

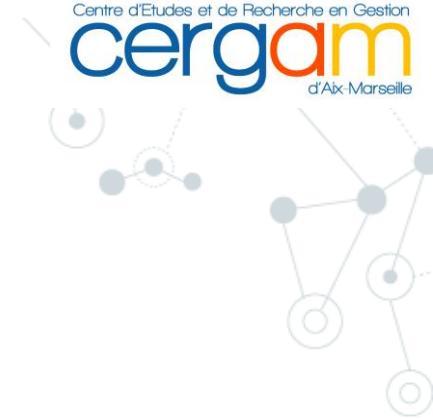
**A New Unifying Archetype
to
Implementing Islamic Economics and Sustainability Goals**

Attempt to unify the paradigms of sustainable development and Islamic economics for the constitution of a new archetype

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1- INTRODUCTION & CONTEXT

Subject Presentation

The five main risks identified for the global economy are environmental (World Economic Forum, 2020).

This is a **question of survival** that requires a **multidisciplinary approach** to be addressed.

Research question: *What archetype would ensure human well-being while preserving natural balances and the climate?*

Design / methodology / approach: We use the conceptual frameworks of Islamic economics and sustainable development. We compare and mix the two frames. We use the dynamic multidisciplinary circular causal model to identify the causes of the decline in human well-being and biodiversity and to attempt to build a new archetype.



1- INTRODUCTION & CONTEXT

Context

Climate and environmental crisis

1985 Discovery of the destruction of the ozone layer.

1986 Chernobyl explosion.

1988 James Hansen discovers the greenhouse effect.

1995 The IPCC concludes that human activity has an influence on the planetary climate.

2011 Partial merger of three Fukushima reactors.

2017 Thomas fire in California.

2019 Giant fires in Australia and Siberia.

25,000 people die of hunger every day (United Nations) and **821 million people in the world suffer from malnutrition** (OXFAM).

Anthropogenic CO₂ emissions have continued to grow. In the space of 200 years, concentrations of CO₂ in the air have been reached not seen for at least 800,000 years (Bereiter et al., 2015).

15.3 billion trees are cut each year and since agriculture began around 12,000 years ago, **the number of trees on Earth has fallen by 46%** (Crowther et al. (2015).

Almost **a million species of plants and animals are threatened with extinction.**

8 million tonnes of plastic waste ends up at sea each year.

