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# Islamic banking and finance: postcolonial political economy and the decentring of economic geography

Jane Pollard\* and Michael Samers\*\*

A significant trend in global finance over the last 15 years has been the rapid growth of Islamic banking and finance (IBF), which has gathered momentum to become a significant feature of the financial landscape in the twenty-first century. This paper explores the increasingly 'Western' character of IBF and has two key aims. First, we address the remarkably under-theorized status of IBF by considering how various economic geographical and social theories might conceptualize its development. Second, and emerging from our reservations with these literatures, we argue that IBF exposes some of the limits of Western-centred readings of economic geographies and we chart a path towards a postcolonial political-economic geography. Postcolonial critiques are useful in two senses. First they provide a different set of lenses for understanding IBF as a self-consciously 'other' set of economic and social practices and second, they push us to reconsider or 'provincialize' our understandings of normative, hegemonic economic practices and knowledges, including 'conventional' banking and finance. In essence, the growth of IBF is a stimulus for economic geographers to consider how, for what purposes and from where they theorize – a task that is long overdue.

**key words** Islam banking and finance economic geography postcolonialism political economy economic knowledges

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## Introduction

A significant trend in global finance over the last 15 years has been the rapid growth of Islamic banking and finance (hereafter IBF). There are now over 300 Islamic banks and financial institutions worldwide, with estimated assets of between US\$200 and \$300 billion, and there may be a further \$1.1 trillion in Islamic global funds (Henry and Wilson 2004; Sandhu 2005; Ibrahim 2006). Countries such as Bahrain, Brunei, Iran, Malaysia, Pakistan, Saudi Arabia and Sudan have 'Islamicized' their banking systems to one degree or another, and 'interest-based' banks throughout Muslim-dominated countries are now considering converting to Islamic banks in

order to expand their client base.<sup>1</sup> Once restricted to Muslim-dominated countries, almost 25 per cent of Islamic financial institutions now operate in countries that do not have Muslim majorities and interest-based banks have opened up 'Islamic windows' to attract the growing number of Muslims living in Europe and North America.

The global, or at least international, character of IBF is further visible in the creation of the Dow Jones Islamic Market Index in 1999, and of the Dow Jones Citigroup *Sukuk* (Islamic Bond) Index in Kuala Lumpur in 2003 (Anonymous 2006a). Participants in the *Sukuk* Index are indicative of the institutional and geographic diversity of IBF, with countries such as Bahrain, Malaysia, Pakistan and Qatar, companies

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such as Emirates Airlines, supranational institutions such as the Islamic Development Bank, and non-Muslim political entities such as the German state of Saxony-Anhalt all becoming involved in this bond market (Khalid 2005; Chiu and Newberger 2006). In sum, IBF has gathered momentum to become a considerable feature of the financial landscape in both Muslim-dominated and 'Western' countries in the twenty-first century.<sup>2</sup>

It is this increasingly 'Western' character of IBF that forms the focal point of this paper. The first section of the paper establishes the empirical context by briefly outlining some of the key features and developmental dynamics of IBF. Beyond this description, however, the paper has two key aims. First, we mobilize economic geographical and social theories in an instrumental fashion to consider how they inform an analysis of the development of IBF. Indeed, IBF is remarkably under-theorized by the heuristic tools of social scientific thought (Warde 2000; but see Maurer 2003 2005), not least those of economic geography. Thus, we then explore how literatures on diverse and alternative economies, moral economies, varieties of capitalism and the articulation of modes of production might conceptualize the development of IBF. Our second aim, which emerges from our discomfort with various elements of these literatures, is to argue for what we term a postcolonial political-economic geography. IBF, we suggest, exposes some of the limits of Western-centred readings of economic geographies. In the third section, we explore how postcolonial approaches provide a different set of lenses for understanding IBF as a self-consciously 'other' set of economic and social practices while also pushing us to reconsider or, in Chakrabarty's language (2000), 'provincialize' our understandings of normative, hegemonic economic practices and knowledges, including those of 'conventional' banking and finance. In essence, the growth of IBF is a stimulus for economic geographers to consider how, for what purposes and from where, they theorize – a task that is long overdue.

### What is Islamic banking and finance? The *Qur'anic* foundations of IBF<sup>3</sup>

In the post 9–11 period, the phrase 'Islamic banking and finance' conjures up all sorts of images. In many popular accounts, these might include shady (allegedly paperless) money transfers, agents moving across borders with suitcases full of

cash and terrorist financing or perhaps a devout elderly man counting notes in a warehouse. Yet, these images sit uneasily alongside the global, multi-billion dollar reach of IBF. To move beyond these images, it is important to understand some of the main features of IBF and how they translate into financial practices. But this is no easy task. IBF, as we shall see, is an elusive, contested, evolving and heterogeneous set of practices that defies simple description or conceptualization.

The most basic starting point, however, is to note that IBF is rooted in the rules and norms of Islam, and in particular *Shari'a* law, which emerges out of the *Qur'an*, and the prophet Mohammed through the *Sunnah*. The *Sunnah* (or an explanation of the *Qur'an* condensed into ways of acting) is derived from the *Hadith* – that is the tradition or story of the Prophet. From *Shari'a* law there are two broad concerns that structure the practices of IBF and provide some points of contrast with Western finance. First is the prohibition of *riba* (increase) as it is viewed as exploitative and unfair.<sup>4</sup> The prohibition of *riba* does not mean that money may not be lent under Islamic law, but merely rules out what might be considered unearned profit.<sup>5</sup> The provider of capital is not permitted to fix a predetermined rate of interest, but should be allowed an adequate return by having a financial stake in the project to be undertaken. That is, money is not considered a commodity in Islamic economics, but rather a bearer of risk. A second suite of concerns affecting IBF is the prohibition of excessive risk or uncertainty (*gharar*); Islamic institutions shun investments into gambling, but also certain kinds of businesses, especially those involved with pork-related products, alcohol, prostitution and other forms of entertainment deemed unacceptable. More generally, Islamic law frowns on speculation and stresses the 'asset-based' qualities of IBF practices. A key aspiration in IBF – in sharp contrast to interest-based finance – is a close coupling of the financial and the 'real' economy. Financiers are encouraged to invest in promising projects, to share profits and losses with entrepreneurs and, in so doing, promote development. Money is to be tied to real (material) assets to make them grow; it cannot be used as a commodity in and of itself or used as collateral.

