

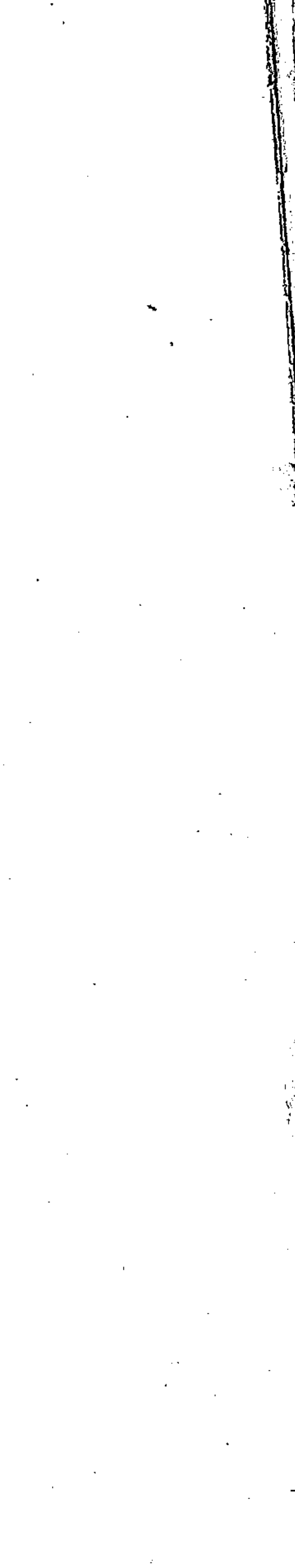
GUIDELINES TO
ISLAMIC

ECONOMICS

Nature, Concepts and Principles

M. Raihan Sharif

**BANGLADESH INSTITUTE OF
ISLAMIC THOUGHT (BIIT)**



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M. RAIHAN SHARIF

**BANGLADESH INSTITUTE OF
ISLAMIC THOUGHT (BIT)**

Professor M. Raihan Sharif was an economist, poet, social thinker and a research scholar and spent most of his career in teaching. He worked in Pakistan Planning Commission, World Bank (Washington), UN/ECAFE and finally as Professor of Economics, Dhaka University. He is a writer of many books in multiple areas.

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ISLAMIC ECONOMICS**

Nature, Concepts and Principles

by

PROF. M. RAIHAN SHARIF

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FOREWORD

We feel happy to announce the publication of this volume on Economics in Islam. Economics being the priority field of study of modern social sciences, BIIT is also taking due care to contribute to the study of this subject keeping in view of the textual requirement of the graduate students of the universities as well as the general readers.

Prof. M. Raihan Sharif's book on Islamic Economics is expected to meet the current need mentioned above. The book comprises of six chapters with an appendix on the comparative equity and efficiency related to the theory of distribution between the Islamic and conventional approaches. The first chapter deals with an elaborate introduction of conventional economics and its relevance to developing economics in which the author projects the ideas of the stalwarts of both the conventional and Islamic economics. He has spotlighted the ideas of Alfred Marshall, Ibn Khaldun and Karl Marx. He has brought before us the contexts of Islamic economists who are also trained in conventional economics in analysing both the approaches. The second chapter approaches the study of Islamic economics as a social science. The third chapter reflects the Islamic perspective of economic behaviour, its methodologies in relation to conventional economics. The fourth chapter deals with assumptions axioms, concepts and fundamental theory of both Islamic economics and secular economics while chapter five projects Islamic economics as a system dealing on rationalism, theory of consumption, production and market. The last chapter deals with the problems of distribution and shows how the Islamic theory of distribution is superior to the conventional theories.

From an overview of the chapters, as given above, it is revealed that although the study of economics comprises of

philosophy, assumptions, concepts, theory, fiscal, monetary and development issues he did not deal with the specific developmental, fiscal or monetary subjects rather he chose to clear up the minds of the young economists on the conceptual and metaphysical issues so that they can build up the proper perspective of Islamic fiscal and monetary and other systems by themselves. The language of the book is lucid and expressions are unambiguous.

We hope that this book will do yeoman's service to the people who desire to study economics of Islam as a comprehensive social science.

Dhaka
May 1996

M. Zohurul Islam FCA
Secretary General, BIIT

PREFACE

Islamic economics is a young social science to apply Islamic norms in economic behaviour with a scientific approach. Necessarily, it is to be treated as a Normative Social Science and that again with a difference if compared with conventional dichotomy of Normative and Positive in the textbooks on Economics used in modern educational institutions, colleges and universities, functioning in many countries over the globe. Application of Islamic norms makes the distinctive difference.

The wonders of economics and sciences brought about the miraculous changes of what is still known to be Industrial Revolution in Great Britain leading to the spread of similar changes in Europe in the 19th century. Classical economics, founded by Adam Smith and pursued by Ricardo and others, could build up the power and prosperity of materialism for the establishment of empires over the grabbed markets. The role of man was that of politics, economics, militarism and plunder over colonies. After conditions settled down to a stable pattern of economics of colonialism, the distinguished Neo-Classicist Alfred Marshall wrote his time-honoured treatise on Principles of Economics which earned the honour of being used as a textbook for many many decades, even in the 20th century. In the first edition of his book, he said in its preface, dated September, 1890 :

".....and it is held that the Laws of Economics are statements of tendencies expressed in the indicative mood, and not in the imperative. Economic Laws and reasonings in fact are merely a part of the material which Conscience and Commonsense have to turn to account in solving practical problems, and in laying down rules which may be a guide in life.

"But ethical forces are among those of which the economist has to take into account. Attempts have indeed been made to construct an abstract science with regard to the actions of an 'economic man' who is under no ethical influences and who pursues pecuniary gain warily and energetically, but mechanically and selfishly. But they have not been successful, nor even thoroughly carried out. For they

have never really treated the economic man as perfectly selfish: no one could be relied on better to endure toil and sacrifice with the unselfish desire to make provision for his family; and his normal motives have always been tacitly assumed to include the family affections. But if they include these, why should they not all other altruistic motives, the actions of which are far uniform in any class at any time and place, that it can be reduced to a general rule?"

Yes, why not for the uniform motives and actions established in the past Islamic models of Islamic economics which is only unfolding itself in modern analysis by the Islamic economics scholars? Only now the trend has been moving in the direction of Normative Social Science with a difference. The difference is to emerge and build itself on the durable influences of Islamic Norms.

Of course, undaunted Western economic scientists carried on their 'abstraction' researches and analysis in pursuance of a new craze for precision of mathematical exactitude. And in 1971, Paul Samuelson is reported to have said: Economics is a growing subject in which very much is left to be done..... The further development of analytical economics along the lines of comparative dynamics must rest with the future". And that kind of sophistication, in fact, led the trend to perfect dehumanization of the science yielding mechanistic abstractions. And for such a culmination, human miseries and frightful degradations of knowledge, E. F. Schumacher had to assert: "If economic thinking cannot get beyond its vast abstractions, the national income, the rate of growth, capital/output ratio, input-output analysis, labour³ mobility, capital accumulation; if it cannot get beyond all this and make contact with the human realities of poverty, frustration, alienation, despair, breakdown, crime, escapism, stress, congestion, ugliness and spiritual death, then let us scrap economics and start afresh. Are there not indeed enough 'signs of the times' to indicate that a new start is needed?" (p.62)

With meaningful and purposeful education alone, we can meet this challenge. Schumacher adds: Education cannot help us as long it accords no place to metaphysics. Whether the subjects taught are subjects of science or of humanities, if the teaching does not lead to

a clarification of metaphysics, that is to say, of our fundamental convictions, it cannot educate a man and consequently, cannot be of real value to society Education can help only if it produces "Whole man". The truly educated man is not a man who knows a bit of everything, not even the man who knows all the details of all subjects: the 'whole man' in fact, may have little detailed knowledge of facts and theories, he may treasure the Encyclopaedia Britannica because 'he knows and he needn't', but he will be truly in touch with the centre. He will not be in doubt about his basic convictions, about his view on the meaning and purpose of his life. He may not be able to explain these matters in words, but the conduct of his life will show a certain sureness of "touch which stems from his inner clarity." (pp.76-77)

If the Muslim-majority countries do develop integrated rational educational systems of their own, based on nationally-upheld values, these are likely to meet the objective of producing 'whole man' with the capabilities of meeting this challenge, provided the countries can avoid 'conceptual dependency' on the choice and adoption of the required educational reforms in the current conditions of world domination by the Western influences. In fact, the Muslim world is now on the threshold of a New Awakening to the need of reconstruction of their education programmes with adequate imagination and rationalism on providing knowledge to all the stages of learners and researchers in the Muslim-majority countries so that training of the body, mind and soul of the children, youth and adults becomes feasible. That is the way to demonstrate the shift 'difference' in character and quality of manpower as human resource leading the way to the new era of socio economic achievements, although political problems immediately appear complex and extensive. The latter, however, should yield to proper solution at least within the framework of the *Ummah* with due regard to the principle: if there is a will, there is a way.

In the evolving shape of things, it is possible to envisage a new role to be played by Islamic economics, if studied and followed, as an important contributor to the demonstration of Normative Economics with a Difference towards helping produce 'whole' men

and women. Educational reforms and execution are indeed the priorities of the tasks to be handled in countries and nations concerned.

The present volume embodies a modest endeavour at presenting some guidelines in the main areas of Islamic Economics in such a way that the difference will appear to be clear and will also lead to the positive exercises of building up correct concepts and principles for application in the context of Islamic norms. The societies and economics which are relevant for this challenging demonstration, it is to be acknowledged, are now in different stages of background readiness. A sort of Herculean task is indeed to be shouldered by the newly emerging groups of scholars, analysts and students for opening up bright and hopeful prospects of success. The author has presented the designed chapters of the guidelines in simple and understandable language with references to contrasting positions of conventional economics where needed.

I am grateful to the two Reviewers of the Draft Chapters of the Manuscript Book who took meticulous care to go through the details and pages and to suggest some changes and omissions. The I. I. I. T. Washington's assistance in this regard involving about one year's effort is very much appreciated. Although confidential, I need not hesitate to say that one Reviewer has candidly found (a) the subject of the manuscript Islamically significant and (b) treatment as 'useful and mature'. In addition, it has been acknowledged that it contributes something new to our knowledge of the subject, that is sense of history which is 'very very rare in Islamic economists'. However, three draft chapters have been dropped in accordance with the suggestion of the Reviewers who seem to be allergic to 'too much' comparative analysis with Western knowledge.

Author

CHAPTER ONE

Introduction : Economics and Islamic Economics

When human life began on the face of the earth with Adam and Eve, was there anything then to convey the sense of economics? The fallen couple took charge of the earth as human representatives of the Creator with a mission after they were forgiven the wrong committed through the instigation of Satan. That was the real beginning before the history of economics was written and even definitions of 'economics' were attempted in thousands of ways. We need not fruitlessly delve into all primitive and post-primitive stages of probing or feeling about economics as it was in those stages. But we may start with one proverbial poetic query: When Adam delved and Eve span, who was then the gentleman? Excuse me, I want to remodel the query into: When Adam delved and Eve span, who was then the economist? The answer is: None. It is the economists who grappled or speculated about the right kind of definition for economics from age to age or stage. This special breed of human being wanted to guess some applicable words or expressions to convey the idea about how, 'economic' problems were met or solved and what was 'economic' in historically known ages or stages.

Knowledge grows with knowing; and knowing the social and economic behaviour had to be naturally difficult and indefinite. In most cases, only the past experiences give indications of what can be or could be known and stored as stock of knowledge. Lessons of experience grow and stock of "knowledge" accumulates. And 'economists' as a special group of speculators and analysts also grow with variations in responses to different debatable issues. The wide range of variety in comprehending the imputed endeavour of 'economics' has been marked by the modern stunt: Economics is

what economists do. Something like another modern key for 'money' in the statement: Money is what money does. Such an understanding of a branch of social science is indeed ridiculous. Money's worth may be pursued up from the functions of 'money' as announced by the monetary authorities of the country concerned or by letting the students memorize: Money is a matter of functions four – a medium, a measure, a standard and a store. But the economist is a 'knowing', and "speculating" analysing man who thinks about the society for which this branch of knowledge has been evolved and to be further evolved with accepted ends in view.

Leaving aside the stage of economics as a science of Mammon, the God of wealth, let us start with the classical epoch-maker Adam Smith who assumed economics to be "An Inquiry into the Nature and Causes of Wealth of Nations". This gospel of wealth opened up the parts of wide scrambles of wealth from colonies and built prosperity for the British nation. The science of economics, however, acquired a bad name. This 'bad name' was indeed brushed up with the glamour of technological innovations and engineering skills leading to the fruition of the forces of Industrial Revolution first in Great Britain.

