often operate according to narratives that unify their members and guide their actions. However, within a single society, multiple, and often conflicting narratives coexist, each shaping perspectives and influencing social actions in different directions. Wars and social conflicts frequently arise from these conflicting narratives, acting as significant drivers of social change by shaping class identities, positions on social issues, and policy responses to events.

Importantly, these conflicts create social problems which prompt thinkers and leaders to develop new social theories aimed at solving them. For example, secular modern society emerged largely in response to centuries of religious wars in Europe, which posed pressing questions about how to achieve peace and coexistence. Early secular thinkers misdiagnosed the cause of persistent wars to be religion, instead of the pursuit of power. Thus, they created social theories which led to the emergence of modern secular societies, which marginalize religion. However, this transition did not succeed in its objective of leading to a peaceful world. These incorrect social theories designed to create modern secular societies nonetheless shaped the foundations of modern Western thought, as we will see in the next chapter. Thus, both the social conflicts and the theoretical responses they inspire are central to understanding how societies transform over time.

3.1 Uniting and Divisive Narratives

Human societies are shaped by diverse narratives that groups create to make sense of their unique histories, identities, and purposes. These narratives foster unity within each group but also cause divisions between groups, often clashing with other narratives in society. Every narrative has the potential to create both cohesion and conflict, depending on the context in which it is invoked.

One vivid example comes from the concept of *asabiyya* in pre-Islamic Arabia. Tribal identities were fiercely maintained and celebrated, with each tribe appointing poets to memorialize the valor and triumphs of its ancestors. These poets would compose songs about past glories, which became central to each tribe's collective identity and pride. However, these same narratives also perpetuated rivalries, with ancient feuds reigniting over seemingly trivial issues. Members of different tribes, though living together in shared cities, would engage in blood feuds over generational slights, stirred up by the memories preserved in these poetic traditions. Thus, while narratives united individuals within a tribe, they also entrenched divisions between tribes, often fueling conflict.

Yet, these same tribes could also rally together around uniting narratives when faced with a common external enemy, highlighting the complexity of human allegiance. For example, ethnic and linguistic bonds would take precedence in times of collective threat, uniting rival tribes against a common foe. This dynamic shows that people often hold multiple, and sometimes conflicting, narratives at once, adjusting their allegiance and actions to suit the circumstances. In this way, choosing between competing narratives is a routine aspect of human behavior, as individuals and groups adapt to new conditions and needs.

Throughout the Islamic world today, a profound clash of narratives shapes societal evolution. One prominent narrative reveres the society of the Prophet Muhammad (SAW) in Madina as the ideal, aiming to bring about social change that aligns with the values and structures of that time. This vision seeks to recreate a society rooted in Islamic principles, community cohesion, and moral integrity. In contrast, another influential narrative, often held by Westernized groups, upholds Western civilization as the model of progress and modernity. Proponents of this view advocate for adopting Western social structures, norms, and values, seeing them as pathways to advancement. The clash between these two narratives, each offering a distinct vision for the future, defines the social dynamics of the Islamic world, fueling both division and dialogue as societies confront questions of identity, tradition, and modernity.

Through these examples, we see that narratives not only shape group identities but also create divisions between them. A materialistic view focuses on physical conflicts, where outcomes depend on weapons, numbers, and terrain. In this textbook, however, we will focus on the battles of conflicting social theories. We will explore how some narratives rise to dominate public discourse, winning the "soft power" struggle that complements physical battles fought on the ground.

3.2 Social Theories and Their Role in Social Change

Ibn Khaldun observed that human beings are inherently dependent on one another for survival, as individuals cannot fulfill all their needs alone. This interdependence necessitates cooperation, which requires rules and agreements to govern interactions. This foundational social contract—an implicit or explicit set of rules for working together—forms the basis of any society. Yet, the nature of this contract varies widely across societies, influenced by environmental, cultural, and historical factors.

Modern societies are shaped by a narrative of "individualism," which portrays every human being as self-sufficient. The "Market" supports the illusion of individualism by mediating all interactions and concealing the reality of interdependence. It fosters the impression that individuals do not need direct relationships with others, as survival depends solely on selling labor to the Market and using the earnings to purchase necessities. This masks the fact that the Market itself is merely a network of individuals, obscuring the underlying need for human cooperation.