Policy responses

1987 Montreal Protocol.

1992 United Nations Conference on Environment and Development (UNCED) in Rio (Agenda 21).

1997 Kyoto Protocol to the United Nations Framework Convention on Climate Change.

2002 Johannesburg World Summit on Sustainable Development (WSSD)

2012 United Nations Conference on Sustainable Development (UNCSD), Rio + 20.

2015 United Nations Summit on Sustainable Development (SNUDD) in New York, (Agenda 30).

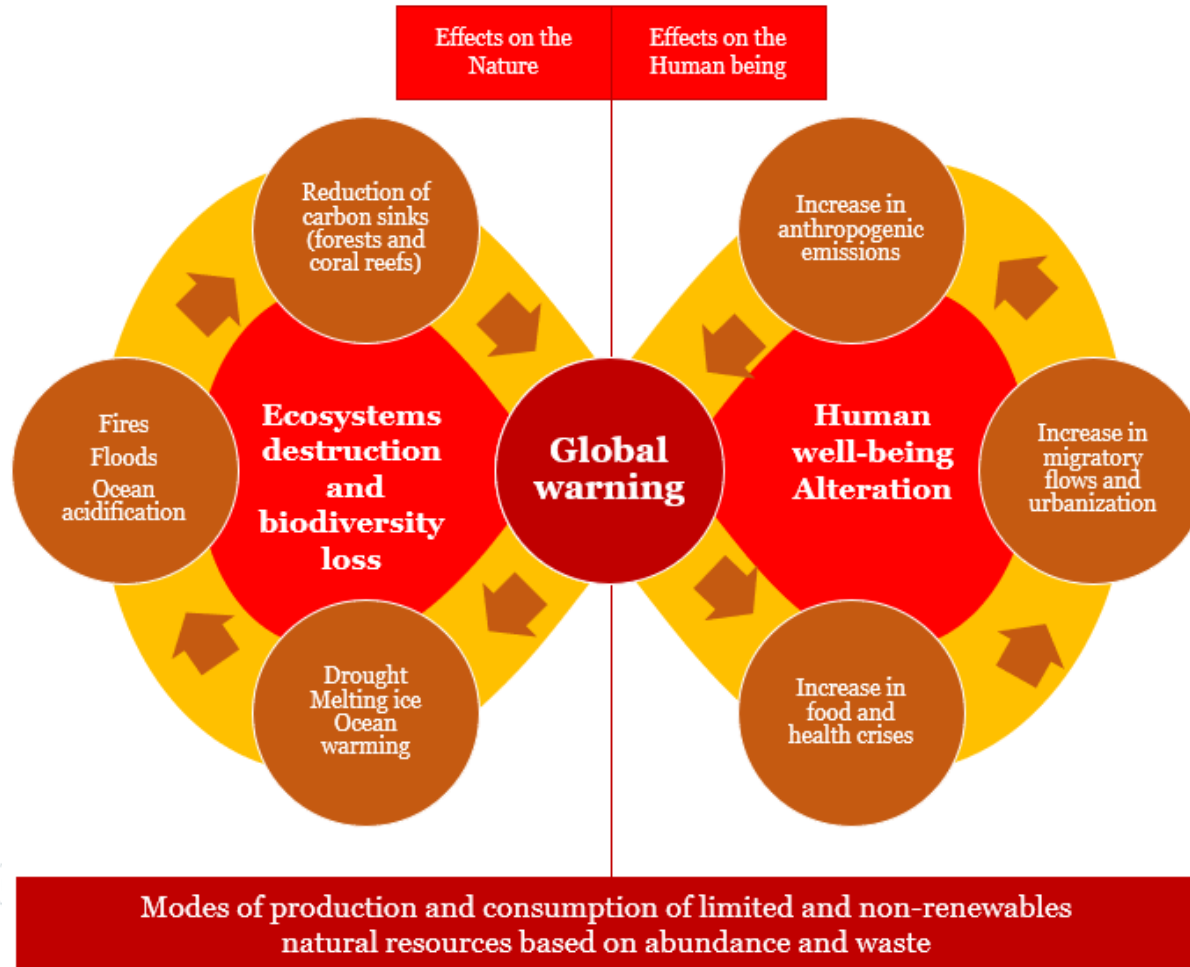
2016 Paris climate agreement to contain global warming below 2 °.

To achieve this goal, anthropogenic emissions would have to be halved over the next few decades and reduced to zero by 2070.



1- INTRODUCTION & CONTEXT

Context





1- INTRODUCTION & CONTEXT

Context

⊙ Financial and health crisis

Subprime crisis

COVID-19 crisis

Since 2007, global debt has climbed by more than 50%, reaching \$ 253 trillion in 2019. In September 2019, the overall ratio of global debt to global gross domestic product (GDP) stood at 322%.

⊙ Monetary response

Massive injections of liquidity through quantitative easing and negative interest rates.