That turned the tide to historic rise of 'wealth' through industry and commerce, feeding the markets over the globe, especially the colonies. But the speculating analysts continued their inquiry into more 'correct' understanding of the science of economics away from 'wealth'. Gradually, attention came to be centered round 'man'. Alfred Marshall's masterly volume on principles of Economics, in its eighth edition of 1920 and subsequent reprints, has introduced the survey of the development of the science of economics with a clear statement like:

" Political economy or Economics is a study of mankind in the ordinary business of life; it examines that part of individual and social action which is most closely connected with the attainment and with the use of the material requisites of well being." ¹

Thus it is on the one side a study of wealth. and on the other and more important side, a part of the study of man. For man's character has been moulded by his every-day work, and the material

resources which he thereby procures, more than by any other influence unless it be that of his religious ideals, and the two great forming agencies of the world's history have been the religious and the economic. Here and there the ardour of the military or the artistic spirit has been for a while predominant: but religious and economic influences have nowhere been displaced from the front rank even for a time, and they have always been more important than all others put together. Religious motives are more intense than economic, but their direct action seldom extends over so large a part of life. For the business by which a person earns his livelihood generally fills his thoughts during by far the greater part of those hours in which his mind is at its best, during them his character is being formed by the way in which he uses his faculties in his work, by the thoughts and the feelings which it suggests, and by his relations to his associates in work, his employers or his employees." In the above two paragraphs of Marshall, it is abundantly clear that the socialminded philosopher was working in the midst of the traditional & 'continuity' of scientific economist. He logically stressed in the paragraph that the science of economics "studies the ordinary business of life" and "examines that part of individual and social action which is most closely connected with the attainment and the use of the material requisites of wellbeing". And only this partial statement was accepted by some new successors to explain Marshallian economics; and they ignored the more important part of his definition explained in the second paragraph, viz. "On the more important side, it is a part of the study of man" and his social relations. By ignoring the "more important side" of the full content of the definition, it became possible for the economics scientist like Lionel Robbins to define economics as: "the science which studies human behaviour as a relationship between ends and scarce means." This meant a turning point to the modern trend of abstract economics.

Ely and others in 1930, protested and emphasized that the scientific functions of allocation of resources in view of unlimited wants (as ends) while the means are limited do not concern many social and economic problems. They asserted: "economics is

something more than a science, a science shot through with the infinite variety of human life, calling not only for systematic thinking but for human sympathy, imagination and in an unusual degree for the saving grace of commonsense." Such warnings were, however, drowned in the depths of the turmoil of global depression of trade and employment. Hence came the shrewd Keynesian Revolution in economics in mid-1930s. It was necessary to solve the general problem of low demand, low employment, low investment, low savings and miseries all around. The Keynesian prescription has to inject a tonic of public-policy incentives of 'creation' of demand in the general economic system. Keynes's General Theory of Employment, Income and Money, brought to the forefront the role of the Government and banking system for fiscal, money and credit management for economic recovery nationally and internationally. He also highlighted the role of easy capital supply at the lowest possible interest, even to the extent of near zero rate of interest for a "general equilibrium". Such policy determinations added new strong pillars to the emergence of Macro-economics in bright colours. On the other hand, Keynesian radical economics imperceptibly sowed the seeds of two important developments: (a) analysis of the problems of development economics and (b) potentialities of zero-rate-of-interest-based functioning of an economic system, as the new brand of discipline termed, Islamic economics in current days.

Rather than strangling 'Political economy with definitions' as J.N. Keynes had alleged earlier, one modern economist, Lorie Tarshis has followed the word of wisdom: economics is what the economist does. This is indicated in his words (1967):

" A science, by and large, is born not in a test-tube but in man's attempts to overcome obstacles in his environment. These may be of many kinds ----- physical, medical, psychological or social. And since, in our imperfect world, there are so many difficulties of a social character- poverty, unemployment and inflation, for example- the economist is motivated to concentrate his attention to these. Such problems have plagued us continually and seriously, and only the most optimistic can expect them to disappear soon. Unhappily

the economist's job is likely to endure for the foreseeable future. Out of his continuing attempts to secure an understanding of the institutions in which such social ailments arise, he has developed a body of analysis known as 'economics'. The economist analyses unemployment, inflation, strikes and the rest because he wants to guide ameliorative action the implication being that we have set a high standard of performance for our economy. We expect it to deliver the goods' and when it fails to do so, we try to find out why."²

In the case of economic analysis by a Muslim economist, the context and perspective are in relation to the social conditions of a Muslim country's economy, not the US economy, nor even a Socialist country's economy. Conditions and problems have to be analysed in relation to the operation of the existing settled system and in view of the prospects of reaching the ideal of the balanced system of Islamic society and economy. Standards have to be set for reaching that goal with the adoption of 'ameliorative action' for solving the material economic problems appearing in course of time.

Even modern scientific economics, with all the sophisticated techniques, training and comparatives, is considered young. This is in view of the complexity and immensity of problems emerging as humanity is progressing and creating. That is, humanity is also creating problems in immensity in the name of progress. Paul Samuelson (1971) says: "Economics is a growing subject in which very much is left to be done." He adds: "The further development of analytical economics, along the lines of comparative dynamics must rest with the future. It is to be hoped that it will aid in the attack upon diverse problems from the trivial behaviour of a single commodity to the fluctuations of important components of the business cycle, and even to the majestic problems of economic development."³

Islamic economics, on the other hand, is much younger in analytical methodology and will have to grow in confronting a new challenge. Muslim analysts will have the advantage of studying and using the tools and methods of modern economics in the spirit of the growing science and enrich their own researches eventually to

establish an Islamic economy, and continuous effort and a greater challenge than what a modern economist with the limited objective of conventional economic analysis sets for him. The economic analysis and applications of analysis towards the establishment of a model of Islamic economy have to be different from those under conventional economics: and we have to demonstrate these differences – and the whys and hows involved in this unfolding process of continuous effort. In this effort, we need remain alert and careful about the economic 'rationalism' especially the type of rationalism indicated by the great path-builder, Ibn-i-khaldun.

Rationalism and Ibn-i-khaldun 4

Modern western economics has enriched itself from the growth of scientific methods of investigation as applied by sociologists and for economic change. It is Karl Marx's methodology that has attracted a wide attention for understanding the changes of society and its economy over a long period of time. This methodology is known as 'empirical-dialectical'. Marx discarded the Hegelian speculative philosophy and substituted a form of scientific humanism. Marx himself claimed, "It is hardly necessary to assure the reader conversant with political economy that my results have been attained by means of a wholly empirical analysis based on a conscientious critical study of political economy."

Marx's approach was revolutionary in the sense of a break with the past traditions. But researches have brought out the fact that a similar revolutionary approach was initiated by Ibn-i-Khaldun in the fourteenth century, He initiated the break with the past traditions of the science of society to provide information to help beneficent kings rule. In the case of Marx, some have strongly held that he used dialectical method as rationalism and was in opposition to empiricism. For a voluminous writer of radically different nature, it is possible to deviate from one method to another in such a manner that pure consistency may be lacking. That is why towards the end of his life, Marx himself claimed: "All I know is that I am not a

Marxist".

According to a recent study it has been revealed that Ibn-i-Khaldun's approach and methodology for studying the processes of social and economic change had been remarkably modern and even comparable to Marx's radicalism. But his studies were within the framework of meta economic and metaphysical relationships. The methods of empiricism (or historical criticism) are delineated in Ibn-i-Khaldun's exposition of the errors in historical writing. These errors include exaggeration, partisanship towards a creed or opinion, overconfidence in one's own sources, the failure to understand what is intended, a mistaken belief in the truth, the inability to rightly place an event in its real context, and the desire to gain favour of those of high rank.

These were, indeed the types of errors that crept into history and were carried by generations as traditions of knowledge after the classical period of Islamic Revolution. It was Ibn-i-Khaldun who turned the tide by his scientific historical criticism. Ibn-i-Khaldun criticised the tradition bound historians who disregarded the change in the conditions and in the customs of nations and races that passing time has brought about.

Some Western writers like Gibb have, however, objected to Ibn-i-Khaldun's retention of religious values. In fact, this constitutes the fundamental difference between Muslim scientific attitude and the Western secular scientific objectivity. Ibn-i-Khaldun assumes the socially desirable role of intellectualism within the framework of meta economic and metaphysical considerations of higher value. The limits are explained by him in these words:

"The intellect is the correct scale. Its indications are completely certain and in no way wrong. However, the intellect should not be used to weigh such matters as the oneness of God, the Hereafter, the truth of prophecy, the real character of Divine Attributes or anything else that lies beyond the level of the intellect. That would mean to aspire for the impossible. One might compare it with a man who sees a scale in which gold is being weighed and wants to weigh mountains in it. This fact (that it is impossible) does not prove that the indications of the scale are not true (when it is

used for its proper purpose). However there is a limit at which intellect must stop. It cannot go beyond its own level."

How to Remould the Apparatus of Conventional Modern Economics towards Islamic Economics

Evidently, Islamic economics as a young social science, has been attracting a progressively warm attention in the hands of the new-breed scholars and researchers in countries where facilities of research and publication have been developed through strenuous efforts. In small dedicated groups in countries like Bangladesh, the system of education itself is acknowledged to be still awaiting proper development to suit national objectives. In such an environment, university education and research cannot but be a victim of historical neglect. As a result, prevalent practices not only follow the conventional Western thinking and 'value judgments' but even ignore the new wave of scepticism roused in the West by writers like Alan Bloom who wrote in his *Closing the American Mind* (1987): "Education is not merely about facts- it is about truth and the state of our souls. But what image does a University present today to a teenager leaving off to the adventure of liberal education? Where there was once a vision of education for the whole person, there is now an anarchy of disconnected disciplines..... as it stands now, students have powerful images of what a perfect body is and pursue it incessantly. But deprived of literary guidance, they no longer have any image of a perfect soul and hence do not long to have one."⁵

Our University-goers do not look for such American books even in the present context of vacuum in knowledge and dangerous distortions in 'value judgments' manifest in Campus terrorism, the academic expectations are rather bleak.

Yet dark clouds do not rule for long; silvery lines must show up around darkness as a law of change in the operations of life in the process of evolution further and further until the finality on the face of the earth. That finality is only a part of the 'whole' if the journey of the soul to the 'other world' is also taken into account. Those who

are becoming aware of this linkage with the 'other world' because of the morbid deterioration of the values of life and death in the case of 'man' the best creature of the Creator to assume the responsibilities 'trusteeship' or 'stewardship' for managing the world environment as well as the world resources. It is their role in the positive direction around the world that will eventually turn the tide. And this small country's 'unbalanced' groups and individuals will correct themselves in the interest of their own pursuit of 'achievement', somehow salvaged by self-correction through the focus of 'the light that never was on sea or land, the consecration and the poet's dream'. Those who love poetry will reap the harvest with the poet's dream, if right poems are written and recited; and those who love meditation and self analysis will receive the light of their own souls, if the souls are revived for functioning. For all such awakened groups, young and old, the 'inner house' of the mind will inspire search and research in the world of imperfect or unfavourable knowledge to acquire right props of guidelines for themselves and the coming generations. That kind of process may certainly use both informal and formal channels and institutions in society. And the law of life for such a social endeavour is also; 'One step and then another; And the journey is ended'.

That is how I entertain hopes of increased love for the study of Islamic economics by increasing numbers of knowledge-seekers around the world, not excepting this small country's seemingly 'bleak' present. And it is possible to use the 'given' conditions of conventional Western economics tradition for a rational remoulding. The kind of economic analysis, recently evolved with the framework of Islamic economics, can be treated by non-Arabic speaking new researchers as too unfamiliar and too exacting because of their low background of the 'composite' type of initial assumptions based on the Quran and Sunnah – sources of knowledge. Yes, this is a real hurdle. I think, this hurdle can be minimized by a two-way process: (a) where necessary, we can permit the development of the 'background' of 'composite knowledge' as a long term process for acquisition somehow through informal or group effort and (b) analytical work exercises may well

be started on themes and areas of conventional economics with a view to identification of the differences between concepts, arguments etc. used in the two types of analysis so that the apparatus of conventional economic analysis may be remoulded for familiar treatment methods or terminologies. This kind of new effort for non-Arabic speaking educated pursuers of knowledge and research can be quite easily handled in the way Dr. Mannan has indicated in the 1981 Special Issue of the Journal of Social Sciences (Kuwait University).⁶

Following hints from Siddiqi and Naqvi, Dr. Mannan first states : In particular, there is nothing wrong with internalising and assimilating Western thought into Islamic economics as long as these 'do not' run counter to basic Islamic ethical values'. This task of assimilation, integration and internalisation calls for a clear recognition and understanding of the factors which constitute the foundation of Islamic economics".

Then he organizes his discussion around four areas : (a) Islamic economics as a process; (b) The Islamic Dimension of the Concept of Scarcity and Wants; (c) Choice and Opportunity Cost: Its Islamic Dimension; (d) The integrative System of Exchange and Transfer in Islam.

His discussion is then shown to be, as is briefly put here :

A. In modern economics, the emphasis is on the understanding of the total 'metabolic process' of the system, as is particularly mentioned by Boulding. In Islamic economics also a clear distinction should be made between the process and principles; and the understanding of both is necessary. The normative principles are reflected in the Quran and Sunnah. These are not based on profit maximisation, but on the concept of total human welfare and fulfilment of life working through principles of co-operation and limited competition at both individual and state levels. It will not be a rational behaviour for an Islamic entrepreneur, if he treats making money or earning 'normal' profits not as a means to an end but an end in itself. The de-emphasis on profit motive does not mean de-emphasis of efficiency criteria. The productive process must try

to avoid wastage, minimise cost and select optimal plant and technique for achieving both economic and technical efficiency. In fact, the failure to appreciate the distinction between principles and process (or the slow recognition of the dynamic character of Islamic economics) has been responsible for the slow growth of Islamic economics as a discipline.