If it is not clear whether a particular financial practice is acceptable based on a ruling from the *Qur'an* or from the *Hadith* and the *Sunnah*, then authority is given to Islamic scholars to invoke

*Ijtihad* (which literally means 'effort', but is essentially the interpretation of *Qur'anic* texts). The concept of *ijtihad* is vital to the contemporary practice of IBF, especially as it develops in non-Islamic banking and financial systems. Islamic scholars meet communally to arrive at decisions and issue a *fatwa* (opinion) and these become part of Islamic jurisprudence.<sup>6</sup> In practice, this means that Islamic banks or financial institutions are regulated by *Shari'a* boards, comprising one or more Islamic scholars, which offer a *fatwa* or statement of guidance interpreting Islamic law. When all Islamic scholars of a particular time period agree on an interpretation, this is referred to as *ijma* (consensus). However, such decisions through *ijma* cannot be inconsistent with the *Qur'an* or the *Sunnah*. As Al-Omar and Abdel-Haq argue, 'human reason has considerable sovereignty within the law; it has no sovereignty over the law' (1996, 2). Nevertheless, Islamic scholars can also rely on *qiyas* (reasoning by analogy) to use the rulings of one event and apply them to another, so long as one can grasp an underlying principle within both events. Together, *ijma* and *qiyas* constitute two other sources of law that are independent from the *Sunnah* and the *Hadith* and three adaptive mechanisms – departures from tradition because of local custom (*'urf*), public interest (*maslaha*) or necessity (*darura*) can also be invoked. Thus, Islamic scholars have invoked *darura* to permit Muslims' use of conventional insurance to purchase a home in the United States because of the unavailability of *takaful* (*Shari'a*-compliant insurance involving mutual risk) (Thomas 2001).

IBF is thus a project under construction, underpinned by a host of definitional, language and doctrinal debates. Given these religious and legal underpinnings, Islamic bankers have developed financial products that avoid charging interest and shun excessive risk or speculation. The strong communal dimensions of Islamic economics means that many Islamic scholars view forms of profit and loss sharing (PLS) – in which parties share a predetermined proportion of the profits/losses before the transaction is concluded – and interest-free loans (*Qard hasan*)<sup>7</sup> as the most 'Islamic' and most promising forms of contract. PLS contracts, the argument goes, are consistent with the moral economy of Islam in that they give banks a long-term stake in the success of different ventures, while freeing entrepreneurs to concentrate on running their businesses and not simply servicing debt (Warde 2000). In practice, however, PLS transactions like

*Musharakah*<sup>8</sup> and *Mudarabah*<sup>9</sup> represent only a small percentage of financing by Islamic banks (roughly 5% of all transactions, see Warde 2000; Henry and Wilson 2004). Most Islamic banks shy away from PLS transactions because of the uncertainty in calculating their returns; interest-based banks can calculate returns on the basis of their interest rate. Similarly, an entrepreneur who is confident of a high return may prefer to approach an interest-based bank because in PLS the profits are shared. Islamic institutions may thus attract those entrepreneurs who are less confident about a substantial return on investment and involve less successful or more risky ventures. Islamic banks have therefore sought other means of investment that involve less risk and more certain returns.

The most widely used IBF contract is *Murabaha*, which is a 'cost-plus' transaction in which a bank purchases a good required by a customer and then re-sells the good to the customer at a pre-determined profit. The customer agrees to pay for the good over a given period in instalments, but there is no interest, and in the case where the customer is unable to pay, the customer is responsible only for the agreed sale price. At this point, many commentators may question the differences between this cost-plus or mark up arrangement and an interest payment. As Vogel and Hayes observe,

To the outsider, some of these arrangements may seem to be elaborate subterfuges for interest-based financial transactions. This conclusion would ignore a number of important subtleties with respect to intentions, the detailed legal incidents of the various transactions, the religious and secular constraints on banking practices, and the limited number of financial contracts currently available to practitioners of Islamic finance. (1998, 3)

In this case, the financial institution seeks out the lowest price for a product on behalf of the customer and owns the product before transferring ownership to the customer. Ownership is vital since in 1994, the Fiqh Academy issued a *fatwa* which ruled against *Murabaha* transactions where the bank did not own the product beforehand. Thus, the financial institution assumes a certain degree of risk in order to justify its profit, especially because the customer can opt to not purchase the product. Islamic economists thus see the mark-up as the price of a 'service', not *riba*. While *Murabaha* is the most prevalent form of Islamic financing, it involves mostly short-term, low-risk investments with rather small profit margins.<sup>10</sup>

IBF is now expanding rapidly in the West as large, interest-bearing banks, notably HSBC with its Amanah Division, open up Islamic windows alongside smaller institutions, for example, the West Bromwich Building Society, that offer *Shari'a*-compliant mortgages in the UK. Indeed, it is globe-spanning Western banks that now dominate Middle Eastern IBF; for example, Citi Islamic Investment Bank (a subsidiary of Citigroup) has deposits of more than \$6 billion, dwarfing the deposits of, say, Bahrain's Al Baraka (with about \$500 million in deposits) (Matthews 2005; Anonymous 2006a).

In addition to opening an 'Islamic window', there are two other kinds of institutions offering IBF products. The first of these is the 'pure' Islamic Bank. In August 2004, for example, the Islamic Bank of Britain PLC (IBB) became the first fully fledged Islamic bank to be established in a country without a Muslim majority.<sup>11</sup> The USA, by contrast, does not have a true Islamic bank, but houses other non-deposit taking Islamic financial institutions. Los Angeles, New York City and south-eastern Michigan (the latter owing to the large and diverse Muslim population in the Detroit metropolitan area) are all key centres of IBF practice and innovation, especially in terms of developing a substantial Islamic mortgage market. In December 2005, the new University Islamic Financial Corporation (UIFC) – a subsidiary of University Bank based in Ann Arbor, Michigan – became the first Islamic subsidiary of an American Bank to be opened in the US and is defined as a 'Community Bank' by US banking regulations (Chiu and Newberger 2006). Other prominent players in this developing financial landscape include the diminutive, but iconic, Los Angeles-based American Finance House-Lariba<sup>12</sup> company, which had operations in 30 states by February 2003 (*New York Times*, 14 February 2003). In May 2004, President Bush appointed Mahmoud El-Gamal, a Professor of Islamic Economics at Rice University in Houston, as the White House's first Islamic financial scholar-in-residence and advisor. Table I lists some of the major banks and financial institutions offering IBF products in the UK and the US, while some of the key regulatory institutions, many of them in the Gulf States, are listed in Table II.

### IBF and economic geography's conceptual toolbox

Having presented a basic introduction to IBF and an overview of its practice, how should we think

about IBF with respect to debates within economic geography? In what follows, we deploy some contemporary literatures, notably those on diverse/alternative economies, moral economies, 'varieties of capitalism' and articulations of modes of production, to interrogate the development of IBF.

#### *Is IBF a diverse/alternative economy?*

A place to start is to consider IBF as yet another 'economy' within a set of 'diverse' economies (Gibson-Graham 1996; Community Economies Collective 2001; Cameron and Gibson-Graham 2003) or 'alternative' economic practices (Leyshon *et al.* 2003). Both literatures seek to recognize and valorize the diverse range of non- or semi-capitalist economic practices around the world, but one might distinguish between these literatures on two grounds. First, the former's aim is avowedly normative through the establishment of new empirical narratives of non-capitalist economic activity. That is, the diverse economies literature seeks to deny the existence of something called 'global capitalism' 'out there', insisting that the world is composed of not only capitalist wage labour, but a vast range of economies from barter, theft and informal economies to cooperatives and so forth. In contrast, the alternative economies literature involves much more of a theoretical project (which asks, for example, about the constraints, possibilities and internal contradictions that alternative economies face *within* a predominantly capitalist system). Second, the alternative economies literature seems to ignore certain types of economies included within the realm of diverse economies (such as barter, theft and 'illegal' economic activity), in favour of a focus on explicit economic 'projects', such as Local Exchange Trading Schemes (LETS), credit unions, time-hours, and so forth. Despite these differences, the similarities between these literatures are undeniable, as both focus on a panoply of non- or semi-capitalist practices.