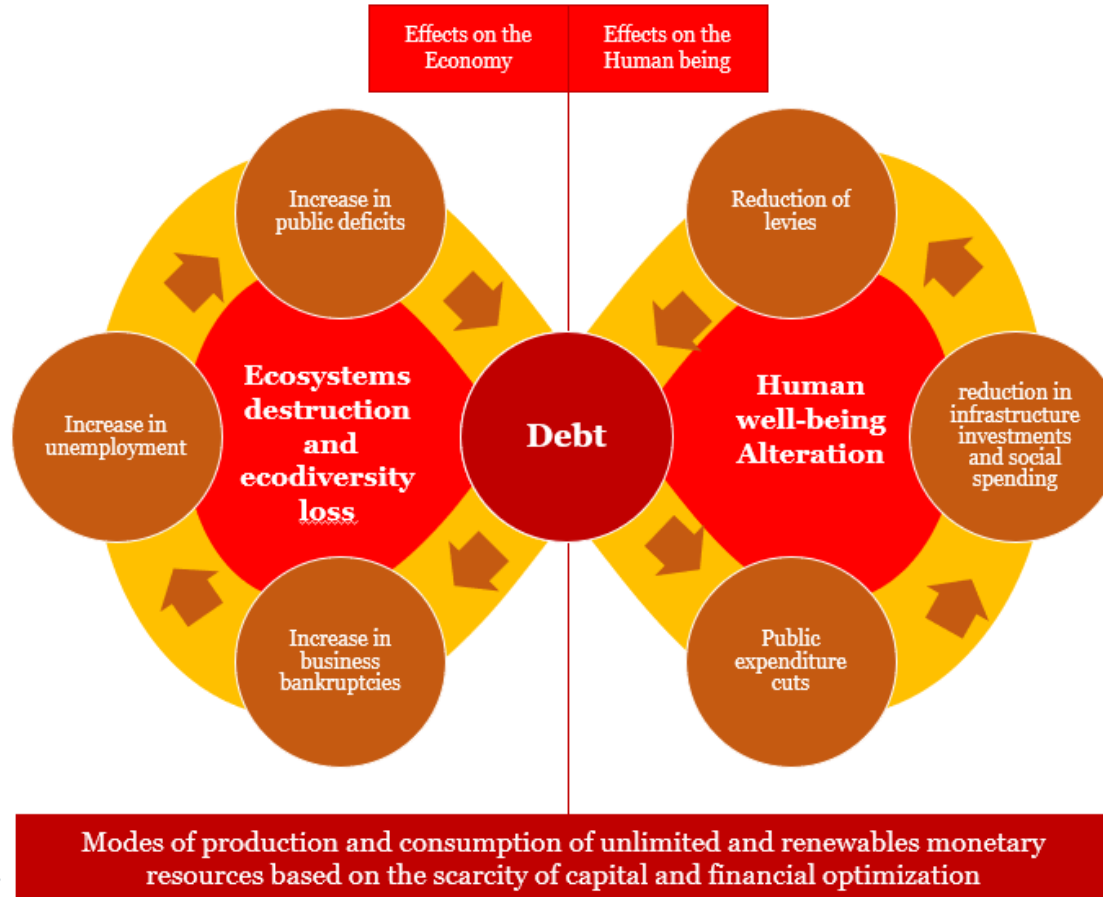
In total, more than 3.6 trillion euros in asset repurchases by the ECB to curb these two crises.

The FED with the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), which entered into force in March 2020, has provided for an envelope of 2200 billion dollars.



1- INTRODUCTION & CONTEXT

Context



1- INTRODUCTION & CONTEXT

Context

◎ Vital need for a paradigm shift to avoid the realization of the risk of systemic collapse and the debt crisis

- **Polanyi** (1944) considers that the market society is not sustainable, and that it is on the contrary destructive of the environment.
- The ideological evolution of mankind has reached its end with the adoption and universalization of liberal principles considered that and the establishment of another alternative system is impossible (**Fukuyama**, 1989)
- There can be no viable future for humanity without a complete overhaul in the way of conceiving the relations between nature and human being centered on harmony and the preservation of balances (**Aktouf**, 1992).
- Without the survival of the species, there is no science or the possibility of realizing future benefits (**Taleb**, 2017).

Ecocide is the major catastrophe which must worry humanity and push it to review the models on which the exploitation society has been built because in a system which leads to destruction, the benefits of such exploitation will never compensate for the losses.

2- SUSTAINABLE DEVELOPMENT PARADIGM (SDP)

Conceptual origins

- Critique of the overexploitation of natural resources (Hans Carl von Carlowitz, 1645-1714).
- Questioning on the depletion of mineral reserves (Jevons, 1866).
- Multidimensional questioning of the environment (De Jouvenel, 1970).
- Realization that perpetual growth leads to collapse (Meadows et al., 1972).
- Development of a theoretical representation of economic activity based on models from the natural sciences (Daly, 1977; Georgescu-Roegen, 1978; Passet, 1979; Sachs, 1974, 1980).
- Analysis of the exploitation regimes of non-renewable natural resources and studies of transfers from one generation to another (Clark, 1973; Solow, 1974; Hartwick, 1977; Page, 1977; Dasgupta, 1978; Dasgupta & Heal, 1979) .

2- SUSTAINABLE DEVELOPMENT PARADIGM (SDP)

Initial objectives

- Aims to promote a state of harmony between human beings and between man and nature (Brundtland Report, 1987).

Definitions

- Forms of development that meet the needs of the present without compromising the ability of future generations to meet theirs (Brundtland Report, 1987).
- In the academic world, transformations including firstly, but not exclusively, criteria for protecting the environment (Zaccai, 2007).