Boulding (1970) said: On the whole it is the behaviour of economic variables that economists study, not the behaviour of people at all. "What makes Islamic economics is that it does study the behaviour of economic variables in a comprehensive and integrative way. It does not only take into consideration the inputs which immediately get transformed into outputs but also takes into consideration the inputs which are simply absorbed into a behaviour unit without producing any immediate output or where the internal activity of a behaviour unit produces output without any apparent use of inputs (i.e. through the motivation of Islamic values of social responsibility of the obligatory sharing of wealth and income of the rich with the poor and the needy). Modern economics has failed or been slow to recognise that here a large class of economically relevant social and moral behaviour units are lying between the firm and the households. Islamic economics includes all such behaviour classes and as such may indeed be seen as a Behaviour Science as well.

When it is said that Islamic economics studies the economic problems of a people imbued with Islamic values, it does not imply that Islamic economics is not concerned with the economic life of the non-Muslims. The latter people as a minority is a trust; they are in a more advantageous position because they will enjoy the same rights and privileges as Muslims without discharging the obligations enjoined on the Muslims. The minority is not at the mercy of the majority, as in secular democracy; the majority in the Islamic State is not empowered by the Quran to adopt any law which is not conducive to the welfare of the entire population irrespective of their faith, colour and creed.

The main significance of the statement is that the presence of the Islamic Man in the place of Economic Man will ensure

individual and social welfare because of the guidance of Islamic norms in the place of self interest and profit motive.

B. Conventional economics has accepted the basic assumptions of scarcity of means for satisfying unlimited ends. Had there been no scarcity of means, there would not have been any economic problems under the rationale of Conventional economics.

In Islamic economics too, the scarcity of means can form the basis of study and inquiry; but the concept of scarcity of means and human wants had to be understood in the light of Islamic Rationality. This Rationality embodies not only economic but also social and moral objectives which drive forces to aggregative human welfare as opposed to calculated pursuit of 'pleasurable' wealth of material nature for individuals, firms, groups and entities aiming at self interest and profit on that basis.

The notion of scarcity should not be confused with the notion of the unlimited 'bounties of Allah' which provide sustenance (*rizq*) to all creatures on earth including man. In fact, the resources between the earth and heaven are not always in the form of finished product; the transformation of resources into consumer and capital goods require human involvement and effort. Even the notion of free availability of clean air and water for human use and consumption is no longer true in the present conditions of industrialization in societies. Human efforts are also needed to improve the quality of environment through pollution control and treatment. But there is a limit to human effort and capacity to exploit the resources. The obvious limitation in knowledge and capacity, seen in the light of Quranic verse which says: man can have nothing but what he strives for (Sura najm: verse 39), brings out an insight for understanding the issue for solution. This suggests that the concept of scarcity can still form the basis of Islamic economics. But it is to be noted that this understanding is altogether different from the one found in the text books of Conventional economics. It should be stressed that in Islamic economics, scarcity is a three-fold experience – economic experience, human experience and moral experience. The economic experience is to be noticed when resources are used in the satisfaction of wants; the human experience is to be found when

scarce resources are used for transfer payments (in cash or kind) to the poor and needy as obligatory duty (in the form of *zakat*); and moral experience is embodied in the optional transfers of cash or kind to satisfy the wants of the poor and needy as additional social security (which is also commanded by the Quran). The three experiences, taken together, explain the nature of 'scarcity' which grows with time in developed and undeveloped societies. In particular, multiplication of 'wants' with irrational logic and unfair market mechanism have created new scarcity problems in societies that have not included Islamic transfers and moral restraints on creation of new wants.

The American economist Galbraith has argued in his book, *The Affluent Society* (1962) that the advanced industrial societies today have for the most part gone beyond the level of physiological needs of food, clothing and shelter and that society is under producer's sovereignty in the sense that the consumers fly from one purchase to another in response to persuasive advertising. Galbraith advocated more spending on social goods and less on private goods. Heilbroner and Thurow (1975) also said: "If Americans today, for instance, were content to live at the level of Mexican peasants, all our material wants could be satisfied fully with but an hour or two of daily labour. We would experience little or no scarcity, and our economic problems would virtually disappear..... we often find that "scarcity" as a psychological experience becomes more pronounced as we grow wealthier: our desires to possess the fruits of nature race out ahead of our mounting ability to produce goods." (p.5)

In contrast to the above capitalistic style of thinking and living with ever increasing multiplication and satisfaction of material wants, indicated above, a very large or more important part of Islamic economics lies in the area of social and moral dimension of spending income and resources out of personal ownership and earnings. And the de-emphasis on material satisfaction, made effective with Quranic command forces, tends to create conditions of social and economic balance with avoidance of waste in production resources and transfer of produced output as well as earned income to the poor and needy to the extent of "what is

beyond your needs" (Sura Baquara: 219). The nature of Islamic economics intrinsically controls consumption pattern and limits wants to a socially desirable number. Market mechanism and production process adjust to such social and economic patterns.

C. On choices and opportunity cost, it can be said that choices are made among alternatives both in conventional modern economics and Islamic economics. In modern economics, choices depend mainly on individual tastes and preferences which are indifferent to social or moral considerations. These latter considerations are, on the other hand, important for Islamic economics. The former modern approach relies on price signals for influencing supply and demand while Islamic economics requires production and consumption processes to be social welfare-oriented and also further subject to the disciplines of the effective legal system (which is social and moral) and the guidelines of the Quran. Thus in Islamic economics, choice is conditional, mainly for supporting social and economic balance and also ecological balance.

It also follows that in Islamic economics, choice must reflect not only efficiency but also equity which is neglected by the market economy of modern economics. Choice in many cases depend on inter-personal comparisons of utilities; these are almost absurd with the role of individual preference and self interest in conventional economics. This problem is satisfactorily resolved in Islamic economics with the moral code of conduct and economic 'justice'.

Decision-making on a choice, it is said, involves opportunity cost. In conventional economics, we may note Lipsey's statement: "The concept of opportunity cost emphasises the problem of choice by measuring the cost of obtaining a quantity of one commodity in terms of the quantity of other commodities that could have been obtained instead. (1975 p. 52) "The position is different in the case of Islamic economics because of the assumption of Allah's sovereignty rather than the sovereignty of the consumer or the producer. The Islamic concept of opportunity cost is broad and narrow both. It is narrow because the choices among alternatives are

to be made within the framework of the Islamic value system. It can be seen that many economic activities which are valid under capitalistic system (e.g. brewery industry, night club entertainment industry etc.) are not permissible under the Islamic value system. Again, the scope of choice is not limited to the economic activities involving one-way transfer (e. g. supporting orphanages, spending money for the needs of the poor etc.) may be valid economic actions under Islamic economics in view of broader implications of socio-economic effects involved.

Apart from the above, there can be a moral dimension of significance. The instance of 40 hours of work in Saudi Arabia with a prayer-break each midday can well be explained in terms of the prayer-break time to be an additional motivation factor which is productive in the week-long process of work.

D. A further overall characteristic of Islamic economics, compared to Conventional economics, is to be noted in the functioning of the integrative system of exchange and one way transfer.

In fact, Bouilding (1970 pp.17-18) defined modern economy 'as that segment of the total social system which deals primarily with exchange and the institution of exchange and by extension, with exchangeables or the goods and services which participate in exchange'. But what makes Islamic economics distinctive is that scarce resources may be allocated in many ways other than through exchange.

The integrative system of economic, moral and social responsibility makes the allocation of scarce resources complex in the sense that these may be allocated by market and also non market forces simultaneously. For instance, allocation of resources through the moral "Command of the Quran" or through the principle of social and family responsibility. And Islamic economics is not merely concerned with 'material provisions, although these are also important. Why people make great contributions and sacrifices in the task of constructing magnificent mosques or in supporting the poor and the needy can hardly be explained by the concept of "rational maximizing'. In fact, it is quite meaningless to use that sort of

concept in the Islamic context. But there, it is quite meaningful as a method or re-allocation of scarce resources as is done through the "integrative system of exchange and transfer". Even then, the Islamic concept of exchange has to be value-loaded in its own sense; in the market of Islamic economics, not only exchangeable (of modern definition as adjusted by the Islamic definition) are included but also non-exchangeables (as transfer payment component) are important. Significant behavioral transformation takes place to internally change 'indifference' and 'selfishness' into the satisfaction of 'benevolence' by the Islamic integrative system.

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CHAPTER TWO

Approach to the study of Islamic Economics as a Social Science :

Introduction

The modern age is an age of application of science and technological wonders. Science has proved itself to be the mother of motivations to change. The 'superman' of change is known to be the 'super specialist' who 'knows more and more about less and less' until at last he knows everything about nothing. In this science-intensive approach 'a scientific theory stands ready for every political action, whether in economics or biogenetics, whether in central planning or geophysics. Warfare too finds not only its scientific techniques but also its ideological justification clutched in scientific grab'. Even turning to philosophy and culture, one finds a process of scientific transformation in which knowledge lends itself to "the transformation of the abnormal into the normal (existentialism) or to the anaesthetizing of the current crisis by labelling it a transition stage from a lower to a higher level of social existence. Whatever our generation does or fails to do is done in the best scientific manner. The drifting intelligentsia do not sufficiently discern the general relationship between the specific crisis in science and the overall crisis in culture. The neglected science of culture thus has its revenge in our scientific age, in which critical philosophy with its accompanying synthesizing conceptions has been destroyed." 1

The social sciences could not hold the human mind in the West in a state of powerful 'synthesized' knowledge. This serious deficiency led to loss of social equilibrium on a global basis; the

awareness about this seemed extinct until the realities of ecological balance were rudely driven home in the form of 'environmental crisis' and 'energy crisis'. The realities have now convinced the Western thinkers that in the final analysis, the environmental crisis is a social crisis and letting nature take its course would probably be the complete, if not final, annihilation of our industrial civilization.² And model-making economists and socially conscious technologists have been failing to solve the problem of inflation over the decade. They are now realizing that "economists will never solve inflation or even make a dent in it. Poking over figures instead of looking into the human soul, they may be the last people to know what it is. But what is inflation? Ultimately, like any other vice, it is a dislocation in the soul, in this case, the collective national soul."³

In this background of serious dislocations in the soul and knowledge, it will be important and useful to look back to the history and performance of the Islamic approach to life and social development. Time is ripe for the social thinkers of the world to seek to restore social equilibrium with sciences and knowledge remoulded for the purpose.

Approach to Social philosophy and Economics

Establishment of 'synthesized knowledge' was pursued by Islamic thinkers along with building the relevant different civilization itself. That would not have been possible without developing a master model of social philosophy to contain all that vital structural elements of social equilibrium withstanding the effects of time. This was the model emerging out of the process of systematic recording of the Quran and Hadith literature (including the process of testing the genuinness of each Hadith) organized by the Holy Prophet and his first four caliphs (*Khaulafa-e-Rashedin*). Muslim philosophers and scientists had this unique advantage. They could conduct enquiry and research within the constraints and parameters already identified in view of social and human objectives. They could easily know the nature and dimension of the

constants for building up the structures of knowledge and also guide their applications as techniques, strategies and institutions. The Quran is intended to guide man and society, not teach natural sciences, or history or philosophy (as is understood by the modern man with sophisticated Western knowledge). The basic ideas and principles relating to all such sciences and philosophies are, indeed, recorded now as revealed knowledge as a complete code of individual and social life for mankind free from the deviations—rather harmful deviations of the historical past. But life itself was the laboratory of testing the ideas and principles; and that unique testing was done by the Prophet(sm.) of Allah within the community organized by him. That is why the Quran and Sunnah constitute the master system of knowledge, and systematization of it took quite a long time. Relevant to the master system, search, research and development of knowledge were undertaken by Muslim scientists and philosophers with the rationality of approach surprising the modern West. Western writers of history found that Islamic religion did have "far less cramping effects on human thought than that of Christianity". Particularly, with the advent of the Abbasids, they assimilated and developed a tremendous wealth of knowledge. They liberated the traditional learning and science of Persian culture. Baghdad and Lundishapur were the centres of research and learning where translation of the main Greek works of science was undertaken with financial support from Caliphs and notables. Caliph Al Mamun was himself interested establishing a Bureau of Translation under the name Darul Hikma. It is here that the great scholars, Hunain Ibne Ishaq and Thabit Ibne Khurra produced the Arabic texts of most of Aristotle and Ptolemy. They also translated many Persian and Indian books; but these were not further translated into Latin resulting in their loss to the West. The scientists of Islam on the whole accepted and codified the late Greek classical sciences. Though individuals could specialize, "science formed a unity cemented by philosophy". The unity of science was ensured by the "tradition of encyclopaedism". This tradition enabled the Islamic scholars to write great treatises like those by Al-Farqani (died 850 A.D.), Rhazes (died 925 A.D) and Averrose and Avicenna. These

treatises were known to be used as text books in 17th century Europe.⁴

The quality of 'comprehensiveness' was very valuable for Islamic pursuit of knowledge; this gave the Arabs and Muslim scholars a distinct advantage over the scientists and thinkers of the classical times. As Bernal points out: "Not only were the Arabs able to make use of the Mesopotamian astronomical and mathematical tradition, which had continued unbroken since Babylonian times and to a lesser extent that of China". This appraisal by Bernal also indicates the significance of Holy Prophet's (sm) historic advice that Muslims should go to distant China for acquiring knowledge, if this was necessary. It is because of the approach of comprehensiveness and openness that in fact knowledge and techniques were acquired from China and absorbed in the economy. The whole system of Islamic science (along with data, experiments, theories and methods) was handed down to the Christian scientists of the medieval period. The really flowering period of Islamic science was between 7th and 11th century; but thinking and approach during the succeeding period upto the 14th century can be treated as the extension of the same experience of intellectual advance.⁵