Can we consider, therefore, IBF as an example of a diverse or alternative economic (and more specifically financial) space of practices? We can cite at least five reservations. To begin with, the practices of IBF are not necessarily non- or anti-capitalist. As a form of finance, IBF does not appear to disrupt capitalist social relations (in fact, quite the opposite) and nor are the principles of Islamic economics (of which IBF is a part) against profit. Second, there is an explicitly *religious* dimension to Islamic banking, as in the central role of *ijtihad*, which differentiates

Table 1 A selection of banks and financial institutions offering *Shari'a*-compliant products in the UK and US

Name of banks or financial institution	Type	Function	Year established <sup>a</sup>	Location
American Finance House – LARIBA	Fully <i>Shari'a</i> -compliant Islamic non-bank financial institution	Residential and commercial banking services	1987	Los Angeles, CA
Devon Bank	Privately owned 'community' bank	Residential and commercial banking services	Not known	Chicago, IL
Guidance Financial Group	Fully <i>Shari'a</i> -compliant Islamic non-bank financial institution	Home financing products	2002	Reston, VA
HSBC Amanah	International interest-bearing bank with an 'Islamic window'	Home financing products	1996	New York, NY
Islamic Bank of Britain	Private, fully compliant <i>Shari'a</i> bank	Residential and commercial banking services	2004	Birmingham, UK
Lloyds TSB	International interest-bearing bank with an 'Islamic window'	Current accounts, home finance	Date unknown	London, UK
Reba Free (with Neighborhood Development Center)	Publicly limited company	<i>Shari'a</i> -compliant banking services to low and moderate income customers	2001	Minneapolis/ St Paul, MN
Shape Financial Corp.	Financial services company for financial institutions	Consulting services for companies involved in both capital markets and banking	1993	West Falls Church, VA
University Islamic Financial Corporation – a subsidiary of University Bank	Privately owned 'community' bank	Mortgage and Mudarabah financing	2003	Ann Arbor, MI
West Bromwich Building Society (with Ali United and Amanah Finance)	Building society	Home financing products	Date unknown	West Bromwich, UK

<sup>a</sup>This refers to the year in which *Shari'a*-compliant products or services were first offered, not necessarily to the year of the establishment of the institution  
Source: Authors' compilation, and Chiu and Newberger (2006, Table 1, p. 11)

**Table II Principal international organizations<sup>a</sup> involved in the debate, management, regulation and indexing of Islamic banking and finance**

<i>Name of institution</i>	<i>Year established</i>	<i>Location</i>	<i>Basic function</i>
Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI)	1990	Manama, Bahrain	Development of international Islamic banking and finance standards
Fiqh Academy	1981	Jeddah, Saudi Arabia	Issuances of major <i>fatwas</i> on Islamic banking and financial products
International Association of Islamic Banks (owned by the Organization of the Islamic Conference)	1977	Jeddah, Saudi Arabia	Coordinate and enforce ties between Islamic banking and other financial institutions
Dow Jones Islamic Market index	1999	Multiple sites	Provide a stock index for all companies that do not violate <i>Shari'a</i> law
Islamic Financial Services Board	2002	Kuala Lumpur	Establish international standards for agencies involved in the regulation and supervision of Islamic financial services (including banking)
Dow Jones Sukuk Islamic Bond index	2006	Kuala Lumpur	Provide an index on the performance of dollar-denominated <i>Shari'a</i> -compliant bonds
Al Baraka (private bank)	1984 <sup>b</sup>	Saudi Arabia	Annual meetings held to establish common banking practices
Harvard Islamic Finance Information Program (now Islamic Finance Project)	1995	Harvard University, Cambridge, MA, USA	Annual meetings held between academics, practitioners and policy-makers, to debate Islamic banking and practice; dissemination of publications, etc.
Institute of Islamic Banking and Insurance	1991	London	NGO designed to support the development and practice of IBF through education, etc.

<sup>a</sup>By international organizations, we do not include national governments, even though they may be centrally involved in the management of these international organizations

<sup>b</sup>1984 refers to the date that it was established as a joint stock company (Al Baraka website, accessed 25 April 2006)

Source: Authors' compilation



IBF from the moral choices of diverse/alternative economic practices. Third, in contrast to many other smaller financial 'movements', IBF is generally speaking 'big business' (manifest in the large *Murabaha* deals with well-known companies) especially in countries such as Bahrain and Malaysia. In this sense, it does not appear to be an antidote to widespread poverty and inequality (or financial exclusion) in, say, Middle Eastern countries.<sup>13</sup> In the UK and the US, there is little evidence yet that IBF is likely to lift the 'poorest of the poor', although it is allowing for home purchase among middle income, upwardly mobile Muslims, which in turn may enable them to engage in entrepreneurial activities through increased home equity. One of the few studies of demand for Islamic financial products in the West, Dar (2004), shows that it is primarily wealthy or professional Muslims living in the north of England (rather than in the south and especially London) who are more likely to participate, in part because they have a greater understanding of IBF to begin with. Fourth and again related to its sheer size, there is an important transnational dimension to IBF that distinguishes it from other widely celebrated, but more localized financial alternatives.<sup>14</sup> By transnational in this context, we mean the inter-locking circuits of capital and general banking regulations and practices that entwine interest-bearing and Islamic banks (but we should also point out the entanglements of Islamic banks and international institutions such as the International Monetary Fund).<sup>15</sup> Fifth, and related to all of the above, is the particular set of pan-global political discourses that may or may not feed the growth of IBF – namely the opposition between Muslims and Western ideas and practices (in its extreme, 'a clash of civilizations') (see especially Kuran 1997).

Because of this question of opposition, we are exercised by a useful distinction that Fuller and Jonas (2003) carve out first, between alternative economic *institutions* and alternative economic *spaces*, and second between 'alternative-oppositional' institutions, 'alternative additional' institutions or 'alternative substitute' institutions. In this respect, it would be tempting – given the present global political conjuncture (that is, the supposed 'clash of civilizations') – to simply label Islamic banks as 'oppositional' institutions. An oppositional institution is described by Fuller and Jonas as,

embodying something 'different' in value or operational terms, while simultaneously representing a

rejection of more non-alternative, or 'mainstream' forms and their identities. (2003, 57)