Theoretical model

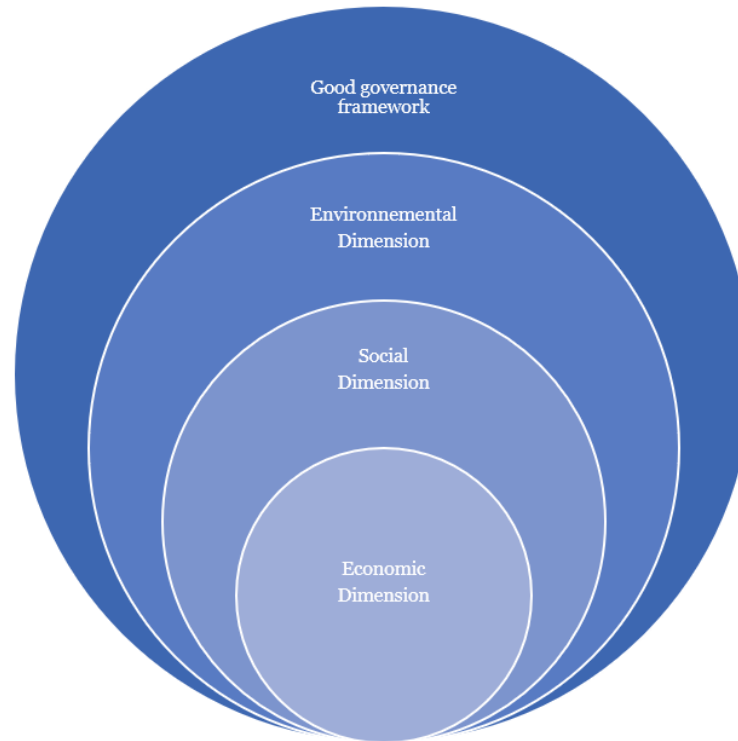
- Long-term three-dimensional vision with the objective of the economic and social development of human society which is respectful of environmental constraints (Brundtland Report, 1987).
- Sustainable development and the question of financing the SDGs are based on a paradigm shift, the question being multidimensional and concerning all humanity and recognizing that the current model of development is not bearable for the planet (Zaccai, 2007; Baechler, 2009 ; Delzangles, 2019; Lagoarde-Segot, 2020).

2- SUSTAINABLE DEVELOPMENT PARADIGM (SDP)

Values

- Conceptual leap by associating sustainable development with international human rights law (Delzangles, 2019)

Embedding the three-dimensionality of sustainable development in the framework of good governance according to United Nations resolution 70/1.



Cooperation & solidarity
Resource sharing

Environmental protection
Fight against global warming

Justice & peace
Inclusion & dignity

Prosperity & equality
Eradication of poverty and hunger



2- SUSTAINABLE DEVELOPMENT PARADIGM (SDP)

Question of public governance

- Governance responding to the aspirations of all stakeholders through the integration of concerted approaches and the effective participation of populations (Brundtland Report, 1987; Delzangles, 2019).
- It is in the socio-political field that a dynamic will impose sustainable development as a positive innovation (Zaccaï, 2007).

Question of Human needs (Brundtland Report, 1987)

- The well-to-do must respect the ecological limits of the planet.

Economic, social and environmental dimensions (Brundtland Report, 1987)

- **Economic dimension:** Creation of wealth with the aim of improving the material living conditions of humans. Economic growth should not be achieved unless it respects the principles of sustainability and non-exploitation of others.
- **Social dimension:** Development of society while meeting the needs and aspirations of all human beings. It is a form of social justice guaranteeing a fair distribution of resources.
- **Environmental dimension:** Frame the economic and social development which must be respectful of the environment.



2- SUSTAINABLE DEVELOPMENT PARADIGM (SDP)

Limits

- The limits are not absolute but rather depend on techniques, social organization, and the capacity of the biosphere to withstand the effects of human activities (Brundtland Report, 1987).
- There is an absolute limit to the physical size of the human economy (Daly, 1991).
- The environmental crisis marks the limits of science and technological progress, and calls them into question (Martin, 2002).
- Sustainable development can be considered as a discourse that makes it possible to manipulate reality to make the Western model of economic growth-development sustainable (Latouche, 1994; Metzger & Couret, 2002).
- There are limits in the financing of sustainable development and in the capacity of banks to create money (Lagoarde-Segot, 2020).