Since Islam became the focal point of Asian and European knowledge, a common pool of a new series of inventions came into existence. These included the manufactures of steel, silk, paper and porcelain; these in turn laid the foundations of further advances "to stimulate the West to its great technical and scientific revolution of the seventeenth and eighteenth centuries."⁶

Development of Islamic Economic Thought

Modern economics is traced normally from the writings of Adam Smith. That is mainly because industrial and commercial revolution was said to be influenced by the scientific revolution as a significant coincidence during the period. But even in Europe, economic thought was developed quite significantly, especially in France, to establish physiocratic economics. They concentrated on land economics, grouped as Khiraj, lending support to the

hypothesis that even the initial foundations of Western economics were greatly shaped by Islamic knowledge. A difference in approach occurred because of the basic difference in social philosophy supporting the Christian economic thought. This difference is also positively underlined by Bernal's historical appraisal. Christian science and Christian economics during the medieval period were built up almost exclusively for religious ends by clerics-priests, monks and friars in marked contrast to the conditions of Islamic science "where few of the scientists had any religious calling and most had frankly utilitarian ends":⁷

Yet the problems of reviewing the historical development of Islamic economics is thought formidable, mainly because of these difficulties:

(i) Economic thought was given wide attention in the general history books of authoritative character; (ii) references and discussions on economic issues were originally efforts of clarification of the statements available in the Quran and the Hadith literature; (iii) large treasures of knowledge available in well known libraries of Baghdad, Egypt and Andalusia and other cities were destroyed by fire and invasions; (iv) closest attention was given to the systematization of the Quran and Sunah with lower priority to the other branches of knowledge; (v) attention to pure and applied sciences was also devoted on a fairly high priority basis; (vi) social environment established by Islam did not contain too many complicated issues demanding development of a rigorous analytical approach; and (vii) human and social behaviour was treated within the general framework of established social philosophy and Islamic Law; (viii) most of the books of reference, known to be written by original writers of the period of Islamic flowering of knowledge, were in Arabic, and very few of them are physically traceable; and (ix) comprehensive bibliographies are scarcely available.

Only fragmentary information is available about the early contributors to Islamic economic thought. In this, the largest landmark seems to be in the field of Public Finance, typically produced under the title 'Kharaj'. The importance attached to the area of knowledge indicated in the number of books identified to be

written. Even the indication is clear in the need felt by Abdur Rahman bin Isa (330-333 AH) to write the history of this school of thought under the title *Tarikh Al Kharaj*.

Three historical treatises are known to be a great store-house of knowledge relating to social sciences. These are Haji Khalifa's *Kashfuzzun*; Ibne Nadim's *Al Fehrist* and Yakut Rumi's *Muzmeul Udaba*. Of such sources, the first book on Islamic economics is known to be *Kitabul Kharajm* written by Muwaiyyah bin Ubaidullah bin Yasar al Ashrari (during the administration of second Abbasid Caliph). About 20 books bearing the title of *Kitab al Kharaj* have been discovered; one of these books written by Yahya bin Adam al Quraishi has been translated into English as *Islamic Taxation* (translation by Dr. A. Ibn Shams).

Public Administration is the broad field of knowledge in which scholars have contributed profusely to assist the Caliphs and public officials in operational policy-making; this field also includes 'Kharaj'. Six notable contributions may be mentioned:

1. Abu Ubaid al-Kasem bin Malam, *kitabul Akwal, Al Ahkamus Sultaniya*.
2. Imam Shafiyye, *Kitabul Umm*.
3. Ibn zruha, *Al Masalek wa Al-Mamalek*.
4. Caliph Mansur (in the name of) '*Risalatul al-Dumma*'.
5. Muhammed Ziauddin Reem (Egyptian writer), *Alkharaj fi Daulat al Islamia*.
6. kazi Abu Yala Muhammad Ibnul Hussain al-Farra (died 458 AH) *Al-Ahkamus Sultaniah*.⁸

Undoubtedly, there are gaps in knowledge about understanding the evolution and progress in economic thoughts that combined with other branches of knowledge in providing dynamic guidance to the Islamic Revolution (from the 7th to the 14th century). Some of the gaps are persisting because of: (a) language barrier; and (b) Lack of proper organisation of research and dissemination of knowledge on international basis. At least it should be possible for the present generation of Muslim scholars to know the empirical data and implicit application of Islamic economic thinking reflected in the functioning of the Islamic state (conducted by the Caliphs from

Umar bin Khattab to Haroon al-Rashid).

A comprehensive history of economic thought for the above period is vitally important for attempting a systematic analysis of experience. It is felt by struggling researchers that authoritative research and publication of the economic thoughts of at least these thinkers should be available : Abu Yusuf (died 182 AH); Yahya bin Adam (died 303 AH); Al-Farabi (died 339 AH); Al-Ghazzali (died. 505); Ibn Rushd (died 595 Ah); Al Izz bin Abdus Salam (died 660 AH) ; Ibn Taymiyah (died 728 AH); Ibn Khaldun (died 808 AH); and Al Maqreezi (died 845 AH).

The difficult task of research and filling the gaps will take considerable time and effort. This challenge has to be met along with satisfying the need for enabling people all over the world to know the nature of Islamic economics and its operational significance based on available knowledge. To attempt that is again to meet a serious methodological problem. Because of traditionally treating economic matters within the framework of wideranging social philosophy, analytical approach to the examination of the Islamic economy did not evolve. Only very recently efforts followed on these lines. Notable efforts are : Muhammad Baqer al-Sadr; Muhammad Nejatullah Siddiqi (1971); and Monzer Kahf (1978).⁹

The analytical approach comparable to modern economics is indeed welcome. But in following this approach, it is necessary to avoid possible dangers: (a) modern analytical approach using the tools and techniques of mathematical economics, tends to make knowledge not only impersonal but de-humanizing (b) it deprives the approach of the advantages of the unifying linkage, important for 'synthesized' knowledge not only impersonal but de-humanizing and (c) it may open the doors of specialization with secularization.

Analytical Approach with a Difference: Norms and Objective Institutional Forms

To avoid possible dangers and pitfalls, Islamic economics is not only to draw lessons from past economic history of Islamic applications but also to be founded on the 'synthesized' conceptual

framework of the Qur'an and Sunnah. With that end in view, the analytical approach appropriate for the Islamic economy cannot be what is known as 'positive economics'.

Islamic economics is largely founded on a normative-positive synthesis but wholly guided by the 'norms' established by the Qur'an and Sunnah. Within the framework of the basic objective function, Islamic economics embodies a scientific approach representing a synthesis of positive and normative methods. In this new kind of approach, cooperation and coordination with all sciences and philosophies need be ensured by Islamic Law and its operations. The 'norms' are based on appeal to authority (which is revealed truth, introspection of the inner experience of Holy Prophet and established thoughts and interpretations). The norms have been historically established, mainly as guidance for individual and social behaviour; these also implied development of institutions in conformity with the principles of guidance. The history of the development of the social institutions (including those of the state and Public Administration) has been the visible record of the process of transformation of the objective environment with norms. Economic development, as much as is available in systematic record and publication belongs to this process of transformation. This process of economic development can be assumed to contain the reflection of the guidance in economic matters along with other matters. But the institutional embodiments themselves cannot be treated as the physical norms, for direct imitation and blind adaptation. The application of norms needs continuous interpretation, the changing institutional conditions and the physical environment for innovating the appropriate forms of reflection. Such continuous interpretations must have made the continuous history of economic thinking among the social philosophers as well as economists of the Islamic period of all sided achievements.

In understanding the nature of Islamic economics as a normative science, we have to keep in mind the distinction between norms and their objective institutional forms. There are serious gaps in knowledge about the evolution of norms and thoughts of interpretation and innovation in their logical uses. But there are much less gaps in

the historical presentation of the changing physical environment including economic development recorded for the period.

Taking the recorded history of the period of Caliph Haroon al Rashid (which is considered to be a period of highest Muslim achievement), one can easily be fascinated by the physical embodiments of achievement but may feel really handicapped to relate the subjective norms and the process of interpretation and thinking with the changed economic conditions found in the objective environment. It has been established by John Bagot Glubb (1978) that:

"The relative positions of the Arab Empire and Europe in the reign of Haroon were almost the reverse of those in the nineteenth century. Except for a restricted output of certain products from the Byzantine Empire and Italy, the Arab countries enjoyed virtually a monopoly of industry. Any one in western Europe who wished for manufactured articles was almost certain to have to import them from an Arab country, just as during the Victorian age, Africa and Asia imported their manufactured articles from western Europe. "¹⁰

It is known that the Islamic economy then was both progressive and prosperous, characterized by the following main features:

(i) It was agriculture-based and self - supporting in food. Within the fold of the economy, the territories of Egypt and Iraq were applying the techniques of irrigation and were granaries of food. Non-riverine regions were dependent on rainfall. When local famines occurred because of the vagaries of nature, the problem of food shortages could be adequately met by transfer from the food-surplus regions. Abundance of food was reinforced by additional resource development (e.g. fruits, livestock and fisheries).

(ii) Commercial transportation system was well-developed. The means of transport by road was the transport animal: camels, horses and donkeys. But a very developed system of road had to be planned and maintained; this included construction of bridges (in riverine and irrigation regions), erection and maintenance of khans as stopping places for caravans, and security arrangements with the organization of garrisons of

military personnel and police. As John Glubb observes, "Maintenance of commercial communications over so extensive an area, varying from waterless deserts to snowblocked mountain passes, involved an immense amount of meticulous and efficient administration".

(iii) Mining operations played a very important role in development. Iron, copper and lead were important minerals, especially in Persia; and gold was known to be abundant all over the territories. Abundant supply of gold supported both minting of gold dinars and also the industry of manufacturing numerous articles including cups and plates, jewellery etc. Even plastering the pillars and the roof-beams of the palatial buildings of the wealthy class constituted an important use of gold. The monopoly of gold, mined mostly in west central Arabia in the Abbaside Islamic economy, was in sharp contrast to the scarcity of gold in West Europe where Caliph Haroon al-Rashid's contemporary Charlemagne could not mint coins with gold. Metal work developed quite extensively in many regions. Engineering skill could rise to a high order of excellence in all directions.

(iv) With regard to other manufactures, domestic and export markets, fed by high-quality abundant production of all types of textiles (including golden thread), wollen garments, carpets, glass products, paper, metal products, tanned leather and leather products etc.

(v) Shipbuilding was a highly developed industry, especially in the Egypt region. Caliph Haroon al-Rashid is known to have thought of excavating the Suez Canal for the promotion of international trade, but his Prime Minister Yahya al-Barmaki is known to have advised against the scheme on the ground of undesirability of permitting the Frankish ships to the Red Sea.

(vi) The reliance of the economy was really on labour-intensive technology. It is historically established that "Abbasids were able to produce a sophisticated, even a luxurious society by work of their own hands,"¹¹

The above historical case of development can be examined

with reference to norms. But which norms? At least there will be two kinds of relevant norms for this exercise : (a) Basic norms emerging out of the Qur'an and Sunnah, and (b) Other supporting norms socially evolved. And what is really important is that empirical data of historical nature are not enough for the purpose. It is necessary to apply analytical techniques for the exposition of the explicit and implicit norms so that the economic and social effects, positive and negative, of the adherence to norms and also of the deviation from norms can be brought out.¹²

In Islam, norms have been set for individual behaviour and social behaviour, and these two behaviours are to be found in economic and non-economic spheres. As such, there can be four types of behaviour related with the understanding of the relationships with the norms: (i) non-economic individual behaviour (ii) non-economic social behaviour (iii) economic individual behaviour (iv) economic social behaviour. The first two types are required for creating the general conditions of balance (of social equilibrium) in psychological, philosophical and spiritual terms in view of good life in this world and in the Hereafter. The Qur'an and Sunnah have set norms for achieving this purpose as the first priority.

When non-economic individual and social behaviour will be trained to create conditions of balance, internal conditions of orientation and discipline are also created. Because of this, behaviour in relation to economic matters is likely to be predictable to a reasonable degree. Depending on this degree of predictability and norm-reliance, a general framework of norms for economic matters can be developed in the best interest of human and economic development. The general framework can set the general pattern of behaviour which is likely to be supported, enriched and diversified by detailed manifestations evolving out of the physical and environmental changes (including institutional changes). This is precisely the reason why the principles established in the Qur'an on economic problems are neither detailed nor exhaustive. Similarly, the principles explained in the Hadith literature on economic issues go to some details in some cases but not all the way to all

conceivable details. In view of the realities of human life and evolving history of world economics, this could not be otherwise.

By way of illustration, we may refer to the understanding of Allah, His unity (His *jat, sifat* and his Signs) in relation to the development of the values of human life. Such values are intended to orient human behaviour as a basic requirement. The eight verses of Sura Rum (Verses 20 to 27) have indicated the principles of non-economic training of mind and behaviour, not all principles in this regard. Based on Abdullah Yusouf Ali 15 of these principles intended to awaken the human soul and to lead to true reality through understanding, may be transformed into six behaviour requirements, such as :

1. The starting point is to understand man's own origin and his limited free-will to work out the achievement of his/her destiny, 'I think, therefore I am; and no particular exertion of our being is here necessary (beyond the realm of limited free will).

2. The first beginnings of social life and behaviour arise through sex and love 5.(IV)1 and note 506). to understand this in all implications, man/woman must reflect.