While opposition may be an element of the continual development of IBF, we are wary of this politically or culturally 'vulgar' reading of alterity for two reasons. First, it is necessary to draw a distinction between Islamic bankers and their customers, the two perhaps having different, if overlapping motives. Given that IBF is largely 'big business', there are substantial profits at stake for Islamic bankers and financiers, and plenty of questions concerning whether IBF is just another device to capture some market share in intensely competitive markets (see, for example, Saleem 2005). This is not to deny the religious motivations of Islamic financiers, or to suggest that profit motives and religious adherence may not be combined. Nonetheless, it is probable that Muslims with relatively modest incomes using *Shari'a*-compliant products do so not necessarily because they will maximize their financial return, but because these permit them to sustain a certain type or level of consumption, while allowing them to be 'good Muslims'.<sup>16</sup> For more wealthy citizens of Middle Eastern countries, participating in Islamic banking may symbolize a new quest for purity (such as the desire to bank while engaging in *zakat* or alms-giving (Maurer 2005)).<sup>17</sup> Second, one can speak of the resurgence of Islamic values in countries with substantial Muslim populations without necessarily discussing a 'clash of civilizations'. In fact, some argue that it is the alliance between private Muslim entrepreneurs and Islamic scholars (rather than political Islamists) that has stimulated the development of IBF. And we could add to this the encouragement of IBF through Saudia Arabia's pan-Islamism, as well as the use of Islamic finance in Bahrain and Malaysia, for example, to tackle the stranglehold of long-time financial elites and their apparently unproductive policies (see Kuran 1997; Vogel and Hayes 1998; Warde 2000; Lewis and Algaoud 2001; Henry and Wilson 2004; Khaf 2004). In sum, a pivotal question is whether the rise of IBF is motivated consciously or unconsciously by the possibility of substantial profits for bankers and financiers, the desire to address widespread poverty and inequality, religious faith or a global political project.<sup>18</sup>

Returning to the distinctions of Fuller and Jonas (2003), we argue that IBF is more than an 'alternative oppositional institution'. Islamic banks may act as



both 'alternative additional' institutions (customers might wish to place *some* of their money into Islamic banks and maintain some of their money in interest-bearing institutions) and alternative substitute institutions. With respect to the latter, financial withdrawal from certain neighbourhoods and/or an unwillingness to serve poorer customers in the UK or US might well mean that Islamic banking is acting as a substitute to interest-bearing banks. Yet there does not seem to be any evidence, as yet, to support the two arguments above. Insofar as IBF is about alternative economic *spaces*, the rather common, if hackneyed distinction between 'space' and 'place' by geographers (the first involving some sort of wider scale of analysis and the second entailing more 'local' processes) might prove helpful here. We think it is more useful to talk about the 'spaces', rather than the 'places' of IBF. Let us elaborate. While locally-oriented initiatives and networks of information-sharing can certainly drive the demand for IBF products, there is little empirical indication that IBF primarily involves locally-embedded community-building rationalities, as in the ones sometimes described by the literature in economic geography on alternative or diverse economies (LETS, time-dollars, *kibbutzim*, Mondragon cooperatives, and the like). Thus, we are more comfortable with the notion that there are heterogeneous 'spaces' of IBF produced through different social, economic and political rationalities – some national, and some transnational. It is easier to speak of heterogeneous and diverse, rather than *alternative*, spaces of IBF, because of the question of 'alterity'. Put simply, someone's 'alternative' is another person's 'mainstream'; in countries such as Iran, Malaysia, Pakistan or Sudan, this notion of the 'alternative' seems problematic, since IBF is widespread and deeply embedded in each of these countries' financial systems, however contested this Islamicization might be by some.<sup>19</sup>

#### *Is IBF an example of a moral economy?*

Another, and not unrelated, option here is to think of IBF as an example of a moral economy. The idea of 'moral economy' has experienced something of a renaissance in social thought, courtesy of Thompson (1971) and the literatures on 'embeddedness' (Polanyi 1944; Granovetter 1985), 'the gift' (Mauss 1967) and the fallout from the so-called 'cultural turn' (Sayer 1999; Bridge and Smith 2003). Yet beyond the central notion that a moral economy is an 'embedded economy', the literature on moral

economy is slippery, precisely because the term itself is rarely defined, whether by those writing in geography-oriented journals (for example, Robbins and Sharp 2003; Goodman 2004; Smith and Stenning 2006) or indeed in other venues across the social sciences (but see, for example, Booth 1994; Katz 1997; Sayer 2000; Arnold 2001; Khols and Christensen 2002). For Sayer, 'moral economy' indicates both

the ways in which economic actions are influenced by moral sentiments and norms, and a standpoint from which we can evaluate economic arrangements. (2000, 8)

Yet we might, in the context of the growth of IBF, return to Thompson's (1971) and Scott's (1976) notions of moral economy which draw out more of what we might call – in contemporary lexicon – a social movement definition of moral economy. As Arnold writes, moral economy is the 'extraordinary phenomenon of a poor, pre-market people contesting the dictates of a much more modern economic order' (2001, 86). In fact, Arnold insists, 'moral economy' is almost always associated with pre- or non-market peoples. In sum, we can distinguish between three definitions: moral economy as the basis for economic life, as a normative standpoint on economic life and as the basis for a political or social movement associated especially with pre- or non-market peoples, against certain kinds of economic life. Though Sayer's second definition – that of normative standpoint with which to critique inequality and so-called 'neo-liberal' political economic arrangements – forms the initial basis of our exploration of IBF, we are primarily concerned here with the relationship between Sayer's first definition – the ways in which economic actions are influenced by moral sentiments and norms – and the political or social movement definition rooted in Thompson's pioneering work. In other words, we are interested in the moral underpinnings of the practice of IBF as a 'movement', not simply as *Homo Islamicus* – the rational choice equivalent of *Homo economicus*. Thus, literatures on 'cultural embeddedness' or moral economy provide ideal fodder for framing the development of IBF,<sup>20</sup> though it is vital to distinguish between Islamic scholars, customers and financiers.

Concerning Islamic scholars, decisionmaking regarding the 'Islamicness' of certain financial products (from *Shari'a* advisory boards and the Jeddah-based Fiqh Academy which issue *fatwas*) produces an interpretation-thick environment that

melds *Qur'anic* principles with the demands of 'interest-based' financial practices. From the perspective of customers, it seems that they engage in IBF for religious reasons, that is, to observe *Shari'a* law, but also for broader 'ethical' reasons; the Islamic Bank of Britain PLC, for example, seeks accounts from both Muslims and non-Muslims by marketing itself as an ethical bank that shuns investments in armaments, drugs, tobacco and alcohol. But here we also encounter the movement and evolution of IBF that renders it difficult to grasp. Some financial products like *takaful* (insurance), for example, were dismissed as wholly un-Islamic as late as the 1970s, but have since become accepted. In Indonesia, *takaful* became accepted as a form of savings account for the *hajj* – the pilgrimage to Mecca – and has its partial roots in the relationship between the development of credit alternatives for Indonesians through colonialism, and Indonesian – largely Sukarno era – nationalism (Maurer 2005). Thus, religion, and in this case, colonialism and nationalism together shaped the development of IBF in Indonesia.