Results (United Nations, 2020)

- Environmental deterioration, food insecurity and inequalities have continued to increase. Due to unsustainable production and consumption patterns environmental degradation and warming continues.
- Current investment levels are not sufficient to cover the needs estimated between 5,000 and 7 trillion dollars per year, which only represented between 1.38% and 1.94% of global wealth in 2019.
- The SDGs to be achieved require an overhaul of the political, economic and financial systems that govern human society with the aim of ensuring human dignity. For this, political will and action by all stakeholders are essential.

2- SUSTAINABLE DEVELOPMENT PARADIGM (SDP)

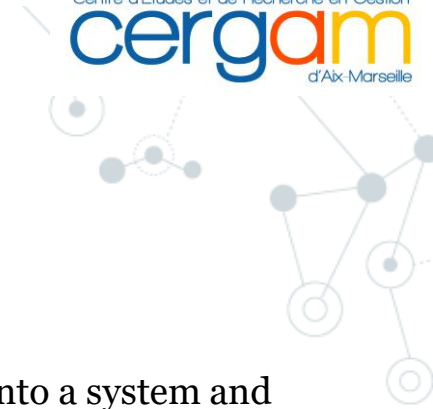
Paradoxes

- The need to preserve biodiversity and natural resources is recognized while maintaining the same development model which paradoxically has only increased inequalities and endangered the environment (Rist, 1996).
- The origin of the concept is environmental, yet it is "development" that appears to be "sustainable" (Marhold et al., 2009).
- Although the notion of "sustainable development" has gained consensus since it is vague and undefined, its legal character in international law is still debated (Delzangles, 2019).
- Currently total investment in developing countries is \$ 1.4 trillion, leaving an annual investment gap of \$ 3.1 trillion to achieve the SDGs. However, investing in the SDGs is economically justified insofar as their achievement should create nearly 380 billion new jobs by 2030 and generate 12 trillion dollars in trade (IsDB, 2019; United Nations, 2020).

3- ISLAMIC ECONOMY PARADIGM (IEP)

Conceptual origins

- The most vital interests to be preserved are religion, the faculty of reason, human life, future generations, and material wealth (Al Ghazali, c. 1097).
- Principles of equity, equality and freedom in trade (Ibn Rushd (Averroès), 1126-1198).
- Divine laws were established to safeguard the interests of human beings, and Islamic law is based on moderation and a balance between the two extremes. (Al Shatibi, 1320-1388).
- Anything that can threaten the human species with extinction is considered a prohibited injustice (Ibn Khaldoun, 1377). This is because he discovered the virtues and the need for a division of labor before Smith (1776), the labor value principle before Ricardo, developed a population theory before Malthus and emphasized the role of the state in the economy before Keynes (Mac Caffrey, 2014) that some argue that this author was the victim of epistemicide (Oweis, 1988; Kahf, 2004; McCaffrey, 2014; Ead & Eid, 2014).
- From the point of view of Khaldunian social science, the economy is itself in its essence "Islamic" since it is natural and embedded in creation without having to use this suffix to qualify it (Kahf, 2004).
- Islam is a "social order" that can provide practical solutions to contemporary economic problems (Muhammad Iqbal, 1876-1938; Muhammad Asad, 1900-1992).



3- ISLAMIC ECONOMY PARADIGM (IEP)

Initial objectives

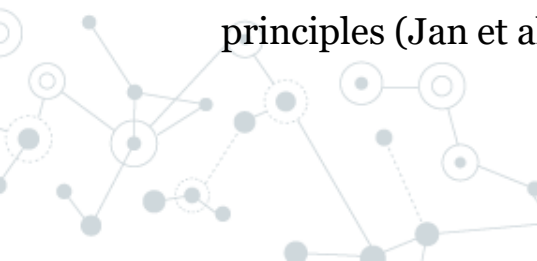
- Provide a holistic solution to contemporary issues (Maududi, 1976).

Definitions

- Islamic economics is a normative and / or positive social science integrated into a system and whose reasoning can be deductive or inductive (Mannan, 1983).
- A branch of knowledge that contributes to the achievement of human well-being through the achievement of maqāṣid al-sharī'ah by allowing the allocation and distribution of limited resources, in accordance with Islamic teachings (Chapra, 1996).

