

Erhan Akkaş (Ed), *İslami Finansın Politik Ekonomisi: Körfez Ülkeleri Uygulaması (The Political Economy of Islamic Finance: The Case of the Gulf Countries)*, Istanbul: İktisat Publications, 2022, 329 pages

Reviewer: Mohammad Rahim Shahzad

The Political Economy of Islamic Finance: The Case of the Gulf Countries edited by Erhan Akkaş is an outstanding and scholarly work that brings together multiple authors to explore various dimensions of Islamic finance in the context of Gulf countries. The book is thoughtfully divided into two parts: “Theory” and “Application” and each section comprises insightful chapters that provide critical evaluations of Islamic finance from a political economy perspective.

The book starts with a preface, *Aiming to the Gates of Heaven, Ending up in the Wall Street: Reflections through Islamic Moral Political Economy*, by Mehmet Asutay. It presents a comprehensive and insightful evaluation of the evolution and trajectory of Islamic finance as an alternative economic opportunity for Muslim countries seeking to embrace an Islamic identity. Through a critical analysis, Asutay sheds light on the initial aims and objectives of Islamic finance, its normative framework, and its interactions within the complex realm of capitalist political economies. He cogently argues that Islamic finance emerged in the 1960s with the noble intention of creating a counter-hegemonic movement within the domain of Islamic political economy. The primary goal was to provide financial instruments rooted in Islamic ethics and mo-

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rals, encompassing both macro-level Islamic political economy and micro-level Islamic moral economy. The early vision of Islamic finance was ambitious, aiming to influence production techniques, distribution theories, and ultimately bring about a comprehensive transformation of the Islamic social order. However, the author astutely observes that over time, Islamic finance seems to have deviated from its original purpose, becoming increasingly fixated on superficial adherence to Sharia law while acquiescing to the practices and structures of the dominant capitalist system. Therefore, a central criticism posed by the author is that rather than challenging the capitalist hegemony, Islamic finance has tended to carve out a niche within it.

In summary, preface is an intellectually stimulating and thought-provoking examination of the historical development and current trajectory of Islamic finance within the broader context of capitalist political economies. His critique challenges the Islamic finance industry to reorient its path, rediscover its original purpose, and strive for genuine social and economic transformation guided by a robust Islamic ethical framework rather than merely adapting to established capitalist norms. The preface serves as an important contribution to the discourse surrounding Islamic finance, stimulating further research, and fostering a deeper understanding of its intricate dynamics.

In the first chapter titled *The Growth and Significance of Islamic Finance Institutions in the Political Economy*, authored by Harun Şencal, a comprehensive examination of the development and relevance of Islamic finance institutions is presented. The introduction effectively contextualizes the study by emphasizing the pivotal role of Islamic values and the endeavor to establish Islamic economic systems and financial institutions within Muslim societies. It also draws a pertinent comparison between Islamic economics and prevailing capitalist and socialist models, underscoring the distinctiveness of the Islamic approach. In addition, Şencal presents the political economy's role in shaping Islamic finance institutions and their impact on Muslim societies underscores their socio-economic significance. In essence, this chapter offers a succinct, well-structured, and academically valuable exploration of the growth and significance of Islamic finance institutions. The comprehensive overview and critical approach make it an essential contribution to the scholarly discourse on Islamic economics and finance.

Chapter 2, *The Trajectory of Modern Islamic Economics: Early Deindustrialization and Financialization Experiences*, by İsa Yılmaz, offers a comprehensive analysis of development within Islamic economic thought. The chapter explores challenges

faced by Muslim societies in pursuing economic progress and examines early de-industrialization and financialization experiences. Well-organized and insightful, the chapter emphasizes the significance of development as a global economic discourse. It advocates Islamic economic thought as an ethical alternative, prioritizing human well-being and global justice. While incorporating references to key institutions, the chapter encourages critical reflection on prevailing development ideologies and proposes inclusive approaches centered on moral values. Further empirical examples and practical implications would enhance the analysis. Overall, the chapter contributes significantly to understanding development in the context of Islamic economics.

Chapter 3, *A Comparison of Islamic Finance and Islamic Economics in the Light of Economic Inequality and Socio-economic Welfare*, authored by Hakan Kalkavan, critically examines economic inequality and socio-economic welfare through the prism of Islamic economic thought. The chapter establishes a normative link between sustainability and justice, emphasizing equitable wealth distribution and equal opportunities. Islamic financial institutions' role in advocating an alternative system aligned with Islamic principles is highlighted. The chapter is well-structured, offering insights into income inequality, ethical considerations, and a comparative analysis of Islamic finance and Islamic economics. It concludes with a comprehensive evaluation. Despite its strengths, the chapter could benefit from specific case studies and a deeper exploration of practical applications. Nevertheless, it significantly contributes to understanding economic inequalities and inspires further research on inclusive and just economic systems.