3. It is necessary to understand human diversities in speech, colour etc, arising from differences in climate and external conditions yet there is unity beneath the diversities which man has to understand with extended knowledge.

4. Man has to understand his psychological conditions, sleep, rest, vision, insight etc ; here we need teaching and guidance to which we must heark.

5. Man has to approach the higher reaches of spiritual understanding on hopes and fears as symbolised by the subtle forces of nature like lightning and electricity which may kill the foolish or bring prosperity in its turn by rain and abundant harvests. To understand the highest spiritual hopes and fears, we need the highest wisdom.

6. In the final stage of understanding, we become so transformed that we can rise above all petty worldly things and related behaviour. We can get ready for Allah's call so that we can rise to a Height (through death) which can only be visualized as the

Heaven of Stability; here no human behaviour or process work. This is only a response to the call of Allah Himself.

But the critically important issue is : although the concepts are clear about the imperative (do's and don'ts) there is need for definition in terms of more details about many of them. Such details, to a large extent, are available in the Sunnah. For instance, on the Question of arrogance, it is known that the Holy Prophet stated that whoever has a grain of arrogance in his/her heart, will not be permitted to enter Heaven. One person then pleaded; Messenger of Allah, man wants that his dress should be good, beautiful and his shoes should be good. Then the Holy Prophet stated, Allah is Beautiful and He likes beauty; (that is not arrogance). Rather arrogance is, to make untruth truth and to humiliate other human beings.¹³ This presupposes the knowledge about truth and training in human values properly institutionalized in the system of education and planning of full opportunity for practising the principles under an appropriate socio-economic organization covering the whole society. In that context, it can be realistic to assume that leadership in a hierarchy of structural organization will also be equipped with all theoretical and practical (including institutional) knowledge about the concept of justice so that what is just will be enjoined and what is wrong will be forbidden. Moreover, in that situation, Allah's subjection of all things in the heavens and on earth, to man's use can mean conquest of the forces of nature and mysteries of the universe through man's powers of reason and insight and the applications of research, innovation and invention.

Economic Case Studies of systematic analysis of the Islamic economy of a specific period or periods can only show how the details were filled in by Islamic Caliphs and administrators during the times of 'social balance' and availability of synthesised knowledge. The Abbasid period (749-861) could certainly be one deserving serious investigation and study so that the concrete institutions and individual-cum-social behaviours could be examined in course of development of the socio-economic system and economic thought.

The Abbasid Economy Case

In the preceding section, the structural model of the Abbasid economy has been given. The economy was undoubtedly marked by progress, prosperity and trade-orientation. The Case contains many conditions of similarity with nineteenth century in Great Britain. We cannot examine this hypothesis of comparability in the absence of an Islamic Adam Smith is giving us the details of economic and relevant politico-social policies of the Abbasid period. Adam Smith examined the economic colonialism of Great Britain during her enviable days of Industrial Revolution. He exposed the policy of trade based on monopoly manufactures and colonial market; the good effects of trade, however, counter balanced the bad effects of monopoly in England! "Yet Adam Smith was thinking that the policy of monopoly was a policy of shopkeepers but it did not fit the nation of shopkeepers and under existing management, Great Britain derived nothing but loss from the dominion which she assumed over her colonies". Great Britain then resembled, "one of those unwholesome bodies in which some of the vital parts are overgrown, and which, upon that account, are liable to many dangerous disorders, scarce incident to those in which all the parts are more properly proportioned"¹⁴. Adam Smith attacked the mercantile system that cared only for the producers making consumers sacrifice to the utmost. It was not the exploitation of the colonies alone but that of the consuming Britishers that agitated his mind.

In the absence of systematic economic history and analysis of economic theory and policy in terms of conditions of the period, the Muslim analyst is in serious difficulties to construct the model of the Abbasid economy. Such difficulties may be less for researchers with the advantage of knowledge of Arabic and access to Arabic sources of books and evidence. But the challenging work is yet to be undertaken to provide materials to modern analysts. Until then, some indications based on indirect evidence can only be constructed, such as :

(a) Politically - Although Western writers have referred to the Abbasid period of history as one Islamic Empire, in analogy with

the Roman Empire, it was a period of social transformation under Islamic ideology. The process was guided politically by the chief Executive, designated as *Amirul Muminin*, who guided with knowledge and norms drawn from the authority of the Quran and Sunnah. This was possible over vast territories because of the nature of the ideology. People under jurisdiction were overwhelmingly Muslim and *Mumin*, imbued with the individual and social ethics of Islam. Their confidence and sworn allegiance make the chosen leader *Amirul Muminin* who leads in significant political, social and other functions (from congregation prayers to fighting a war). When the caliphate was established after wading through seas of blood, the declaration in the name of the first Caliph (Abu Abbas Abdullah called 'Saffah' was completed by his uncle on his behalf in the Mosque of Kufa over the exhausted body of the Caliph saying: "The sun has at last broken through the clouds, right is once more in power, through the family of your Prophet which will hence forward show you mercy and love, how deeply we have suffered to see the oppression you have had to endure from Bani Umaiya. But we will rule you according to the command of God and His Holy Book."¹⁵ The preceding Omayyad period is thus condemnable and does not deserve the analysis in the light of the ideology based on the Qur'an and Sunnah. The Abbasid period was the culmination of the Abbasid Revolution at the cost of 'seas of blood, towards the end of 749 AD. Restoration of social balance in view of the Islamic ideology was the objective of the Abbasid model of socio-economic management.

(b) Role of the Caliph – Leadership had to be many-sided, requiring a good grasp of diversified knowledge and flawless character (including dynamic statesmanship and practical skills). Meeting the challenges of external aggression from the Romans and of consolidation of internal social and economic progress at the same time needed the best of leadership and best of popular efforts. Historians have provided ample evidence on leadership as well as fruits of popular economic development efforts. The fruits of the people's efforts are reflected in the sectoral pattern outlined in Section 4. Quality of leadership is particularly represented in the 3

Caliphs : Mansoor, Haroon al Rashid and Mamoon.

Mansoor ruled as Caliph, after Abdullah Saffah, between 754 and 775 A. D. R. A. Nicholson in his Literary History of the Arabs considered Mansoor to be 'perhaps the greatest ruler whom Abbasids produced'. He had to fight hard to put down the rebellion of the Ali'ites. Despite these emergencies, he could plan remarkable landmarks of economic development. In 762 A.D., he laid the foundations of his new capital, Baghdad. In the completion of this city, taking four years, he "employed about a hundred thousand architects, craftsmen and labourers, drawn from Syria, Mesopotamia and other parts" of the state. Historian Masoodi states: "The prudence of Mansoor, the correctness of his judgement and the wisdom of his policies are beyond description." On his death, it is said, he left in public treasury 600 billion dirhams and 14 million dinars. He was dedicated to the service of the people and worked early morning to night. His economic judgment and capacity of going deep into details are reflected in two instances: (i) He is known to have made an agreement with his cook that the cook would keep the heads, feet and skins of the sheep slaughtered in the palace kitchens on condition that he provided free firewood for cooking. (ii) A man, an old neighbour of Mansoor's pre-Caliphate days, approached him for financial assistance. After obtaining the details of the man's family members, Caliph Mansoor told him, "With four women spinning in your house, you are better off than most Arabs."

Haroon al-Rashid ruled from 786 to 806 A.D. According to R.A. Nicholson, "Haroon's orthodoxy, his liberality, his victories over the Byzantine Emperor Nicephorous and...the literary brilliance of his reign have raised him in popular estimation far above all the other Caliphs". His Caliphate of 23 years bore the stamp of his outstanding energy, decision and personality. Lover of music and poetry, he enjoyed the company of men of letters and of theologians; he hated heresy, and sought the advice of religious leaders in cases of doubt. E.G. Browne, in his literary History of Persia has quoted al Fakri's statement : "It was a dynasty abounding in good qualities, richly endowed with generous attributes, wherein

the wares of science found a ready sale, the merchandise of Culture was in great demand, the observances of Religion were respected, charitable bequests flowed freely, the world was prosperous, the Holy shrines were well cared for, and the frontiers were bravely kept".

Caliph Mamoon ruled for the period 813 to 833 A.D. In his time, role of science and philosophy in building society was particularly prominent. Caliph Mamoon actually founded a Bureau of Translation under the title Darul Hikma, where great scholars like Hunanin Ibn Ishaq and Thabit Ibn Khurra produced the Arabic texts of most of Aristotle and Ptolemy. As Bernal points out: "The books that were translated were nearly all of science and philosophy because, naturally enough, the Arabs had no particular interest in the history of the Greeks. As for Greek drama and poetry, this had relatively little to give to people who had a rich source of legend and a living poetry themselves." ¹⁶

(c) Development administration and economic management were facilitated by the 'unity of Islam' and territorial extension with decentralization. In the whole area (from Cordova to Bukhara), it was not one centre like Rome of the Roman Empire. Not only the old cities like Alexandria, Antioch and Damascus obtained a new lease of life, but new cities of Cairo, Baghdad and Cordova. All these cities were in constant communication, their varied products supported expansion of trade and competitive improvement in technical efficiency. ¹⁷

(d) Cities ¹⁸ were planned and developed as 'agro-cities' with interdependent economic relations in which Government interest was to harmonise settled life. The city growth was founded on the operations of commerce and industry within the limits of agricultural hinterlands. The city had to be an organizing unit or a 'growth centre'; it was a terminus of trade routes leading to diversification of products, division of labour, rising standard of living and growing population. The city needed the power of Government for organizing the protection of trade and trade routes against pirates, nomads and foreign aggressors as well as of developing new routes, bankers, traders and craftsmen to provide

the revenues for Government administration. Such relations between Government and settled urban society were also existing somewhat before the Islamic period. During the Islamic period, the model of relationships became distinctive because of 3 factors :

(i) Virtual monopoly of political power over the extensive territories under jurisdiction; (ii) unifying forces of practising Islam and (iii) close relations between the commercial and industrial capitalists and the '*ulama*' who were the specialists in law and other religious sciences. The 'notables' (who were the leaders of the elite) and the *ulama* obeyed the Government not only 'from fear or self-interest but also from the common concern for peace and security'. But they were also leaders of people responsible to urban population. At times, they could voluntarily use their independent power in mobilizing people's pressure on the ruler. "This mobilization was carried out through the ancient machinery of contacts between notables of the city and leaders of quarters, popular preachers-*shaykhs* of *turuq*, leaders of certain crafts and leaders of organizations of under-employed unskilled workers or of peasants whom economic chance drew backwards and forwards between the rural and urban parts of the 'agro-city'. In this process, even those who held posts under the ruler might take part; the Qadi could become a spokesman for the local *ulama*, the *shaykhs* of quarters or village could act as clients of local leaders rather than servants of the ruler." The social norm was that of a close cooperation between men of the sword and notables. However, no effective professional or political organization existed; active leadership was in the hands of '*Ulama*' who because of their conception of society could not integrate the various elements into a political whole.

A 'typical' Islamic city was found to be marked by some common features :

(1) Location of a fort, very often placed on some naturally protected spot: (2) Royal "quarter", implanted in an already existing urban conglomeration e.g. Baghdad or on virgin soil around which a conglomeration subsequently grew because of the impetus of royal patronage and policy: (3) Central urban complex (with the great

mosques, religious schools, central markets and special places for craftsmen, traders); (4) Core of residential quarters with two characteristics: (i) combination of local with ethnic or religious differentiation (b) relative separateness and autonomy of each quarter or group of quarters; and (5) suburbs and outer quarters where recent and unstable immigrants would live.

The Islamic institutions were concentrated in the cities. Cities possessed a kind of prestige and strength which neither rulers nor elite could ignore. Through the institutional framework of the cities, the ruler's acts could be made legitimate, the city-dwellers could take corporate action, and the two could be morally linked.

In Islamic Law, the individual belongs to the Umma (the community); but he also belongs to another unit which is family. The right of the family life enclosed in its house led to a clear distinction between public and private life. Private life turned inward, towards the courtyard, not towards the street; public life was based on the behaviour expressed in the street and highways, the bazars, markets and the mosques. This public life was policed and regulated by the ruler but this was a life externally touched by the basic units, the families, without really forming a 'civitas'. The pattern of this kind of division in behaviour was indicated in Prophet Muhammad's (pbuh) ranking of importance between a bazar and a mosque, even in public life, such as : The good places to go to are the mosques, and the bad places are the bazars.¹⁹

(e) Conditions of welfare—spiritual and material—inconformity with Islam can be assumed to be the objective of the Islamic State. Muslim jurists have unanimously maintained that the basic objective of *Shari'ah* is to promote welfare of the people and to relieve the hardships of people. The letter addressed to Haroon al-Rashid by his Chief Justice, Abu Yousuf, explains the nature of this objective for the Abbasid State under consideration. 'Treat alike all individuals irrespective of whether they are near you or remote from you, and the welfare of your subjects depends on establishing the Divine Law and elimination of injustice',²⁰ Islam tolerates some inequality of income because all men are not equal in their ability and services to society. But if the norms on consumption,

production, payments of *zakat* and *sadaqat*, social obligations of relieving the distress of the poor etc. are observed, and if the Islamic Law of inheritance is enforced, healthy egalitarianism of human nature is likely to follow. But practical details in respect of the institutions developed, their operational problems in relation to the changed environment and objective conditions are not available for analysis.