Theoretical model

- Moral, social and philosophical science. Redistributive economy (zakāh) without interest (ribā), without speculation (gharar, qimar, maysir), without hoarding (iktinaz), without monopoly and monopoly (ihtikār) and without waste (isrāf) (Ahmad, 1979; Siddiqi, 1981; Navqi, 1981; Choudhury & Al-Sakran, 2001; Khan, 2010; Çizakça, 2012; Asad et al., 2014).
- Islamic moral economics is a constructivist attempt through the system of Islamic values and principles (Jan et al., 2015).





3- ISLAMIC ECONOMY PARADIGM (IEP)

Values

- Principle: « *la ḍarar wa lā ḍirār* »
"No prejudice, no reciprocity in prejudice".

Governance

- Strengthen education, increase transparency and strengthen intra and inter generational equity (Naqvi, 1994).

Environnemental

- The policy of environmental and energy conservation through energy saving becomes a religious obligation (OIC, 2009; Jaelani et al., 2017).

Social

- Islamic economics must aim for justice and the elimination of oppression and inequality (Zaman, 2015).
- A moral filter such as the ḥisba is suggested to regulate the market (Asutay, 2007b).

Economical

- To achieve holistic goals of prosperity, a human-centered system using religious values to eradicate poverty and hunger (microfinance, zakāh, waqf) (Ahmad, 1984; Iqbal, 1986, 2002; Cizakca, 1998; Al-Jarhi & Zarqa, 2007; Obaidullah & Khan, 2008; Hassan & Ashraf, 2010; Ahmed et al., 2015; Haneef et al., 2015; Khan, 2015).

3- ISLAMIC ECONOMY PARADIGM (IEP)

Question of public governance

- Islam provides a theoretical basis for recognizing the rights of all stakeholders (Iqbal & Mirakhor, 2004).
- Strong, fair and legitimate government is needed (Chapra, 2015).

Question of Human needs

- Material and spiritual for the sake of moderation and elevation (Chapra, 1996; Siddiqi, 2005).

Economic, social and environmental dimensions

- Economic dimension: Recognizes the role of the market in the efficient allocation of resources but believes that competition is not sufficient to safeguard social interest (Siddiqi, 2005; Chapra & Whaples, 2008). Crowdfunding methods: generalized risk sharing and equitable benefit sharing (Iqbal & Khan, 1981; Nienhaus, 2013; Al-Suwailem, 2014).
- Social dimension: Preserving the social interest and leading to human well-being depends on several factors (Ibn Khaldoun, 1377). Homo Islamicus pursues his own self-interest to which are added the constraints of social interest (Siddiqi, 2005; Coste, 2015; Khan, 2018).
- Environmental dimension: Islam advocates moderation in the consumption and avoidance of wasting natural resources (Hasan, 2017 & 2020).

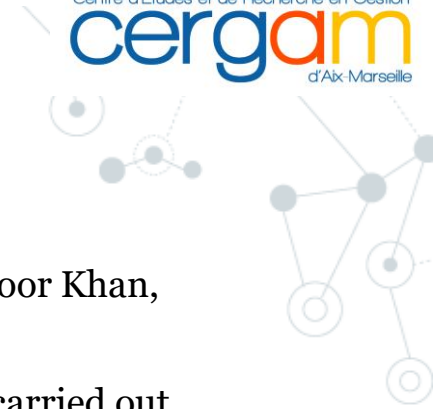
3- ISLAMIC ECONOMY PARADIGM (IEP)

Limits

- Any attempt to change economic policy to conform to Islamic principles faces the reality of a conflict with commercial interests (Leander, 1996).
- In the absence of modern Islamic economic experience prior to the 1970s, scholars were unable to use induction, and research in Islamic economics was normative. Since then, conditions have changed and allow experiments to be observed, empirically evaluated and hypotheses tested. This inductive practice will help to build and expand the application of Islamic economics (Ahmed, 2002).
- Moral perspective of the economy in accordance with Islamic principles, and the current practice which fails to formulate its methodology according to a cardinal principle (Choudhury, 2008).

Results

- There is no such thing as a viable Islamic economic system (Kuran, 1995).
- Islamic economics and finance are still far from the expected target, since their contribution to solving the economic problems of Muslim societies is minimal (Chapra, 1997; Kahf, 2004; Siddiqi, 2014).
- Islamic economists have not been able to produce a rigorous public finance theory (Kahf, 2005).