Chapter 4, *Islamic Finance and Institutions: A Study of the New Institutional Economics*, authored by Adem Levent, delves into the intricate relationship between institutions and Islamic finance from the perspective of New Institutional Economics. The chapter offers compelling insights; however, it has some shortcomings that warrant consideration. One key concern is the treatment of Islamic economics as a uniform field, neglecting its diverse viewpoints, such as neo-classical, Marxist, and post-Keynesian perspectives. This oversight diminishes the complexity of Islamic economics. Additionally, the chapter predominantly focuses on the interface between Islamic economics and orthodox neoclassical economics, disregarding alternative heterodox approaches like post-Keynesian and Marxist economics, which could enrich the analysis. Moreover, the reduction of Islamic principles to mere institutional frameworks overlooks the spiritual and ethical dimensions of Islam's influence on economics. Addressing these areas would enhance the chapter's depth

and provide a more comprehensive understanding of Islamic economics and finance. Furthermore, a balanced approach that acknowledges both the strengths and criticisms within Islamic economics is essential for a robust analysis. Ultimately, incorporating diverse perspectives and respecting Islam's broader socio-cultural aspects will foster a more profound exploration of this field.

Chapter 5, *A Political Economy Approach to the Development of Islamic Finance in the Gulf Region*, by Erhan Akkaş presents a meticulous examination of the role of Islamic finance in the Gulf region's economic diversification efforts. The chapter starts by highlighting the significance of economic diversification for GCC countries in reducing their dependence on oil revenues. Islamic finance emerges as a key component in their national visions, aiming to foster innovation and sustainable economic development. The review raises important questions about the extent to which Islamic finance can truly drive diversification, given its integration within the broader global financial system. The chapter critically discusses the challenges and limitations, particularly the persistence of the rentier economic model and the lack of a robust entrepreneurial ecosystem. These structural issues could hinder the realization of the envisioned economic transformation. While acknowledging the commendable inclusion of Islamic finance in diversification strategies, the review emphasizes the need for transparent governance and proactive measures to leverage Islamic finance effectively as a catalyst for genuine economic diversification in the post-oil era.

Chapter 6, *Political Economy and Islamic Finance: A Case Study of Bahrain in the Context of Its Development and Best Practices*, by Abdurrahman Yazıcı provides an insightful analysis of Bahrain's success story in Islamic finance and its interrelation with the country's political economy. The chapter begins by presenting the historical context of Bahrain's economic development, tracing its transformation from traditional economic activities to its reliance on oil and gas revenues. It highlights the significance of the finance sector, particularly Islamic finance, in the country's efforts to diversify its economy. However, while the chapter offers a comprehensive overview of the development of Islamic finance in Bahrain, it falls short in critically assessing its true impact on economic diversification. A deeper exploration of the challenges and potential limitations of Islamic finance in Bahrain's economic landscape, as well as concrete examples and empirical evidence, would strengthen the chapter's analysis. Furthermore, enhancing the chapter's structure and ensuring smoother transitions between sections would improve its overall coherence and readability. Overall, while providing valuable insights, a more rigorous and critical approach would elevate the scholarly value of the chapter.

Cem Korkut in chapter 7, *The United Arab Emirates' Economic Policies and Islamic Finance Progress: Success or Failure?*, provides a comprehensive analysis of the UAE's economic policies and their impact on Islamic finance. It effectively outlines the historical context and the country's political structure. The chapter critically examines the UAE's approach to Islamic finance, highlighting challenges related to risk-sharing instruments and derivative dominance. However, a deeper analysis of these issues' implications and concrete evidence to support claims about foreign policy would strengthen the chapter's argument. Overall, it offers valuable insights, but more thorough evaluation and evidence would enhance its academic contribution.

Mervan Selçuk in chapter 8, *The Development and Current Situation of Islamic Finance in Qatar*, presents a comprehensive analysis of Qatar's Islamic finance development and its significance in economic diversification. The chapter effectively outlines Qatar's "2030 National Vision" program and discusses the growth and potential of various Islamic finance sub-sectors, including banking, capital markets, takaful, and non-bank institutions. It highlights Qatar's prominence as a sukuk issuer and its potential in the takaful industry. However, a more critical analysis of challenges and global trends' impact on the sector, along with regulatory considerations, would enrich the chapter's overall evaluation. It offers valuable insights into Qatar's Islamic finance progress and its role in the country's economic ambitions.

In chapter 9, *The Political Economy of the Development of Islamic Finance in Kuwait*, Mücahit Özdemir discusses Kuwait's political, legal, demographic, and economic structures, as well as the development of the Islamic finance sector, using the most up-to-date data. He concludes that Islamic banks can play a vital role in reducing Kuwait's oil dependence. Accordingly, the most important aspect of the section is that it presents the role of Islamic finance in reducing Kuwait's dependence on oil through economic diversification policies.