(f) On the whole, the Abbasid economy can be said to have demonstrated the feasibility of optimization of the use of human and economic resources under the guidance of Islamic principles and institutions, despite the gaps in knowledge about the details of empirical data obtainable by systematic economic history. It is possible to think that some minor differences in economic institutions and thoughts might have emerged in course of history especially because of differences in geography, natural resources, scientific inventions and innovations, dynamism of the Caliphs and general political factors. In the application of synthesized knowledge, reliance on one element or the other might have varied because of the compulsions of the objective environment and nature of challenges faced, while during the early period national construction and consolidation under the guidance of the Holy Prophet and his four *khulafa-e-Rashedin*, the spiritual guidance and motivation were so powerful that it was not difficult to suppress the pains of hunger by pressing stones against the stomachs and also to win wars against the enemy by eating thorny leaves of desert plants. After stabilizing the conquests and setting up a system of Islamic administration for peacetime, it was not necessary to undergo so severe a tribulation. It is known from tradition recorded in Tirmizi ²¹ that Khaled ibn Gajwan, the Commander-in-Chief of Caliph Umar, after the victory in the Basra war addressed the people as: "I was one of the seven companions of the Holy Prophet. Our condition was such that nothing was available for our food except leaves of trees. We had sores in our mouth because of eating leaves of trees. In course of time, I got a sheet of cloth. I tore it into two and shared with Sa'd." He also added: "Now all the seven of us are Amirs in seven countries. In future also you will see how other Amir Umra

serve Islam." In the same way when idolatry was demolished and conquests over 'infidels' were effectively consolidated, arts and architecture could have been given a more liberal treatment. Even in the Abbasid Muslim society, while Caliph Al-Mansoor could not tolerate music and triviality, Caliph Haroon al-Rashid is known to have been a great lover of music and poetry. Relevant social and economic behaviour in this respect must have accordingly varied between the periods of the two Caliphs.

Considerations of Economic models in Islamic Economy

Within the framework of the moral philosophy of Islam, it is possible to construct the different distinct models of the Islamic economy to show the economic behaviour of consumers, producers, savers, distributors etc, in varying institutional conditions. This is the modern approach of logical understanding to various relations, simplified under the conception of 'constants' and 'variables'. It is because of the bewildering details of present-day socio-economic conditions that modern systems-analysts and model-builders use this approach for whatever limited usefulness it can yield to reduce confusion and vagueness. Very detailed and precise results cannot be expected out of application of mathematical formulations to social problems. But "even those who do not believe in an early use of mathematics try to utilize some rudiments of formalization in order to clarify their underlying assumptions and to derive specific findings from general models."²² Adventurous researchers can experiment with the general models for the different periods of Islamic socio-economic development, e.g. early period, Omayyad period, Abbasid period, Turkish period, Mamluk period, Ottoman period, etc. The problem of data is likely to be both formidable and dependent on prolonged research. Eventually when such problems are reasonably overcome, revealing variations are likely to emerge. The 'constants' of moral philosophy might have undergone some qualitative changes with variation in relative emphasis in the integrated elements ; and the number of economic and social

variables might have multiplied with the diversification of the material content of the economy in the respective periods. At the latest extreme stands the case of modern conditions of Islamic Economy which is only a combination of the numerous economies working in the present Muslim countries, with political sovereignty-restricted varied conditions significantly affecting both constants and variables.

A meaningful approach to the study of Islamic economics, at this present stage of history, has to familiarize all concerned with the features of the distinct stages as much as possible, so that the distance between the early ideal model and the present imperfect model can also be properly evaluated for the needed policy-designing towards improvements. The latest modern approach of separating Islamic moral philosophy from Islamic economics started by al-Sadr, Nejatullah and Monzer Kahf, is most welcome from the point of view of analytical advantages. But the dangers of isolating the vital influences that make Islamic economics so radically different must be carefully avoided. This can be done by identifying the different models and their distances from the early ideal model and devoting an accompanying attention to the framework of basic moral philosophy for maintaining the perspective of the whole rather than a part. This attention is needed only as reminder to the vital relationship as a continuous assumption to analysis of all economic processes. As such, this is required to be some kind of summary reference wherever felt important. In this study, I intend to follow this approach.

Assumption about the Territorial Unit as a Base

An analyst of Islamic economics will have to assume, by conviction, that the basic principles and assumptions relating to it are a part of Divine Truth contained in the Qur'an and explained in the Sunnah; this is intended for mankind and therefore the world is the unit for application. The general perspective set for the understanding of the World as the unit of mankind's economy is indicated as:

"It is He who has made the earth manageable for you ; so traverse through its tracts and enjoy the sustenance which He furnishes" (Mulk : 15). As a next step, the Qur'an has explicitly referred to the natural resources (and the forces and laws of nature) for man's control, use and management. This is particularly to be noted in sura Al-Hijr : 19-24. Put together, the message stands quite significant, such as :

"And the earth we have spread out (like a carpet), have set thereon mountains firm and immovable, and produced therein all kinds of things in due balance. And We have provided therein means of subsistence for you and for those for whose sustenance you are not responsible. And there is not a thing but its (sources and) treasures (inexhaustible) are with us but We only send down thereof in due and ascertainable measures. And We send the fecundating winds, then cause the rain to descend from the sky, therewith providing you with water (in abundance). Though you are not the guardians of its stores. And verily, it is We Who give life and Who give death : it is We Who remain Inheritors (after all else passes). To Us are known those of you who hasten forward and those who lag behind."

There is no difficulty in understanding the references to all kinds of natural resources (including forests, minerals, livestock, fisheries, river and sea resources and all kinds of creatures). It is important to note that a Divine Law of ecological balance is in operation to guide their uses. Within the constraint of this guidance of 'ecological balance', man has been provided with all kinds of sustenance – physical, mental and spiritual; along with that, sustenance is provided to all other creatures. Allama Yusuf Ali has called this 'the economy of God's Universal Plan' for mankind.²³

Had mankind accepted the guidance of Islam and had there been one people and one ummah in the world, there would have been one world economy with no threat to ecological balance; and the science of economics would have been developed on the basis of Islamic thinking and principles for mankind as a whole. But mankind got divided on the basis of the exercise of 'Limited free will' by various groups led by the prejudices of discarded

knowledge. The people of the Books did not converge on the acceptance of the Criterion (furqan) of Guidance. Wars and crusades had to be fought to establish the truth and demonstrate the practical application of the Criterion in political, social, economic and personal life in pursuance of the Quranic directive:

"But seek with the (wealth) which God has bestowed on you the Home of the Hereafter, nor forget your portion in this world; but do you good as God has been good to you and seek no mischief in the land. (Qisas;77)

Confrontation with opposing forces and conquests had to be settled down to territorial limits. Consolidation of territorial limits proceeded along with confrontation, internal and external; and periodically interrupted by serious ruptures, rebellion and revolutions. The unifying spirit of Islam continued to stabilize the process into a great Islamic world. The perspective laid down in the Quran and the vast wealth of the Sunnah dealing with the details of life set the pattern. This pattern had to be coloured by the effects and interactions of socio-cultural institutions of the numerous ethnic groups and the opportunities of material progress, within the territorial limits. During caliph Haroon al-Rashid's administration, for instance, the pattern was one of stability, luxury and elaborate organization. It was an 'empire stretching from the Sicilian gates to Aden and from Egypt to Central Asia' with frontiers secure and well-garrisoned army, loyal, efficient and brave governors and ministers, honest and forbearing and with the realities like:

"Christians, Pagans, Jews as well as Moslems were employed in the government service. Usurpers, rebellious generals, and false prophets seemed to have vanished from the Moslem dominions. Traffic and wealth had taken the place of revolution and famine..... Pestilence and disease were met by Imperial hospitals and government physicians..... in government business, the rough and ready methods of Arabian administration had given place to a complicated system of Diwans, initiated partly from the Roman, by chiefly taken from the Persian system of government. Posts, Finance, Privy Seal, Crown lands, Justice, and Military Affairs were each administered by bureaux in the hands of ministers and

officials; an army of clerks, scribes, writers and accountants swarmed into these offices and gradually swept the whole power of the government into their own hands by separating the Commander of the Faithful from any direct intercourse with his subjects. The imperial palace and the entourage were equally based on Roman and Persian precedents. Eunuchs, closely 'veiled harems' of women, guards, spies, go-betweens, jesters, poets and dwarfs clustered around the person of the Commander of the Faithful, each in his degree endeavouring to gain the royal favour and indirectly distracting the royal mind from affairs of business and State. Meanwhile mercantile trade of the East poured gold into Baghdad, and supplemented the other enormous stream of money derived from the contributions of plunder and loot despatched to the capital by the commanders of the victorious raiding forces which harried Asia Minor, India and Turkistan. The seemingly unending supply of Turkish slaves and Byzantine specie added to the richness of the revenues of Iraq and combined with the vast commercial traffic of which Baghdad was the centre, produced a large and powerful moneyed class composed of the sons of generals, officials, landed proprietors, royal favourites, merchants and the like, who encouraged the arts, literature, philosophy, and poetry as the mood took them, building palaces for themselves, vying with each other in the luxury of their entertainments, summoning poets to sound their praises, dabling in philosophy, supporting various schools of thought, endowing charities and in fact, behaving as the wealthy have always behaved in all ages. The wealthier classes were rapidly losing all faith in the religion of the State; speculative philosophy and high living were taking the place of Quranic orthodoxy and Arabian simplicity. The solitary bond which could have held the empire together – the sternness and plainness of the Moslem faith, was completely neglected by both the Caliph and his advisers.²⁴

If the above conditions of reality were real and stand on historical evidence even the Abbasid economy cannot be treated as a full reflection of Islamic economics. The failures are mainly because of the social control and management functions by the Government. It is because of these deficiencies that the key factor

of human being and private sector could not but exhibit a life of material enjoyment as an indicator of success along with practising of Islamic rites and rituals. The function of social control and management based on the principles of Islam did not assume the role of guidance and leadership, as could have been the case with the creation of the conditions of really desirable success and maintenance of those conditions, mainly through appropriate education and training as well as development of institutions and organizations for management, supervision and enforcement of the rules of Islamic discipline.

In reality, the conditions above support the hypothesis that the case of the Abbasid economy may have distorted the priorities of the Quranic objectives; instead of seeking the Home of the Hereafter as the principal objective and accepting a reasonable economic base for worldly life as a subsidiary objective, the Abbasid administration made the enjoyment of worldly life the principal objective and seeking the Home of the Hereafter as secondary one. In those conditions, even the advisory role of the learned could not effectively correct the situation.

It is narrated in Imam Gazzali's *Kimia-e-Sa'adat*²⁵ that Shaqil Balkhi, a distinguished learned man, came to Caliph Haroon-al-Rashid's court and on the request by the Caliph offered some advice, finally adding :

"O Khalifa, remember, you are a fountain and the administrators and employees appointed by you in the various regions of the State are like the various large and small rivers. If the fountain itself is neat and clean, the impurities emitted by the rivers and canals will not do any harm. But if the fountain itself becomes impure and dirty, the impure and dirty water flowing out of it will spread into the whole river network and make the system impure. "Again, Haroon al-Rashid took with him his dear companion Abbas and came to meet the learned man Fuzail Yaz. On reaching his door, they heard him recite from the Quran: What do those seek after evil ways think that We shall hold them equal with those who believe and do righteous deeds, that equal will be their life and the their death. It is the judgment they make" (Jathiya : 21). There was

no light in their house; in fact, the hour was dead of night. Abbas knocked at the door and requested the honoured Fuzail to open the door and meet Amirul Muminin. Fuzail opened the door and extended his hand in darkness. On meeting the hand of Haroon al-Rashid, he said: It will be a great pity if such a soft hand cannot be protected from the fire of Hell. Then he added 'O Amirul Muminin, get yourself ready for answering the questions of Allah on the Day of Judgment. Allah will judge you after making you stand along with all your Muslim subjects.' Haroon al-Rashid started to weep on listening to this. Then Abbas said: 'O Fuzail, please stop, you are almost killing the Khalifa. The honoured Fuzail then said: 'O Haman, you and your companion-friends are pushing the Khalifa to destruction. And you are telling me that I am killing him. Haroon-al-Rashid then told Abbas, 'The great Soul has put me in the class of Pharaoh: hence he is calling you Haman.'" Then Haroon Al-Rashid put a thousand gold dinars before Fuzail in his honour and said: Your honour, these coins are '*halal*'; these are from my mother's '*den mohur*' money.' The honoured Fuzail said in reply; 'Let me tell you this : "you withdraw your hands from whatever wealth is remaining in the Treasury and return to the rightful owners whatever you have extorted unjustly; you are giving me money before doing it.' Then the Caliph left.