3- ISLAMIC ECONOMY PARADIGM (IEP)

Results (continued)

- Failure of Islamic banking in Pakistan (Mansoor Khan & Bhatti, 2006; Mansoor Khan, 2008).
- The transformation of homo-economicus into homo-islamicus has not been carried out successfully (Asutay, 2007b).
- Replication of conventional instruments for risk-free fixed return transactions (Siddiqui, 2008; Asutay, 2012; Nienhaus, 2013; Ebrahim & Sheikh, 2016).
- Failure to develop a new paradigm for Islamic economics although this process is not irreversible (Nienhaus, 2013).
- Strong relationship between ṣukūk emissions and economic growth in all emitting countries (Smaoui & Nechi, 2017).
- Islamic economists have not been able to produce a rigorous theory of micro-currency (Choudhury, 2018).



3- ISLAMIC ECONOMY PARADIGM (IEP)

Paradoxes

- Islamic economics has argued that the capitalist economic order is responsible for the failure of economic development and environmental problems in developing countries, yet Islamic finance has moved away in a “capitalist” direction (Asutay, 2007a).
- No difference between the performance of Islamic and conventional banks during the last global financial crisis due to non-compliance by Islamic banks with Islamic principles (Bourkhis & Nabi, 2013).
- Normativity through rigid legalism can paradoxically become the first obstacle to the realization of the Islamic ideal, a fossilized form of the original message in full contradiction with Koranic dynamism (Coste, 2017). Islamic economics provides ideal solutions but not yet practical solutions (Khan, 2019).

4- CONVERGENCES & DIVERGENCES

Convergences

- Conceptual convergence: the two paradigms share the same universal ambition to achieve human well-being.
- Convergence of goals and definitions in the search for human well-being and a state of harmony within the universe.
- Convergence of theoretical models: each is based on a change of paradigm.
- Convergence of the two paradigms concerning the issue of public governance
- Convergence of the economic dimension of sustainable development with regard to the creation of wealth with the aim of improving the material living conditions of humans. The fact of considering that economic growth should not be achieved when it does not respect the principles of sustainability and non-exploitation of others is also in convergence with the Islamic principle of "the ḍarar wa lā ḍirār" which encourages humans not to do any harm.
- Convergence of the environmental dimension of sustainable development insofar as Islam advocates moderation in consumption and avoidance of wasting natural resources.

4- CONVERGENCES & DIVERGENCES

Convergences (continued)

- Convergence of values even if the paradigm of Islamic economics by integrating the issue of weapons of mass destruction goes beyond the paradigm of sustainable development.
- Shared limits with regard to the diversion that can be made of these paradigms within the framework of a discourse that makes it possible to manipulate reality to make the Western capitalist model sustainable (Latouche, 1994; Leander, 1996; Metzger & Couret, 2002).
- Common convergence in the similar difficulties encountered when these paradigms come into conflict with business interests.
- Observation of shared failures, particularly in the ability to formulate problems while being unable to solve them.
- Shared paradox regarding the difficulty of achieving the goal of paradigm shift and breaking free from capitalist and productivist logic.