In general, the social contract is driven by three main factors:

1. **Internal Moral Compass:** Many societies are guided by an innate moral sense within human nature, which Islam identifies as *fitrah.* This inbuilt moral compass inclines humans toward compassion, generosity, and a sense of responsibility for others, forming a natural basis for cooperation and mutual care. In Islamic tradition, the Prophet Muhammad (SAW) emphasized that humans are created with an inherent disposition toward goodness, suggesting that qualities like empathy and cooperation are fundamental to our nature.
2. **Social Training and Environment:** The narratives, customs, and norms imparted through upbringing and social environment also shape the social contract. This training can strengthen natural inclinations toward cooperation and kindness, but it can also counter or subvert them. For example, societal narratives may promote values of competition and individualism, reshaping natural tendencies and creating distinct norms of social conduct. Thus, the social environment plays a critical role in guiding or altering human behavior.
3. **External Law:** Formal legal structures, encompassing laws and regulations, provide a structured framework that defines acceptable behavior within a society. External laws formalize expectations for cooperation and delineate rights and responsibilities, helping to maintain social order. This legal aspect of the social contract serves as a means to regulate and enforce conduct, shaping society alongside internal moral values and social training.

Together, these three elements—innate morality, social training, and formal law—compose the social contract that defines a society. Each element influences how members of a society understand their roles and responsibilities, creating a unique framework for cooperation. Social theories arise from the study of these structures and relationships, exploring how societies organize themselves and respond to challenges.

Thomas Hobbes, writing amidst the violent religious wars of 17th-century Europe, developed his influential social theory in *Leviathan.* Drawing from his personal experiences of widespread

social conflict and civil war, Hobbes concluded that the internal moral compass and traditional upbringing in European societies were inadequate to prevent conflict. According to Hobbes, without government regulation, humanity would descend into a "state of nature," marked by a war of all against all. To avoid this chaos, Hobbes advocated for an extraordinarily powerful state—one that would legislate and enforce all aspects of collective life. This approach, which replaced reliance on internal morality with an external "rule of law," became widely accepted in European societies. Why did this narrative, strongly in conflict with Islamic social theories, come to dominate European thought? We will study the specific historical forces that led to this outcome in the next chapter.

3.3 Triggers and Responses

Social change often begins with a trigger event—an external shock or internal transformation that disrupts the existing equilibrium of a society. These triggers affect different groups in varying ways, often creating conflicts and forcing societies to adapt through collective responses. The process involves the creation of competing social theories, as groups strive to understand and respond to the change based on their unique circumstances and interests. Ultimately, one social theory dominates the discourse and guides the collective policy response, not necessarily because it is the most accurate or beneficial for all, but often because it aligns with the interests of the powerful.

The Example of Poverty: Enclosures and Urban Migration

A significant example of a trigger event in history was the enclosure movement in England during the early modern period. Commons lands, which had sustained the rural poor with resources like timber, grazing lands, and hunting grounds, were seized and privatized by the wealthy elite. This dispossession deprived countless individuals of their means of subsistence, forcing mass migrations from rural areas to urban centers. Uprooted from their traditional ways of life, these individuals became dependent on irregular urban employment, marking a major societal shift that demanded new approaches to addressing poverty.

Competing Responses to Poverty

The enclosure movement triggered a societal response characterized by two competing social theories about the cause and solution to poverty:

1. **Social Responsibility Theory:** This perspective emphasized the moral obligation of society to care for the poor, rooted in communal values and the idea that poverty was a structural problem created by the enclosures themselves. Advocates of this view sought to provide for the poor through public welfare systems, emphasizing collective responsibility and support.
2. **Malthusian Theory:** In stark contrast, the Malthusian theory, introduced in Thomas Malthus's *Essay on Population* (1798), blamed the poor for their poverty, attributing it to higher breeding rates of the poor. Malthus argued that providing welfare would only exacerbate the problem by encouraging the poor to reproduce, leading to greater resource scarcity. This theory justified harsh policies aimed at discouraging reliance on public assistance and controlling population growth through punitive measures.