In terms of the bankers and financiers engaged in IBF, it seems that religious and profit motivations are combined, although as Maurer (2005) shows, some financiers doubt the 'Islamicness' of the products they devise. To elaborate, in what Yousef (2004) calls the '*murabaha* syndrome', *murabaha* transactions constitute somewhere between 45 and 65 per cent of all Islamic transactions in terms of total global IBF assets.<sup>21</sup> These transactions are held by many to be un-Islamic because they are debt-based and resemble interest-based transactions; they are not PLS-type equity transactions which involve the mutuality of risk so dear to more conservative or orthodox readings of Islamic economics. Many IBF scholars and observers (for example, Kuran 1997; Saeed 1999; Saleem 2005) are uncomfortable with debt financing (*murabaha*-type transactions) eclipsing equity financing (PLS).<sup>22</sup> While Islamic bankers and financiers are aware of this issue, 'actually existing IBF' should not be read, Maurer insists, as a gulf between theory and practice but the 'remaking of Islam', the

remaking of the market as moral even in the pursuit of individual profit without regard for others. For in the Islamic banking formulation, Islam and the market are/ought to be 'equivalent'. (2005, 108)

Yet it would be wrong simply to juxtapose the practice of IBF as a moral economy against a 'non-

moral' Western set of practices. This is for several reasons. First, Western banking practices are themselves heterogeneous (consider the popularity of non-Islamic 'ethical' banking), and Maurer (2005) argues, for example, that the rationalities associated with the use of *takaful* remain similar to the bureaucratic rationality involved in insurance as a savings account in the United States. Second, there is a danger of equating the moral economy of Islamic banking with strictly 'pre-modern' rationalities, in contrast to the more economically rational and calculative motives of modern social actors (North 1990; Booth 1994; Arnold 2001; Maurer 2005). The assumption that IBF is involved, or driven by pre- or non-market based societies makes little sense; it could be argued that IBF is as much driven by the 'supply-side' – in this case, large Western banks, as it is by some pious socio-political movement 'from below'. Thus, we maintain – in the now long held critical view of the assumption: pre-modern/non-market economy = embedded; modern economy = disembedded – that both the practice of interest-based banking and IBF are moral economies (consider, for example, Max Weber's (1930) *The protestant ethic and the spirit of capitalism*, or Tawney's 1929 *Religion and the rise of capitalism*). Indeed, debates about interest and usury raged for many centuries in the West before the rise of industrial capitalism (for reviews see Lewison 1999; Rogers 2000; de Goede 2005; Iqbal and Molyneux 2005), and it was not until 1917 that the Vatican formally recognized the legitimacy of interest (Iqbal and Molyneux 2005). As Shakespeare's *Merchant of Venice* reminds us, the West has a largely forgotten history of banning interest. In England, for example, and similar to the reasoning in Islamic thought, the censure of usury 'originated in the ethic of not making money on a borrower's need (the golden rule)' (Rogers 2000, 4), and the Crown's act against usury passed into law in 1571:

In this prohibition of 1571, the viability of ethical and religious community is paramount, and there is a clear recognition that economic relations are subject to ethical and religious values, and that 'a loan with a contract for interest' is destructive to those values. (Rogers 2000, 4)

#### *Is IBF a 'variety of capitalism'?*

Another conceptual possibility, given IBF's rapid growth rate, the Islamicization of some national banking systems and IBF's emergence in Western

countries, is to ask whether IBF constitutes a new 'mode of development' (to borrow the language of the Regulation approach), or a 'variety of capitalism' (such as liberal market, co-ordinated market, statist, etc.; see Hall and Soskice 2001). To answer this question, we would need to specify the 'variables' or criteria used in identifying a 'variety of capitalism'. And we would need to be clear about its geography. With regard to the former, most of the recent literature on 'varieties of capitalism' (for a review, see Boyer 2005), involves an analysis of particular constellations of financial or monetary regimes, business relations, capital-labour or capital-state relations (see Boyer 2000 2005; Schmidt 2003).<sup>23</sup> Concerning the latter, we would need to distinguish between the presence of IBF in countries which have partly or wholly Islamicized their banking systems (e.g. Iran), countries with substantial or part Islamicization (e.g. Egypt, Malaysia, Indonesia) and Western countries. At the same time, analysing IBF through the lens of national regimes has its limits, given its transnational and localized character.

In this sense, IBF may well represent a new financial regime that involves emergent relations between governance and financial practices, in countries across the Middle East and Asia, but we doubt it involves (at the present anyway) substantial changes in business relations, capital-labour or capital-state relations. In the US and the UK, for example, the scope of IBF is simply too limited to suggest a new variety of capitalism, although we do acknowledge that organizations like the UK's Financial Services Authority (FSA) or the United States' Federal Reserve are becoming increasingly familiar with, and accommodating of, IBF. While we are wary of the problems of a nation-state centric analysis, there may be some grounds for talking about an 'Islamic capitalism' in the Middle East and Asia (if the finance regime is given priority), but in the West, the 'variety of capitalism' approach would be less than productive for analysing the growth of IBF.

Moreover, while IBF constitutes a burgeoning financial phenomenon in Asia and the Middle East, participants face some substantial obstacles which throw into question its likely status as a 'variety of capitalism', at least in its present form. Some persistent obstacles include: (1) a shortage of 'experts' who have knowledge of *both* basic financial practices and *Shari'a* law (and in this regard, those who are recruited are disproportionately from the

interest-based banking sector, and are plunged into the practice of IBF through, generally speaking, 'short courses' in IBF) (Anonymous 2006b);<sup>24</sup> (2) lower profitability compared to Western banks (see Anonymous 2006c); (3) the problem of financial product innovation owing to the lack of global accounting standards and other regulations; (4) the requirement that Islamic banks hold proportions of their assets idly; (5) substantial rivalries and conflicts of interest and theological contradictions and disputes among the small number of *Shari'a* scholars who constitute the advisory boards; (6) the compatibility of Islamic financial products with Western financial laws and regulations (for a more detailed discussion, see Taylor 2003; Chiu and Newberger 2006); (7) the lack of knowledge among many Muslims of IBF products (Dar 2004) and (8) perhaps less convincingly, as several Malaysian news sources contended, the exhaustion of possible clients.

Despite these limitations, the varieties of capitalism literatures do raise at least four important questions. How does IBF (taken in a restricted sense as a rapidly growing form of finance) emerge out of its encounter with, or adaptation to the general institutional architecture of various non-Islamic states and interest-based banking systems? To what degree will IBF dominate the financial landscape of Muslim-dominated countries, beyond Iran and Pakistan, for example? Similarly, to what degree will this new mode of finance move beyond Muslim-dominated countries to challenge interest-based banking and finance practices in the West? And will IBF produce new patterns of economic investment and consumption in the West generated by the prohibitions within Islamic thought (against alcohol, gambling, pork, prostitution, etc.)?

#### *The entanglements or articulations of IBF and 'Western' banking*

Given the *Qu'ranic* roots of IBF, its place within Islamic economics, and recent interest in the 'relational' character of economic life (Yeung 2005), it may be tempting to use an 'articulation of modes of production' (AMOP) approach to understand the development of IBF (for example, Wolpe 1980; and for more recent examples see Samers 1997; Smith and Stenning 2006). From this perspective, the practice of IBF, and Islamic economics more widely, would represent an articulation of 'Western'-type capitalism (as a specific mode of production and social formation) with some more ancient (or at least different) mode of production and its

social formation. However, our interest in the AMOP approach is merely metaphorical in that we seek merely to borrow the metaphor of 'articulation' to speak not of the articulation of modes of production, but rather of the 'articulation of different modes of finance' (AMOF). In this case, 'old' or 'relic' forms of finance (the prohibition of interest or usury, and of certain kinds of products and economic activities, based on *Qu'ranic* principles) are entwined with (or 'articulated' with) Western (and now largely global) accounting, financial and other regulatory practices and standards, capitalization or financialization (the importance of capital and stock markets), and even interest-based banking through the proliferation of 'Islamic windows'.