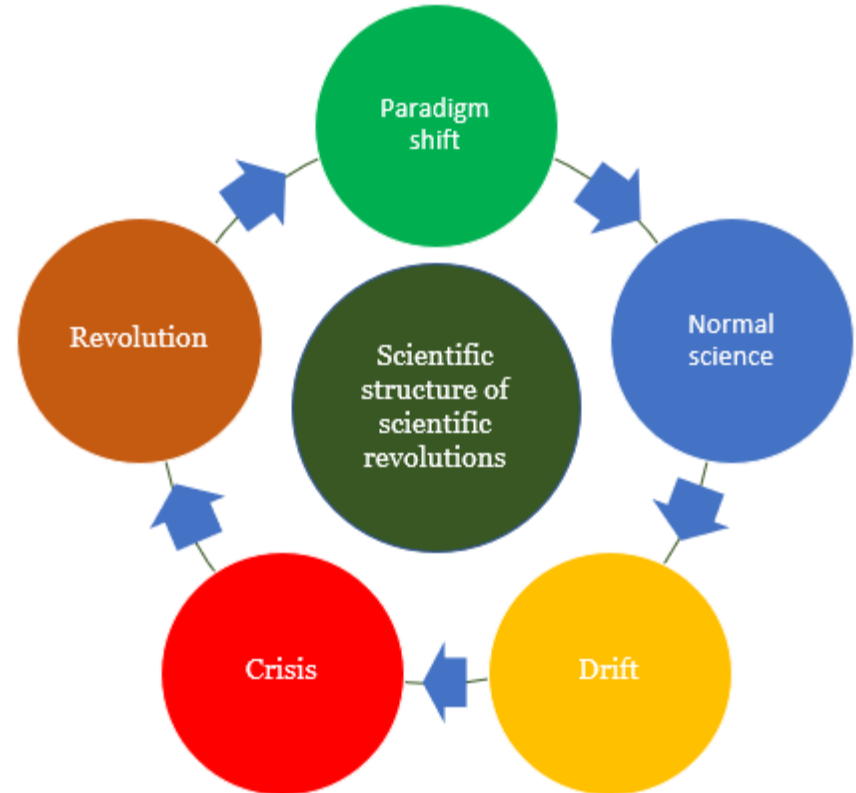
4- CONVERGENCES & DIVERGENCES

Divergences

- Dimensional divergence: SDP is three-dimensional while IEP is multidimensional. Indeed, he considers that preserving the social interest and leading to human well-being depends on multiple factors.
- Normative divergence: the IEP considers the individual as a moral being and deals more deeply with questions of social justice and therefore imposes more constraints in order to preserve the social interest
- Differences over the question of the satisfaction of human needs and the sharing of wealth: the Brundtland report (1987) which only provides that the haves must respect the ecological limits of the planet while the IEP, as a normative social science (Mannan, 1983), obligatorily introduces the sharing of wealth and prohibits its grabbing as well as speculation, hoarding, monopoly situations and waste (Ahmad, 1979; Siddiqi, 1981; Navqi, 1981; Choudhury & Al-Sakran , 2001; Khan, 2010; Çizakça, 2012; Asad et al., 2014).
- Divergence in specific tools related to Islam such as zakāh and waqf.

5- UNIFICATION ATTEMPT

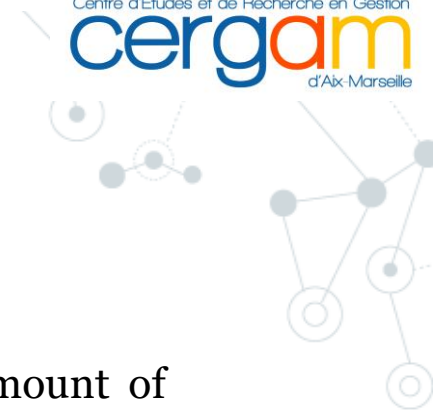
We cannot consider sustainable development as a general paradigm in the Kuhnian sense of the term, but rather because of its multidisciplinary and its transversality as a multiparadigmatic element. Seen in this way, sustainable development can be an attempt at unification and scientific convergence placed at the service of humanity and the environment. In this sense, this fits with the Islamic vision of oneness (tawhīd) specific to the paradigm of Islamic economics. Humanity today finds itself in a situation of environmental, financial and health crisis. Thus, a revolution is necessary to change the paradigm and achieve the common and universal objectives of sustainable development of Agenda 30 and the Islamic economy, for this purpose we are attempting a unifying approach aimed at the elaboration of a new archetype. .



Circular causality of Kuhn's historical theory of the scientific structure of scientific revolutions (1970)

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A New Unifying Archetype to Implementing Islamic Economics and Sustainability Goals



5- UNIFICATION ATTEMPT

The end of the waste of natural resources and the economy of monetary resources inherited from the mercantilist paradigm

- The financial system is inherited from a mercantilist era when the amount of money in circulation depended on the precious metal reserves central banks had.
- This system is based on an undiscounted paradigm that still sees money as a scarce commodity and natural resources as virtually unlimited.
- This paradigm has thus contributed to the destruction of ecosystems, the waste of natural resources, and the emergence of an increasingly unequal society where the gaps have widened between the rich who have access to money and credit and the poor who are excluded from it but still undergo austerity policies linked to the public debts contracted by their governments.
- In reality, it is natural resources that are finite and should not be wasted while the amount of money can be produced at near zero cost, in unlimited quantity and made available to those who need it.



SASE Research Network 'R':
Islamic Moral Economy & Finance

Tank you!

Questions?



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