In chapter 10, *A Political Economy Approach to Saudi Arabia's Islamic Finance Concept Dilemma*, Hakan Aslan and Abdullah Talha Genç critically analyze the complex concept of Islamic finance in Saudi Arabia, addressing its economic policy dilemmas and alignment with Islamic principles. The chapter delves into Saudi Arabia's historical background, its economic diversification goals outlined in the Vision 2030 program, and the significance of Islamic finance in achieving these objectives. The authors explore the development and current state of Islamic finance in the country, examining various sub-sectors and highlighting Saudi Arabia's pioneering role in the emergence of Islamic finance. However, the chapter sheds light on the dilemma surrounding Islamic finance

practices due to political reasons. While the constitution emphasizes adherence to Sharia principles, conventional banking practices have been allowed to continue, leading to debates on transparency and adherence to Islamic principles. Despite Saudi Arabia's pivotal role in Islamic finance, the chapter critically examines the challenges and complexities that have arisen in its implementation, particularly in relation to transparency and adherence to Islamic principles in both banking and non-bank institutions.

In chapter 11, *The Development and Political Economy of Islamic Finance in Oman*, authored by Murat Yaş focuses on Oman's Islamic finance development and offers a comprehensive analysis of its political economy, shedding light on the key factors contributing to its growth. The chapter begins by discussing Oman's relatively late emergence in the Islamic finance industry and the significant progress it has made since 2011. It highlights the growth of Islamic financial assets, the development of legal infrastructure and regulatory activities, and the expansion of Islamic finance education and academic studies. Despite the initial rapid growth, Oman's development in the Islamic finance sector has slowed down, and it has dropped from the top 5 to the 8th position in the world. The chapter also examines Oman's economic diversification goals under the Oman Vision 2020, which aimed for sustainable and stable economic growth while adhering to Islamic principles and the country's identity. It emphasizes the support provided by the regulatory authorities and educational institutions in fostering an Islamic finance ecosystem in Oman, including Islamic banks, Takaful operators, commercial banks, investment banks, securities companies, and fund management companies. In addition, the chapter points out certain limitations and challenges in the sector's recent growth, such as the lack of implementation of necessary incentive mechanisms and limited involvement of public capital. These factors have led to a shift from rapid growth to linear growth in the Islamic finance industry in Oman. This critical analysis of Oman's Islamic finance development provides valuable insights into the country's political economy and the factors influencing the growth of Islamic finance in the Sultanate.

Overall, this book is a valuable resource for readers interested in the political economy of Islamic finance as it provides deep insights into the challenges, successes, and trends across Gulf countries. The multidisciplinary approach taken by the authors, with their diverse backgrounds and expertise, lends further credibility to the book. The inclusion of a wide range of topics related to Islamic finance, from economic principles to trade, law and financial institution models, enhances the book's comprehensiveness and provides readers with a holistic understanding of the field.

One potential area for improvement is the organization of the book's content. The absence of a clear outline or thematic breakdown makes it slightly challenging for readers to navigate through the material seamlessly. Nonetheless, "The Political Economy of Islamic Finance: The Case of the Gulf Countries" is an academically rigorous and thought-provoking book that serves as an essential resource for scholars, policymakers, and practitioners in the field of Islamic finance.

With the full introduction of retail CBDCs, commercial banks, which currently create the vast majority of fiat money, would have to become 100% reserve institutions. They would have to adopt risk-bearing equity finance and profit-and-loss sharing investment products, rather than money creation and risk-free debt finance priced at the TVM. In reality, commercial banks will have to transform into genuine investment, or wealth management intermediaries (Abdullah and Nor, 2018).

Ultimately, CBDCs will also have to return to intrinsic value, if they are not to repeat the instability of fiat money, or even private CCs and stablecoins, and inevitably should be backed by real assets. More likely they will have to be 100% backed by gold and/or silver, since empirical analysis over 1,400 years has confirmed that prices expressed in gold and silver are low and stable over the long term (Abdullah, 2013, 2016, 2018, 2021), it could be argued that monetary policy should target a high value currency in order to maintain low and stable prices, as early Islamic scholarship had envisaged (Abdullah, 2022).

Certainly, monetary reform is inevitable, since the prevailing monetary and financial system is unsustainable. According to the Institute of International Finance (IIF) and IMF data, at the end of 2021, global debt was USD 303 trillion (IIF, 2022) and global GDP was USD 96.3 trillion (IMF, Apr. 2022), which corresponds to a global debt to GDP ratio of 315%. Our debt-based monetary system is manufacturing debt at a faster rate than what mankind can produce. At the start of the last global financial crisis in late 2007, Greece also had a debt to GDP ratio of about 315% (BIS, Feb. 2022), before it was ultimately bailed out by the IMF and the EU. Accordingly, the macroeconomic trajectory is inexorably leading us to yet another global financial crisis, unless we start to develop a more sustainable monetary system.