None of this is to assume that IBF is simply a matter of combining the old with the new, since the 'old' itself has evolved over the course of the twentieth century, and is in effect very much part of the present landscape of finance in the Middle East and Southeast Asia, not to mention in Europe and North America. Smith and Stenning (2006) remind us of Wolpe's (1980) distinction between the AMOP literature's focus on the dissolution of pre-capitalist modes of production on one hand, and the way in which 'pre-capitalist' modes of production shape or 'condition' capitalist modes of production on the other. Translated into the context of the AMOF, we think this is a useful distinction that draws out how IBF is re-shaping the practices of Western banking and the ways in which Western financial rules and regulations are re-shaping IBF. In short, 'articulation' as a metaphor – shorn of its teleology and implicit Western-centric celebration – appears to be an appropriate heuristic device for understanding 'actually existing IBF'.

### Postcolonial political economy? IBF and the decentring of economic geography

Some of the analytical tools of existing economic-geographical theories are suggestive of how we might conceptualize IBF. Yet it is difficult to tease out or generalize about IBF's alterity, its moral economies or its complex articulations or entanglements with Western banking and finance. The conclusion we offer thus far is that IBF poses difficulties for all these theoretical approaches because it exposes some of the limits of Western-centred readings of financial geographies (which is not to say that such readings are redundant or

insignificant). To elaborate this argument, we draw upon some of the theoretical ideas and practices of 'postcolonialism', a highly visible 'post-' that has become a significant focus of debate in the social sciences and humanities since the 1980s.

The term 'postcolonial' is typically used in two senses (Loomba 1998; Young 2001). The first and simplest (though not uncontested) use of the term is as a geopolitical and temporal marker, denoting an historical situation *after* colonialism. For our purposes here, however, we draw on a second set of meanings associated with the 'postcolonial', namely a political, anti-colonial sensibility and a suite of theoretical approaches, influenced by both post-structuralism and Marxism (Young 1990 2001), that seek to disrupt, contest and in some cases transcend Western ways of knowing, writing and seeing the world (for reviews, see Sidaway 2000; Blunt and McEwan 2002; Robinson 2003).

So, how might postcolonialism inform an understanding of the evolution and practices of IBF? This is a difficult question because, for all its influence and purchase in the humanities and social sciences, postcolonialism has made relatively little headway in economics or economic geography. This state of affairs is not surprising. As Mitchell (2002, 3) has observed, the idea of 'economy' has remained curiously untouched while critical theories have critiqued other categories like class, gender, nation, culture and so forth.<sup>25</sup> Furthermore, as Zein-Elabdin and Charusheela (2004) argue, the postcolonialism–economy interface is fraught with tensions. For many postcolonial scholars, the immense power of economic discourses in shaping debates and public policy concerning poverty and wealth is problematic because the discipline of Economics – in its most orthodox neoclassical variants at least – assumes the ontological precedence of modern European societies (see Mitchell 2002), and is keen to colonize other social science disciplines with its assumptions of equilibrium, stable preferences and maximizing behaviour (Zein-Elabdin and Charusheela 2004). By the same token, and reminiscent of Stuart Hall's (1996) earlier critique of the 'disavowal' of economy in postcolonial critiques, it is the case that,

theorizing the economic continues to be a point of weakness in much postcolonial scholarship ... Although postcolonial critics often invoke economic forces in their analyses, the theory they draw on is often ill defined, gestural and removed from current scholarship in Economics. (Zein-Elabdin and Charusheela 2004, 4–5)<sup>26</sup>

In similar vein, Sylvester (1999, 704) observes how the treatment of economy creates tensions between scholars of development studies (in effect, development economics) and postcolonialism. She contrasts their genealogies, describing them as 'two giant islands of analysis' that largely talk past each other. Scholars of development economics dismiss much postcolonial scholarship because of its lack of engagement with issues of poverty and resource distribution, while postcolonial scholars, in turn, critique the lack of reflexivity about power, geography and history that characterizes much scholarship in development economics. Despite this difficult relationship with the economic, we argue that there are (at least) three contributions to be distilled from postcolonial approaches to understanding IBF and that these contributions can, in turn, be used to reflect on our understandings of 'conventional' finance.

First, and at their most elemental, postcolonial critiques alert us to the relationship between the production of Western knowledge and the exercise of Western power (see, for example, Blunt and McEwan 2002); they highlight the enduring, largely unconscious Eurocentrism of European and North American knowledge production. This takes different forms, but is most commonly seen in the practices of using the historical experiences and categories of the West as the template from which the world can be known, measured and understood. It is no longer controversial to assert that the 'mainstream' of economic-geographical theorizing emerges from the experiences of 'successful' or 'deindustrialized' Anglo-American regions and the geographic and institutional context of such theory is rarely specified or critiqued (see Yeung and Lin 2003). Such specificity helps to reproduce the ingrained and, we hope, unsustainable intellectual division of labour that separates scholars of 'economic geography' from those of 'development' (see also Scott and Storper 2003). Moreover the power of the West to name, to represent and to theorize translates into a set of expectations around the production of knowledge. Non-Western scholars are expected to refer to 'canonical' European and North American works in their respective subjects, while European and North American scholars are under no obligation to return the favour (Chakrabarty 2000). A key element of a postcolonial sensibility then is simply recognition and exploration of knowledges generated beyond the West.

In terms of understanding IBF, this postcolonial intervention highlights the reality that Islamic institutions throughout the Middle East, North Africa and parts of Asia draw upon different knowledges, standards and financial contracts than their interest-based counterparts. For all their differences, however, these knowledges are deployed to perform a series of important and very familiar acts of economic coordination; they create assets and liabilities, they channel monies between savers and borrowers, they create incentives to efficiently allocate resources and they provide a range of fund management and payment services (Iqbal and Molyneux 2005). If we took Islamic financial knowledges and institutions to be 'the norm' and instead interrogated the situatedness and cultural specificity of interest-based banking, what might we find? Popular and academic representations of Western banking knowledges are often replete with references to capital-adequacy ratios, efficiency and rationality; these economic, undersocialized representations make it all too easy to forget the Judaeo-Christian underpinnings of Western banking and long histories of angst regarding money, interest and usury.

Moreover, if we take seriously postcolonial entreaties to consider hitherto hidden, unheard and marginalized voices and stories, a postcolonial reading of IBF and Western finance might raise some interesting questions for policy makers. For example, those who have no or limited engagement with interest-based financial institutions in the US and UK have been a focus of concern in debates about 'financial exclusion' and whether financial institutions are using pricing and marketing strategies that marginalize, exclude or discourage low income groups (FSA 2000). A postcolonial reading of financial exclusion, however, prompts a closer interrogation of the category 'excluded'; the 'excluded' may comprise not only those on low incomes who are denied access to finance but also a whole range of individuals who prefer, on religious, moral or other grounds, not to engage with Western financial institutions. Thus, for some groups and individuals, it may be more appropriate to think in terms of 'refusal' rather than 'exclusion'.