The above is a piece of good evidence of how conditions can go out of hands in absence of social control when public administration goes wrong through the ineffectiveness of the Chief Executive and his ruling system. Contrastingly, it can be pointed out that it was possible during the early period of Near Ideal State for the Chief Executive to maintain the Quranic objectives and priorities. It is known that during Umar ibn Khattab's rule, he wrote this letter or directive to one of his Governors: "Then I am letting you know that the Governor whose administration makes the subjects honest and righteous, is very fortunate. On the contrary the Governor under whose administration people become dishonest and mischievous is very unfortunate. Beware, do not let yourself be carried away by the feeling that the employees under you are taking care of the people with honesty and righteousness. If you are happy

with that feeling, your analogy will be with the quadruped animal. Animals jump at the grass and get busy about eating. As a result, they become gradually fat and this fatness finally becomes the cause of their destruction. When the animals become fat and stout, men eat them.¹²⁶

Realities of the present Islamic world and Islamic Economics

The present realities of Muslim countries, after a long history of decline of the influence of Islamic ideology under one framework, rise of secular science and technology and competitive advances by the West and the USSR, are far away from the models tried in the past; even the traces of the Abbasid socio-economic system have disappeared in many countries. Wherever Muslim orthodoxy is present in the Middle East countries, conditions are characterized by distorting factors like national political sovereignties (of narrow geographical demarcations), loss of progress and diversions through the imposition of colonialism on a number of countries; progressive growth of population for the centuries; effects of the two World Wars including the political regimentations and the perpetuating discords around the creation and maintenance of Israel, lack of development of resources of right kind; failure to catch up with the world trends in researches and innovations along with development of science-based products and technologies; failure to improve upon the Western approaches to education with the required 'synthesized' outlook for producing all rounded human resources; failure to eliminate dependence on the so-called super-powers for essential supplies and equipment and so on. Naturally, the conditions present a conglomeration of uncoordinated varied existence in which the concept of a unified Islamic socio-economic system is not applicable. Nor is it possible to visualize the kind of model of Islamic economy fit for consideration at this stage for all these countries. More so because conditions of social stability are hard to assume in the situation of armed conflicts and breakdown of the Russian Communism and the appearance of one Superpower. In

such a situation of international activation of ideological conflicts between the West and Russia, (Cold and new Europe), development of social sciences and application of knowledge for the welfare of mankind on sound lines is being impeded on a global basis.

Yet within the constraints of the prevailing environment, there is positive need for serious thinking on presenting the claim of the ideology of Islam, especially that of the social science of Islamic economics towards the solution of many problems which the presently competing ideologies, including their types of economics, have failed to solve so far. While the de-humanizing harshness of communism and its misallocation of resources based on distorted priorities are well known, the machanistic approach to life, based on computer-fed scientific economics of the West has also lost credibility among social scientists. Among social sciences, economics has rapidly assumed the character of a somewhat exact science; in particular its sub-class, econometrics, has been clothed into mathematical costumes for enabling it to solve present problems and to predict future changes. But success on this has made only a 'poor showing compared to the prediction of eclipses, the certainties of chemistry and miracles of genetics. "In the new awakening, Western social thinkers are rediscovering the role of religion as dynamic synthesizer, as is evident in Boulding's words: "Religion, we feel, should be the Center of Town, the integrating factor in the welter of life, experience and knowledge... The highways that could not handle the traffic from Ptolemy and Aristotle with comfort have hardly adjusted themselves to Copernicus and Darwin, and are hopelessly congested by Freud, Keynes and Einstein; consequently, the true center is by-passed, rival centers of nationalism, fascism and communism, and so on are set up, and the whole vast city threatens to disintegrate. And so we long for a new and greater Aquinas to bring together once again Grace and Truth, Faith and knowledge in blessed union," But no New Aquinas has emerged.

There is also scepticism in the West about knowledge and the education system. Emphasis on specialization is not knowledge.

There is wisdom even in the dictum of Confucius : When you know a thing to recognise that you know it, and when you do not, to know that you do not know – that is knowledge. Today in the West, sciences are being taught without any awareness of the "presuppositions of science, of meaning and significance of scientific laws, and of the place occupied by the natural sciences within the whole cosmos of human thought. The result is that the presuppositions of science are normally mistaken for its findings. Economics is being taught without any awareness of the view of human nature that underlies present day economic theory... Education can help us only if it produces whole man,* The 'whole man' will be truly in touch with the Center of the Town. The whole man will not be in doubt about his basic conviction, about his view on the meaning and purpose of his life, and the conducting of his life will show a certain sureness of touch which stems from his inner clarity."²⁷

The approach I intend to adopt in presenting the exposition of Islamic Economics is to put the principles and practices of economic behaviour in this perspective of 'awareness' about the meaning and purpose of life with a sureness of touch stemming out of inner clarity. This demands the need for adopting the presupposition of a basic framework of the philosophical, ethical and spiritual convictions as a foundation of understanding the economic life planned under the Islamic ideology. Such an approach is likely to make the exposition intelligible to both Muslims and non-Muslims for a hopeful dialogue on the removal of misunderstandings, where persisting, and on the establishment of a system of social and individual life with hope, peace and positive welfare for mankind. If rightly understood, such an approach is likely to hold the major key for meeting the socio-economic challenge of the World today.

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6. J.D. Bernal, op. cit, 270, Whether at subsequent stages, Islamic society failed to associate sciences with the enduring features of Islamic social philosophy remains to be revealed by more meaningful research. The Western scientific viewpoint, as represented by Bernal, suggests that an alleged failure was "probably a major reason for its withering away in the later centuries of Islam which became culturally and intellectually static." (Vide op, cit. P. 275).

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10. John Bagot Glub, Haroon al-Rashid and the Great Abbasid, Hodder and Stoughton, London. 1976. p. 230.

11. John Glub, op, cit. p.233. For the broad analysis of the Islamic Economy Listed as (i) to (vi) refer to pp. 219-233.

12. John Glubb has provided a good list of Arab historians as sources, notably these five: Muhammad Ibn Jareer al-Tabari (died 956 AD) 2. Ali ibn Hasan al-Masoodi (died 956 a.D); 3. Ali Ibn Ahmad Ibn Al- Athir (1160-1123); 4. Amru Ibn Bahar al-hidh (contemporary of Haroon al-Rashid who lived from 778to 868 A.D) 5. Abdullah Ibn Muslim Ibn Qutaiba (829-890 A. D.). Of these, many are not translated, and many others not listed are known to have

been lost. Masoodi's work is known to have been translated into French under the title *Les Prairies d'or*. The recent valuable work by Dr. Abdul Jabbar Joumard on Haroon al-Rashid, published in Arabic in 2 volumes, Beirut, 1956 is not translated in English. Dr. Houmard has given a Bibliography of 65 source books in Arabic. The great wealth of such intellectual work will certainly be of immense value to relevant economic analysis in relation to norms. Although more substantial light could not be thrown on the possible results of analysis by this author, once the framework of analysis is developed it can be expected that increasingly revealing Knowledge will emerge out of greater efforts of translation and research.

13. Abullah Yusouf Ali, *The Holy Qur'an : Text, translation and Commentary* (Vide his notes at pages 1055 to 1057).

14. Adam Smith. *Wealth of Nations*. Edwin Canaan edition, University Paperback, Mathuen, Vol. 2. (First published in the series 1961), p. 119.

15. John Bagot Glubb, *op. cit.* (relevant chapter. especially pp. 53, 112, 321 and 333). Quotations used are also used by Glubb.

16. J.D. Bernal, *op. cit.* p. 271.

17. J.D. Bernal, *op. cit.* p. 270.

18. A. H. Hourari edited, *Papers on Islamic History: I. Islamic City*, published by Near Eastern History Group, Oxford and the Near East Center, University of Pennsylvania, Oxford, 1970, pp. 18-24.

19. *Hadith : Source Ibn Habban.*

20. Abu Yusuf Ibn Ibrahim *Kitab al-Kharaj*, second edition, Cairo 1367AH. pp. 4 and 6.

21. *Shamael-e Tirmizi* (Translation in Bengali By Muhammad R Fazullah), 3rd edition, Chittagong, 1976, pp. 305-306.

22. Paul F. Lazarsfeld edited, *Mathematical Thinking in the Social Sciences*, Russel and Russel, New York, 1969, p.3.

23. Abdullah Yusouf Ali, *op. cit.* (vide his notes on pages 640-42).

24. Sir Mark Sykes, The Caliph's Last Heritage, quoted in H, G Wells, The Outline of History, vol 11. Dounleday, New York, 1961 pp. 498-99.

25. Imam Gazzali, Kimia-e Sa'adat (translation in Bengali by Nurur Rahman) Vol. 2 Dhaka, 5th Reprint, 1976pp. 293-94.

26. Imam Gazzali, op cit. pp. 296-97.

27. E. F. Schumacher, Small is Beautiful, Abacus, London, Reprinted 1978, pp. 76-77.

CHAPTER THREE

The Islamic Perspective of Economic Behaviour :

Conditions of Orientation

The economic behaviour of men, women and children in a society based on Islam is not an isolated phenomenon. The human behaviour and activities function and occur within the framework of the functioning of the Laws of the Universe; and these Laws, according to Islam, originate from one Fundamental Universal Being, Allah. All created beings, matter, environment of the universe and the forces operating the system of the universe are subject to a unified system of control by Allah; and that is for the welfare of mankind.

Sciences of various kinds are the products of human seeking of the understanding of the unified system in various components and branches. The underlying purpose is to study the subsystems and their interactions, as much as feasible so that the significance of human life can be better understood with greater and greater enquiry and effort. Some of the sciences are regarded as 'pure' ones dealing with physical nature and forces of matter (e.g, physics, chemistry, astronomy, biology etc.); others dealing with social matters are social sciences. For an Islamic society the relationship with the Unified System is fundamental for all sciences and philosophies and for all knowledge. This is therefore the first basic element of the overall perspective guiding the treatment of social and economic behaviour in Islamic society. Whether it is physics, chemistry, astronomy etc. or economics, politics, sociology etc. 'the linkage with the context will be lost, if the relationship— and a logical consistent relationship — is not maintained.

The second basic element lies in the orientation of the scientists and seekers of knowledge. The orientation is on the understanding of the objectives of human life and on the needed attitude of seeking and applying knowledge for the welfare of mankind. While pure sciences do not directly see the relationship with human welfare, social sciences are directly concerned. The laboratory of research for social sciences is human society and human life. Thus political economy or economics, in an Islamic perspective, will need be so designed that the two basic elements mentioned above guide the formulation of principles, policies, laws and programmes of action, even within the meaning of a Normative science.

To satisfy the above basic conditions of orientation to perspective, Islamic economics as a normative science has to be founded on the Qur'an and Sunnah. The requirements of orientation are available there in the form of revealed knowledge and its explanations. These relate, among others, to characteristics of the created Universe: attributes of the Creator; nature of faith desired on the Unity of Allah and Prophet Muhammad (sm) who received the revealed knowledge as Guidance to Mankind the way demonstrated by Prophet Muhammad (sm) based on the above guidance; the ethical value of life system and laws governing individual and social behaviour in that Islamic way of life; observance of cultural, political, social and economic rules of business; organization of institutions, individual and social, in pursuance of the observance of those rules of business; pursuit of personal responsibility for behaviour and activities on the earth as an opportunity to reach the final stage of achievement in the life Hereafter (where the constraints of the earthly concepts of time and space do not work). In short, the guidance of the Qur'an and Sunnah provide the basic structure of the model of social and economic behaviour in an Islamic society, rather for mankind as a whole. The basic conceptual framework for economic analysis, in such a case, is thus dependent on the establishment and operation of the institutions of behaviour and social action emanating from the above guidance; that is, the relevant norms, principles, laws

institutions need at least be conceived as the essential framework to build in the changed circumstances of the world, in whatever stages it might be. The image of the effort of Islamic economists must be reflected in that positive orientation, as has been indicated in the preceding chapter on the Approach to the Study of Islamic Economics.

It is to be recognized that some norms in the Qur'an and Sunnah are of general nature; these provide statements of general guidance. These are mostly in the provision of a code of conduct for channelling human behaviour towards formation of moral character and balanced personality and this is really the foundation of socially desirable motivation and attitude to the problems of life including economic life. The objective environment used for the demonstration of the norms are only subsidiary; with the changed environment, the demonstration will have to bear the complexions of the objectivity itself. But in such demonstrations, the subjectivity must be maintained. On the other hand, some norms are quite specific (e.g. *Shari'ah* or Islamic laws). In fact, Islamic Laws have been developed, into a codified system by Islamic jurists for a long time. These laws are intended to supplement the awards or reward and punishment in the life after death on the basis of the observance of the general norms. The laws are the social instruments of control, to provide guidance on socially desirable behaviour and to prevent loss of welfare to society because of misbehaviour and emulation of the examples of detected misbehaviour. All these types of norms and laws need be conceived as acceptable for an Islamic society in which the Islamic economy will operate.

The prerequisites for Conceiving the Framework

In the scheme of social and economic organization and social and economic behaviour, the relevant conception about the basic framework will depend on the human faculties of the mind, mainly the four : understanding, faith, acquisition of knowledge and discipline. These faculties help mankind reach a level of

subjectivity which can be said to be socially equilibrating in character from the long-range and perspective point of view. The human life is to be led for a good length of time; life expectancy, even of average, has been steadily improving with more efficient medical care all over the world. In addition to this long life, the objectives of life for Muslims are closely connected with the life Hereafter. The objectives are so realistically designed in the Islamic conception of life that the immediate, short run, long run living conditions and behaviour are linked with the final run of life beyond death; the whole chain of continuous strivings of the human soul before death is to move towards the final stage beyond death. This kind of life process is both positive and dynamic : it is not conditioned with asceticism and renunciation of the worldly life. Economic well-- being is the vital objective of life before death; and this has to be pursued within the framework of the norms of the Islamic moral system because the latter links the efforts with the objective of achievement of the state of bliss in life beyond death.