The Dominance of the Malthusian Perspective

Despite its lack of empirical evidence, Malthusian theory gained prominence, largely because it served the interests of the wealthy and powerful. By shifting the blame for poverty onto the poor themselves, it diverted attention from the structural injustices created by the enclosures. Policies inspired by Malthusian thinking included the implementation of workhouses, where conditions were deliberately humiliating and harsh, and efforts to separate sexes to prevent "over-breeding." The Malthusian perspective continues to command respect and influence policies, despite centuries of data showing that population growth and food production have kept pace, with per capita calorie availability steadily increasing.

This illustrates how the dominant theory shaping collective action often reflects the interests of powerful social classes rather than an objective understanding of the problem. The urban poor, deprived of both land and adequate support systems, faced systemic neglect, illustrating the societal preference for policies that maintained existing power dynamics.

Lessons from the Example

The case of enclosures and the competing theories of poverty provides a framework for understanding broader patterns of social change:

- **Trigger Events:** External shocks or systemic changes disrupt societal equilibrium, creating new challenges.
- **Diverse Responses:** Different groups formulate social theories to interpret and address the changes, reflecting their specific interests and values.
- **Dominance of a Theory:** The theory that aligns with the interests of the most powerful groups tends to dominate, influencing collective policy responses, even when it is not the most effective or just.

This framework helps us understand how historical events shape societal narratives, policies, and inequalities, setting the stage for deeper exploration in subsequent sections. Future discussions will illustrate these dynamics through further examples, such as Malthusian arguments and their long-lasting effects on poverty alleviation policies.

This example also explains the importance of liberating our minds from the influence of the dominant narratives. Dominant narratives are held in place by power, not because they are true. Because they are dominant, they influence the minds of everyone, including ourselves. Thus, it is essential to liberate our minds from the effects of the dominant social theories, to be able to see the truth.

3.4 Victors' Narratives: How Wars Shape Collective Memory

Social change is often shaped by battles of narratives, where competing perspectives vie for dominance. War is one of the most powerful mechanisms through which dominant narratives are established. The victors impose their narratives as the official account of history, while the perspectives of the vanquished are suppressed, distorted, or erased altogether. The narrative that prevails exerts a profound influence on collective consciousness, guiding societal values, identities, and actions. While material factors like military and economic power are significant, the ultimate driver of lasting influence is soft power—the ability to shape hearts and minds.

Dominant narratives also play a critical role in shaping economic trajectories, often justifying existing power structures and perpetuating inequalities. Below, we explore two examples illustrating how victors' narratives shape global economic systems and societal understanding.

Colonial Narratives: Civilization or Exploitation?

The British colonization of India exemplifies how dominant narratives shape historical understanding and economic policies. A key narrative propagated by the British during their rule, and echoed by some post-colonial elites, portrays British governance as a civilizing mission. According to this narrative, the British brought order, governance, and progress to a backward and chaotic land, introducing modern infrastructure like railways and educational systems as a benevolent act of upliftment.

An alternative narrative challenges this view, arguing that the British did not civilize but instead impoverished and exploited a once-prosperous society. Before colonization, India was one of the wealthiest regions in the world, contributing nearly a quarter of global GDP. It boasted advanced industries like textiles, thriving arts, and sophisticated systems of governance. The British systematically dismantled these structures, extracting resources and wealth for the benefit of the British economy. The deindustrialization of India's textile industry is a particularly stark example, as British policies protected their own manufacturers by destroying Indian production and flooding markets with cheaper, machine-made goods.

The British victory in colonizing India allowed them to impose their narrative of a civilizing mission while erasing or distorting India's pre-colonial history of economic and cultural wealth. This narrative not only justified their rule but also created a framework that continues to shape perceptions of colonialism today. Even after independence, the colonial narrative persisted among post-colonial elites, many of whom adopted the mechanisms of exploitation created during British rule. Viewing themselves as a superior ruling class, they continued to marginalize the masses as primitive and backward.

Bretton Woods Institutions: Recovery or Financial Imperialism?

Emerging as the clear victor of World War II, the United States used its position of power to establish the Bretton Woods system, embedding its narrative of global recovery and cooperation while securing its economic dominance. The prevailing narrative, promoted by the United States, portrays the International Monetary Fund (IMF) and World Bank as tools for global recovery and cooperation. According to this view, these institutions were created to stabilize economies, rebuild war-torn Europe, and promote development in poorer nations, ushering in a new era of prosperity.