The second, key contribution of postcolonial critiques is their insistence on asking us to consider the spatial metaphors invoked in Western discourses, specifically the relationship between the 'there' and the 'here' which, on closer inspection, turns out to be highly problematic. As we have



argued, IBF comprises a heterogeneous, evolving and contested set of practices that defy simple conceptualization. When confronted with IBF institutions, popular and academic commentaries typically seek (and struggle) to establish the 'difference' (the 'thereness') of such institutions by exploring how (if at all) they compare with their interest-based counterparts (Maurer 2005). Yet, as Maurer (2005, 40) argues, the politics of decolonization, the 1970s oil boom and the creation of entities like 'petrodollars' signal the impossibility of separating the development of one from the other; the financial time-spaces of Islamabad, Kuala Lumpur, London, Manama and New York have long been interwoven. Drawing on Callon's (1998) 'anthropology of entanglement', Maurer argues that Islamic and conventional finance,

are densely interconnected, indeed, constituted as separate objects by their very interconnection and their attempt to purify their constant hybridization. (2005, 40)

Whether we use the language of postcolonialism or draw upon other recent topological conceptions of spatiality, we can argue that IBF exemplifies some of the multiple, transnational and relational presences that constitute economic geographies, relational presences that mean that 'the distant is implicated in our "here"' (Massey 2004, 10; see also McEwan *et al.* 2005). If 'the other' is always, already 'inside the core', then it is important to think of interwoven, not separate, networks of Islamic and 'conventional' finance. This is important for two reasons. First, noting that these networks of finance are interwoven discourages any *a priori* assumptions about the 'alternative' status of IBF: whether or not different variants of IBF are window-dressing for conventional economics or more inclusive and 'ethical' than other forms of banking remains an empirical question. Second, we can again turn the critique back on Western finance. As de Goede (2003) has illustrated with respect to *hawala*<sup>27</sup> money transfer networks and discourses about the war on terrorist finance, the strenuous assertion of 'us' and 'them' binaries (*hawala* as 'foreign, dark and illegal' (p. 527) versus Western banking) serves not only to ignore the intricate interconnections between these banking networks, but also to deflect attention from some uncomfortable elements of 'business as usual' for Western banks, be it their role in facilitating terrorism,<sup>28</sup> alleged fraud (for example, Hooper 2005) or collaboration with Hitler's regime (Ziegler 1998).

Third, just as postcolonial critiques problematize the spatial metaphors of Western discourses, so too they take aim at Western historicist narratives of transition or what Chakrabarty (2000, 243) terms 'the problem of entangled times' and the pluralities that exist in the 'now'. Chakrabarty (2000, 7) critiques the 'first in Europe and then elsewhere' structure of (Western) global historical time which had the effect of converting history into a 'waiting room', from which non-Western economies were expected, eventually, to emerge as they reached Western capitalist modernity. Western historicism, he argues, deploys,

a sense of anachronism in order to convert objects, institutions and practices with which we have lived relationships into relics of other times. (2000, 243)

Postcolonial scholars have instead claimed space for the recognition of multiple pathways (and 'destinations' in the making) which, in turn, counters the tendency to read non-Western histories in terms of 'a lack, an absence, an incompleteness that translates into an "inadequacy"' (Chakrabarty 2000, 32).

In terms of understanding IBF, this critique of historicism (and its consequences) is important because it cautions against any simple dismissals of IBF as an anti-modern or 'relic' suite of financial knowledges and practices that are destined either to fade into insignificance or instead evolve or rather 'progress' to the point of resembling Western financial products. Instead, and as we hinted at in thinking about IBF as a mode of financialization, it is important to appreciate the intricate entanglements of IBF and interest-based finance and to track the complex ways in which different forms of IBF are evolving in different geo-political, religious and regulatory contexts. And again, this critique of historicism can be turned back on our understandings of dominant social formations, including what are often labelled 'alternative' institutions and practices like LETS, credit unions and various forms of micro-finance. Instead of assuming that these practices are fads, or will either fade or become co-opted into the 'mainstream', perhaps we should explore their diversity, the ends they serve and how, and in what circumstances, they proliferate.

In these three ways then, we argue that postcolonial scholarship can inform our understanding of IBF. Analytically, it is important to stress that our use of postcolonial literatures is not intended simply as a relativizing strategy, one that recognizes the



situatedness of Western banking knowledges. Rather, we use these literatures to help us to understand or, in Chakrabarty's language (2000), 'provincialize' the specificity of the putatively universal language, categories and tools of economic geography. Following Chakrabarty (1992 2000), however, any calls for a 'postcolonial economic geography' would be both ironic and impossible. This is because Geography as an academic discipline is marked (philosophically and institutionally) as a Western-colonial science; part of what we take from postcolonialism is precisely the need to acknowledge our location, privilege and socialization in Western academe.<sup>29</sup> Our point here is that,

postcolonial critiques do not offer a simple or straightforward way out of complex theoretical and practical issues and questions. Instead they open layers of questions about what underpins and is taken for granted in Western geographical narratives and how they have been inextricably entangled with the world they seek to analyse and mistaken for self-contained, universal and eternal truths. (Sidaway 2002, 27)

As we have turned IBF back on economic geography, we argue that postcolonial approaches serve a useful purpose in opening layers of questions about how, and from where, we theorize in economic geography, with implications for how we think about the diversity of financial knowledges, the interconnectedness of IBF and Western finance and the future trajectory of IBF.

## Conclusions

IBF is a heterogeneous set of practices that is becoming increasingly prevalent in the major metropolitan centres of North America and Western Europe and, as such, constitutes more than 'a banking revolution in the Middle East' (Khalid 2005). Now a feature of financial landscapes in both Muslim-dominated and 'Western' countries, the growth of IBF marks a significant trend in global finance over the last 15 years and one that demands economic-geographic attention. In this paper we have explored the increasingly Western character of IBF and, in so doing, outlined some of its key features and development dynamics. We then considered how we might conceptualize the development of IBF in terms of some prevailing theoretical streams in economic geography. Finally, and related to our attempt to think through how existing economic-geographical theory might treat IBF, we outlined how postcolonial scholarship

could inform our understanding of IBF and, in turn, prompt us to reflect back on the knowledge practices of economic geography with their traditionally Western geographical-economic imagination.