An alternative narrative argues that these institutions were designed to cement U.S. dominance in the post-war world. Michael Hudson, in *Super Imperialism*, describes how the United States used the Bretton Woods system to replace the United Kingdom as the center of global financial power. A key objective was to replace the British Pound with the US Dollar as the primary global reserve currency, ensuring that the American economy became central to international trade and finance.

The IMF, in this critique, became a tool of U.S. financial imperialism, enforcing policies that prioritized American interests. Loans and aid came with strict conditions requiring recipient

nations to liberalize markets, privatize industries, and impose austerity measures. While presented as necessary for development, these policies often undermined local economies and entrenched dependency on Western markets. By controlling capital flows and imposing structural adjustment programs, the IMF and World Bank served the interests of multinational corporations and the U.S. geopolitical agenda rather than fostering genuine development.

This alternative narrative highlights how the U.S. used its victory in World War II to construct a global economic system that perpetuated its dominance. While the narrative of global recovery emphasizes altruism, the reality reveals a deliberate strategy of financial imperialism that reinforced global inequalities. The power of the US has led to widespread acceptance of the narrative that the World Bank and IMF are benevolent organizations which seek to create development, despite the fact that they have never succeeded in achieving this goal even once over the past fifty years. The reality that these organizations systematically impose policies designed to perpetuate dependence and poverty rarely comes to the surface.

Conclusion: Theoretical Blind Spots of Modern Economics

These examples demonstrate how dominant narratives not only shape collective memory but also influence economic systems, perpetuating inequalities and reinforcing the interests of the powerful. War not only determines military victors but also creates the conditions for narrative dominance, shaping historical understanding and economic systems for generations.

However, the theoretical framework of modern economics is methodologically blind to such historical and political contexts. By focusing on the search for universal laws that are invariant across time and place, modern economics ignores the historical forces that shape economic systems. This approach prevents it from examining the political power struggles and dominant narratives that drive economic policies and global inequalities.

To understand the true drivers of social and economic change, we must critically examine these dominant narratives. By uncovering suppressed or alternative perspectives, we can challenge the systems of power that they support and explore more equitable ways of organizing societies and economies.

3.5 Islamic Economics: Narratives for Truth and Justice

The study of human societies requires a commitment to truth that transcends personal and group allegiances. Secular modernity struggles with this, as its worldview is rooted in competition and self-interest. If humans are seen merely as products of evolutionary survival mechanisms, biased narratives that favor group interests become inevitable. History provides abundant evidence of this bias.

For example, historian David Landes attributes European wealth to cultural virtues like honesty, thrift, and innovation, while portraying Asia, Africa, and Latin America as poor due to laziness, dishonesty, and closed-mindedness. This openly racist narrative exemplifies how dominant groups justify their privileges. Similarly, highly respected scholar Max Weber has argued that Europeans are uniquely capable of rationality and science, even though this is strongly in conflict with the historical record. In contrast, James Blaut's *Eight Eurocentric Historians*

critiques these entrenched myths of European superiority. Blaut exposes the biases behind such narratives and provides a more balanced view, but his work also raises the question: What drives some historians to rise above group interests and pursue truth, while others perpetuate self-serving myths?

Islam provides an answer. The Quran teaches that truth and justice are intrinsic to human nature, though biases may distort this capacity. Islam nurtures this potential, commanding believers to prioritize truth over self-interest:
"O you who have believed, be persistently standing firm in justice, witnesses for Allah, even if it be against yourselves or parents and relatives." *(Quran 4:135)*
This foundational principle uniquely enables the construction of narratives that serve humanity as a whole rather than advancing the interests of dominant groups.

A Legacy of Truth and Inclusivity

Islam provides a framework that transcends divisive narratives by prioritizing unity, justice, and mutual respect. Historically, Islamic societies have exemplified these principles. Maria Rosa Menocal, in her book *The Ornament of the World*, highlights how Al-Andalus under Islamic rule became a beacon of harmony. Muslims, Christians, and Jews coexisted peacefully, fostering a culture of cooperation and mutual respect that led to remarkable achievements in science, philosophy, and the arts. This legacy starkly contrasts with the modern world, where narratives of division dominate.