The challenge, as we see it, is to produce a *postcolonial political economy*, that is, a form of theoretical, empirical and political engagement that holds together both the poststructuralist and Marxian insights that have been integral to postcolonial approaches. Beyond taking seriously the reality of multiple situated knowledges and agency and the uneven geometries of power to name and represent, it is essential to interrogate the social relations of capitalism that generate some commonalities of experience around which shared meanings, and politics, can form (see Perrons 1999; Larner and Le Heron 2002; Wills 2002). As Maurer (2005) reminds us, it is always important to ask whether new or different 'alternative' forms of money or financial institution produce new exclusions, inequalities and instabilities. Rather than assuming, *a priori*, that IBF is either a marketing fad or a progressive alternative to interest-based finance, it is important to appreciate the diversity of IBF and to interrogate the power relations that structure its different variants. In essence, how we come to interpret the political economies of IBF becomes an empirical question; the analytical task at hand is one of examining the varying forms of IBF, understanding their multiple connections to different sets of social, cultural and economic relations, and understanding how, if at all, they address inequality and exclusion in different contexts.

These points resonate with other attempts in economic geography to produce political economies that can theorize globalization from outside 'the core' and recognize different contexts in which 'the global' is imagined (see Larner and Le Heron 2002). In terms of its empirical magnitude, the growth of IBF is contributing to what Sidaway terms (2005) a 'geoeconomics of uncertainty', the slow eastward shift of overseas dollar accounts that marks the growing economic influence of Asia. The growth of IBF is but one of a series of developments, witness the dramatic changes in Asian economic landscapes, that presents a pressing case for new approaches to theorization in economic geography (see Yeung and Lin 2003; Radcliffe 2006). As such, we have conceived IBF not only as an important empirical, theoretical and political phenomenon worthy of investigation, but also as a site from which to reflect back upon the selective geographical

imaginations that fuel Western (academic) economic geographies.

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## Notes

- 1 There is no single definition of 'Islamicization'. In countries such as Iran and Pakistan, state-owned banks cannot invest 'un-Islamically'; in other countries, some non-Islamic banks may co-exist alongside state-owned banks.
- 2 We are very aware that the terms 'West' and 'Western' are contentious, not least because of considerable Muslim immigration in the so-called 'West', and because of the more general globalization of cultures and practices. Yet we would insist that the notion of the 'West' is meaningful, however fluid and contested it might be.
- 3 Our discussion draws on Ali (2002), Al-Omar and Abdel-Haq (1996), Lewis and Algaoud (2001) and Vogel and Hayes III (1998). These texts also explore the philosophy of Islamic economics, a subject we evade in this paper for reasons of space.
- 4 Riba is, in turn, often translated as 'interest' or 'usury' (see Maurer 2005).
- 5 Islamic scholars have argued that there should be a price for time, but not the usual fixed interest that occurs in Western banking. For example, the Al-Baraka International Bank Limited in the UK offered a 'bonus account' in the late 1980s; if the account held at least £2500 for six months, a bonus would be credited to the account. This is different from *riba* in that *Shari'a* distinguishes between an obligation to pay a specific amount of money over time in contrast with the non-obligation to pay a bonus (Al Omar and Abdel-Haq 1996).
- 6 *Ijtihad* relies on both classical and modern *fiqh*, which is translated as human comprehension of divine law or *Shari'a*.
- 7 These are normally used with the intent of providing financial assistance to financially troubled institutions or to provide humanitarian aid to particular individuals.
- 8 *Musharakah* is a form of partnership financing in which a financial institution provides a percentage of investment, and takes an equity stake, in a business.
- 9 *Mudarabah* transactions involve a financial institution providing finance to an entrepreneur who otherwise provides all that remains of setting up a business. In turn, the financial institution is guaranteed a percentage of the profits (agreed upon beforehand) and assumes all of the risk in terms of financial loss (Al-Omar and Abdel-Haq 1996; Lewis and Algaoud 2001).
- 10 For details of other kinds of practices, including leasing (*ijara*) and almsgiving (*zakat*), see Al-Omar and Abdel-Haq (1996) and Lewis and Algaoud (2001).
- 11 Similarly, the European Islamic Investment Bank (EIIB), the first *Shari'a*-compliant investment bank in Britain, was authorized to invest and take deposits in March 2006 (Quinn 2006).
- 12 *Lariba* stands for Los Angeles Reliable Investment Bankers, but it also means the complete negation of *riba* (la *riba* means 'no interest').
- 13 See Saleem (2005) for a strong statement in this regard.
- 14 Bearing in mind that LETS, for example, are shaped by the transnational circulation of ideas about alternative financial practices and the Mondragon cooperatives are hardly divorced from international flows and competitive pressures.
- 15 As Warde (2004, 41) points out, statutes within the Islamic Development Bank (which is heavily implicated in the promotion of IBF) provide for 'coordination and collaboration' with the IMF.
- 16 We say 'presumably' because surprisingly, there is a lack of deep ethnography that serves to tease out the motivations behind customers of IBF in the West, at least in the English language.
- 17 Many large individual Muslim investors previously held their money in Western financial institutions in non-interest bearing accounts – in Switzerland for example – but repatriated their money into Islamic banks in the Middle East (Vogel and Hayes III 1998; Henry and Wilson 2004). For a critical discussion of *zakat*, see Maurer (2005, 107).
- 18 We could cite other reasons for the growth of IBF that do not directly entail some sort of alternative oppositional movement, including the spread of property ownership in Middle Eastern countries, growing intra-Arab financial flows and the repatriation of funds from Western countries to Muslim countries after September 11, 2001.
- 19 The story of Pakistan is a complex, indicative case (see Anonymous 2002).
- 20 'Cultural embeddedness' is important insofar as religion can be understood as a cultural dimension.
- 21 Some observers (e.g. Saleem 2005) point out that *Murabaha* transactions might account for as much as 80 per cent of all Islamic banking transactions, with another 18 per cent involving *ijara*-type (leasing) contracts.
- 22 Similarly, some of the fastest growing IBF products are *takaful*, micro-lending and sukuk bonds, all previously dismissed as wholly unacceptable to Islam. *Takaful* (insurance) had for a long time been associated with

- gambling, and this distinction is the subject of considerable reflection by *Shari'a* scholars (Maurer 2005).
- 23 The literature on 'varieties of capitalism' is substantial. Hall and Soskice (2001) centre their work on firms as the primary actors in capitalist economies. We see this as too limited, and therefore point to a more comprehensive set of criteria.
- 24 See also Maurer's (2005) personal account of his own IBF training.
- 25 Nevertheless, the project of interrogating the genealogy of 'Economics' is now being prosecuted on several fronts (see McCloskey 1998; Mitchell 1998 2002; Mirowski 2002; Zein-Elabdin and Charusheela 2004) and is gradually receiving greater attention in Economic Geography (see Castree 2004).
- 26 Relatedly, Ettliger (2005, 6) comments on the low priority of 'economy' in poststructuralism, arguing, 'The issue is not overt marginalization of the economic, but a silence associated in part with the effort to recognize the critical importance of all that has been considered "non-economic"'.
- 27 *Hawala* is a term for 'informal financial networks, originating from the Arabic root *h-w-l*'. These networks manage domestic and international money transfers and may arrange credit (de Goede 2003, 513).
- 28 The 9–11 hijackers relied on a number of US bank accounts, most notably in Florida, for their wire transfers of funds (National Commission on Terrorist Attacks upon the United States 2004).
- 29 And there is always the charge that postcolonial approaches have become the province of Western intellectual elites and thus another device for perpetuating exclusion (see Dirlik 1994).

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