Despite claims of equality and freedom, systemic discrimination remains pervasive in secular modernity. In the United States, Black communities face entrenched racism affecting economic, social, and legal outcomes. Similarly, Islamophobia is widespread in Europe and the U.S., manifesting in workplace biases, xenophobic immigration policies, and cultural stereotypes. These realities expose the failure of secular modernity's narratives of tolerance.

Islamic economics builds on its historical legacy of inclusivity, offering narratives that foster unity instead of division. By redefining self-interest as service to humanity, it harmonizes relationships and promotes collective well-being. This uniting narrative challenges the divisive ideologies of modernity, which often glorify conflict and domination.

The Economic Costs of Division

Modern economics frames scarcity as humanity's central problem, but our analysis reveals the enormous cost of deceptive and divisive narratives, created to protect interests of some groups at the expense of others. This leads to the vast misallocation of resources driven by conflict. Global defense spending, exceeding $2.4 trillion annually, dwarfs the investment needed to meet basic human needs:

- **Food**: $33 billion to end hunger.
- **Education**: $100 billion for universal literacy.
- **Healthcare**: $370 billion for basic health coverage.
- **Housing**: $330 billion to close the housing gap.

Together, these goals could be achieved with just over half the global defense budget. Divisive narratives, which glorify war and justify resource hoarding, are the root cause of this misallocation. These narratives create false gods—whether nationalism, ideology, or the pursuit of wealth—that legitimize violence and perpetuate cycles of destruction. By promoting unity and cooperation, Islam provides an alternative that redirects resources toward peace and human development.

Building Just Narratives

Narratives shape human behavior and societal priorities. In modern systems, narratives often serve the interests of dominant classes, perpetuating inequality and exploitation. Islam, however, offers a framework for constructing narratives based on truth and justice. By redefining relationships—not as adversarial but as cooperative—Islamic economics fosters partnerships between employers and employees, capital and labor, for the benefit of humanity.

Islam's emphasis on accountability and moral responsibility extends to economic behavior. Self-interest is redefined as aligning with spiritual growth and service to others. Acts of generosity and sacrifice for the greater good are celebrated as the highest forms of self-interest, creating a society rooted in compassion and cooperation.

A Vision for Peaceful Societies

Islamic economics recognizes that peace is both a moral imperative and an economic necessity. Reducing defense budgets by half could eliminate scarcity, providing for the basic needs of all humanity. This vision contrasts sharply with modern economics, which normalizes inequality and perpetuates material self-interest. By aligning economic systems with divine guidance, Islamic economics offers a framework for transforming societies, addressing contemporary challenges, and creating a just and peaceful future.

As we explore Third Generation Islamic Economics in subsequent chapters, we will see how its principles critique modern systems and offer practical solutions. Grounded in divine values, this framework invites humanity to rise above conflict and division, working toward a shared vision of justice, compassion, and unity.

Key Takeaways from Section 3: Society, Change, and Narratives

1. **Role of Narratives in Social Evolution**:
    - Narratives shape group identities and guide collective action, but they also drive divisions and conflicts within and between societies.
    - Examples like pre-Islamic asabiyya and the clash of Islamic vs. Western modernization narratives illustrate how narratives can unite or divide.
2. **Triggers and Responses**:
    - Social change is often triggered by external shocks or systemic changes, prompting competing narratives and theories to explain and address these changes.

- The dominance of one narrative or theory often reflects the interests of powerful social classes rather than objective truths.

3. **Power and Social Theories**:
    - Social theories are inherently shaped by the interests of the groups that create them. Competing frameworks like Marxism and capitalism reflect the perspectives of laborers and capitalists, respectively.
    - Narratives embedded within theories influence concepts like self-interest, demonstrating how societies construct values to align with dominant ideologies.
4. **Impact of Wars on Narratives**:
    - Victors in wars often establish dominant narratives, shaping collective memory and justifying new power structures.
    - Examples like British colonization of India and the Bretton Woods institutions highlight how narratives can mask exploitation as progress.
5. **Critique of Modern Economics**:
    - Modern economics neglects historical and political contexts, focusing instead on supposed universal laws.
    - This methodological blind spot allows dominant narratives to perpetuate inequality and misallocate resources.
6. **Islamic Alternatives**:
    - Islamic economics prioritizes unity, justice, and collective well-being, offering an alternative to the divisive narratives of modernity.
    - By redefining relationships as cooperative rather than adversarial, it fosters peace, equity, and sustainable development.