The Qur'an stresses : 'And the monasticism which they innovated, we did not prescribe it for them', (Al-Qur'an 57: 279). An attitude of sound balance in life has been demonstrated by our Prophet. It is authoritatively known that once after the Prophet had given a lecture on the certainty of the Day of judgement and the accountability before Allah, a few of his Companions gathered in the house of Uthman bin Maz'un and resolved to fast everyday, to pray every night, not to sleep on beds, not to eat meat or fat, not to have anything to do with women or perfume, to wear coarse clothes, and in general to reject the world. The Prophet heard of this and told them :

"I have not been directed by Allah to live in this manner. Your body certainly has rights over you; so fast but also abstain from fasting, and pray at night but also sleep. Look at me, I pray at night. But I also sleep; I fast but I also abstain from fasting. I eat meat as well as fat, and I also marry. So whoever turns away from my way is not with me." (Sources : Bukhari, Muslim.)

Among the verses of the Qur'an that positively stress economic well -- being are these--

1. Eat and drink of that which God has provided and act not corruptly, making mischief in the world (2 : 60)
2. O mankind, eat of what is lawful and good on earth and follow not the footsteps of the devil (2 : 168)
3. O you who believe, forbid not the good things which God has made lawful for you and exceed not limits. And eat of the lawful and good that God has given you and keep your duty to God in whom you believe (5 : 87-88).

Clearly, the directives are to maintain balance in economic enjoyment, that is, in maintaining the standard of living. It is the objective of optimum balanced economic satisfaction, marked by opportunities of optimum deriving of utilities subject to the conditions: (i) the goods and services must be 'good and lawful' according to Islamic definitions; (ii) the consumer must not seek mischief on earth (or on the life of the people) through consumption; and (iii) consumption must not be at the cost of duty to God (or the discharge of responsibilities as a believing Muslim) consistent with the objective of the life Hereafter. This overall economic objective, as directed by the Qur'an also constitutes a good example of the nature of economic principles in Islam. That is to show how economics is integrally combined with Islamic ethics, jurisprudence and social philosophy. That is why four faculties of the human mind have to play a very important role in keeping the conceptual framework on proper tracks.

Role of Understanding

Mankind has to seek all-sided achievement through effort; and the effort has to be on the environment of the Universe, and of the world (i.e. on the gifts of God). Both mankind and the physical universe (including its environment) have been created by God; and mankind has been made responsible for optimum achievement in the world as also in life Hereafter. Originating from a humble beginning like a 'clot of congealed blood,' man has been placed in the position of the vicegerent of God on earth to use the 'gifts of God' for the creation of opportunities of economic welfare for

mankind as a whole man, individually and collectively, has to shoulder such a formidable responsibility with the faculties, provided by God, viz. (Al-Quran, 23 : 78).

Man has to understand everything related to his mission in life through his senses and the power of the mind. For this understanding, the revealed knowledge of the Qur'an clearly refers to God's gifts, His Guidance on the use of these gifts (whether we call them differently or not like natural resources or gifts of nature), mysteries of the universe (of which man is a part); unity of control by one Lord; illustrations of lessons of history on past mistakes and deviations from right Guidance and tragic consequences for these; chain of Prophethood to affirm and re-affirm the right Guidance; invitation to the message of peace (which is Islam); perfection of the order of life and code of conduct; demonstration of the model of approach to this way of life. through the Final Prophet, Muhammad's (sm) life, sayings, teachings and his establishment of a social system, including the economic system.

Muslims read the Qur'an, apply their faculties to understand the significance of all these and other relevant references. The more they read and study the implications, the more they are oriented to the proper perspective in which Islamic economics has to assume a distinctive quality of science as well as philosophy.

Role of Faith

Understanding leads to the acceptance of the message of peace and the basic pillars of absolute truth relating to : (a) Unity of Allah (tauhid); (b) final Prophethood of Muhammad (sm); (c) The Qur'an as the Criterion of truth and Guidance as well as Blessing to mankind; (d) Day of Judgement and the life in Hereafter.

In fact, Islam as a message of peace and blessing, resulting from the surrender to the will of God, came to mankind with the first advent of man (Adam and Eve) on the face of earth. And a chain of Prophethood was planned by God for continuous guidance throughout history. But because of the degree of freedom given to man, deviations from 'the straight path' occurred and corrections

were desired through Guidance reaching various communities involved through the chain of Prophethood. Most such history is unrecorded. Even revealed guidance through selected Prophets got distorted and largely lost because of the arrogance and disbelief of the communities concerned. The Qur'an came as the last warning and Guidance as revealed knowledge for saving mankind from any further folly and arrogance, the Quran revealed to Prophet Muhammad (sm), has referred to the instances of the main deviating communities by way of illustration and stands as the Criterion to distinguish the truth from untruth, half-truth and falsehood.

Recently, one scholarly work by a French writer, Maurice Bucaille, has examined the three holy scriptures-the Old Testament, the Gospel and the Qur'an from the point of view of compatibility between their texts and the data of modern science, and found that the Qur'an did not contain a single statement that was assailable from a modern scientific point of view whereas Biblical contradictions with well-established facts were numerous. Dr Bucaille was also surprised to find a number of Qur'anic statements on natural phenomena whose meaning can only be understood through modern scientific knowledge.¹

Those who have accepted Islam are Muslims by faith: and things of faith which are related to natural phenomena are matters of scientific truth. These include the examples: angels (forces of nature); the skies and layers of them (orbits and paths; power explained by the Theory of Relativity and the expansion of the universe through this power); adornment of the world's sky with lamps (sun and moon); adornment of the lowest sky with beauty, the stars; the sky that returns; the sky full of paths etc. A highly significant matter of faith is about recording all words and actions of mankind by angels as in a book to be unfolded on the day of Judgment; this is also interpretable in terms of space-time continuum; which inspired H.G. wells to think of a 'Time Machine' that can be worked backwards to whatever period of old history one likes. Man will not be able to demonstrate that working; Allah with His own power of forces can. Man lives in space and time; his

words, actions and movements are recorded by angels (forces of nature concerned) and are kept intact so that at the planned time and space on the Day of Judgement, man will be brought back to life. And then the records intact will be revealed for the awards of reward and punishment. The book of record of a person is imprinted or contained in the specific portion of space-time continuum which is called '*Sijjin*' in the case of evil-doers and '*illiyyun*', in the case of the righteous'.²

Men with 'iman' or faith become '*Mumin*' or righteous; and faith, for that purpose, has to be dynamic. To be dynamic, man's behaviour has to be guided in a few basic directions. These according to the Qur'an are six: (i) expression of humility and surrender to Allah in regular prayer; (ii) avoidance of vain talk; (iii) payment of *zakat*; (iv) abstention from sex offences; (v) faithful fulfilment of trusts and covenants; and (vi) guarding the prayers. (mentioned in Sura Muminun : 1 to 50). To these are to be added two other directions (which are seasonal and special): (a) fasting during the month of Ramadan and performing Hajj, if obligatory on the basis of wealth criterion.

The role of a faithful Muslim is not simply to seek development of character individually on the basis of the moral norms but to seek best welfare for himself, his family and community in this life and ultimately in the Hereafter. His moral character is only in preparation for this comprehensive role.

Role of Knowledge

Faith is sustained by knowledge; knowledge provides the power of seeking the fulfilment of the objectives of life in the Islamic sense. Understanding the objectives and moulding character to suit behaviour and activity depend on knowledge. Seeking knowledge has thus been made basic to the Islamic conceptual framework. The Qur'an and the Sunnah have to be understood through study and education as a base for a purposeful building up of the members of the Islamic *Ummah*.

The Qur'an is the Foundation Book of knowledge; and the Qur'an has asked the Muslims to 'recite what is sent of the Book by inspiration' to the Prophet and 'to establish regular prayer; to restrain from shameful and unjust deeds' (Ankabut: 45). A Muslim has therefore to acquire necessary knowledge to read, understand, study and follow up what is needed to be followed up in actions – individual and social. Hadith literature is replete with the Prophet's statements about importance of acquisition of knowledge. A few instances, with sources, are:

(i) Seeking knowledge is obligatory to every Muslim man and woman (Baihaqi).

(ii) When anybody travels on the road to seek knowledge, angels spread their wings in honour of the seeker; whatever exists in the sky, earth and water continue to pray to Allah for him.

The learned have so much honour above the uneducated as the moon has over the stars. The learned are the inheritors of the Prophets. On the other hand, Prophets have not left any money but the heritage of knowledge. Therefore those who have acquired knowledge have earned a plentiful share. (Tirmizi)

(iii) When a man dies, the reward of his effort ceases; but the reward of three things do not cease : permanent sadaqa, useful education and a praying good offspring (Muslim).

An Islamic society has therefore, to rely very strategically on a well-planned education system which first provides the basic orientation to acquire knowledge about the foundations of faith and Islamic norms and diversifies all training programmes and facilities to enable Muslims to make the most of the world by opportunities along with the pursuits of the comprehensive objectives of life. The process of education has to play a very critical role in developing the human resources and leadership skills intended to build a 'balanced' community life. While the foundation will equip the mind with the right attitude and the right conceptual understanding of the basics about individual and social code of conduct, the diversified education will produce the professionals and skilled personnel whose scientific work (i.e. application of science and technology) will build the economic base of progress.

A Muslim, in that case, can read the Qur'an more profitably and productively for himself and his community, both in material and ethical sense. It is not simply to express a spirit of wonder that he would read:

"It is God who has subjected the sea to you, that ships may sail through it by His command, that ye may seek of His bounty, and that ye be grateful. And he has subjected to you, as from Him all that is in the heavens and on earth : behold, in that are signs indeed for those who reflect". (Jathia : 12-13)

The whole system of natural resources and their uses by mankind are directly indicated here for the community that knows how to think and plan. If the community does not pay heed to "*le ayatel lequam-ey yatafakkarun*", the warnings of Allah are quite clear in the historical decay and destruction of communities and civilizations, the relics of which still exist in the form of winding Tracts of Sand, such as :

" We destroyed aforetime populations round about you and we have shown the Signs in various ways, that they may turn to (Us), Ahqaf :27)

Role of Discipline

Understanding, faith and knowledge create the conditions of motivation for discipline in individual and social behaviour for an Islamic society. And discipline is also a prerequisite. Discipline is both internal and external. Internally, a Muslim's mind is trained to distinguish between right and wrong, between truth and falsehood and between lawful (*halal*) and unlawful (*haram*). In this mental state of discriminating quality, there is a spiritual dimension also. Because of the spiritual dimension, the guarantee of the desired state of mind is the mind itself. A Muslim knows, his words, actions and movements are in the presence of Allah who is as near to him as the main artery to his brain. He knows, his own self is controlled by a higher self, a consciousness of the divine qualities as vicegerent of Allah. And that is why the criteria of righteousness are to be satisfied to the fullest extent. These criteria to belief (in one

God, Day of Judgement, the Angels, the Qur'an, the Prophet including other Prophets), to spending out of our substance (in *zakat* and *sadaqa*), to practising regular prayer and regular charity, to fulfilment of contracts made, to maintaining firmness and patience in times of suffering and adversity. (Baqara : 177). Both mental (including spiritual) and physical observance of rules of behaviour involving surrender of personal will and assets is distinctively involved in this experience of pursuit of righteousness. Fasting during Ramadan is the observance of an obligatory duty to Allah that plainly indicates the combination of mental, spiritual and physical experiences toward the objective of purification of the body and mind. Modern medical sciences also support this observance of fasting as a process of balancing the functioning of food--absorption capacity and optimum conditions of health in the man who observes. The quality of a community is the sumtotal of the quality of the individual participating in the community. When internal discipline of the individual members is ethically and spiritually motivated with full understanding of results – in terms of benefit to individuals themselves, benefit obtainable in the life Hereafter, community itself is not required to control too much on behalf of the community's ideology. Even so, Islamic *shari'ah* is intended to restore balance with compensation or punishment whatever is due in cases of violation of rules of behaviour as recognized in the legal system.

Rights of individuals are determined: rights of man to their wives and vice versa, rights of individuals to their neighbours and vice versa, rights of the ruler to the ruled and vice versa. Rights and obligations on enjoyment of earnings and property are also determined.

Rights and obligations in the affairs of the state are now available in systematic studies. A system of administration based on *Shari'ah* is being operated in various degrees of nearness to original conceptual framework in a number of countries in the Middle East. Even this evidence of the external discipline of Islamic character does not necessarily imply the application of the true Islamic ideology in which the real source of strength lies in the

internal discipline developed and practised by the individuals themselves. Much of the internal discipline results from personal sense of responsibility for behaviour; and much of this responsibility emerges out of mentally accepted concepts of right and wrong while the mental acceptance depends on participation in spiritual experience and knowledge of Islamic ethics as well as social philosophy. Much of misbehaviour may not be determinable for community intervention, nor again always detectable for social action on the basis of established *Shari'ah* system. For instance, the evils of lying, backbiting, greed, arrogance, vain talk, envy, miserliness, wastefulness, ostentatiousness etc. are all condemnable : but only the harmful effects on others of the nature of crimes according to law can be considered and traced for social action, and that too not always successfully. If the spiritual and ideological environment provides conditions of minimizing misbehaviour in these difficult areas, the responsibilities of Islamic Justice becomes easily manageable.

The Prophet himself was very much conscious of this scope of misbehaviour, as is evident in Hadith literature. I mention out of his reported sayings by way of illustration:

1. Hadith has it that backbiting (*gibat*) is worse and more difficult than adultery. The companions then submitted, how can backbiting be more difficult (crime) than adultery? The Prophet (sm) said: If some one commits adultery and begs forgiveness from Allah with repentance, He forgives him; but Allah does not forgive a backbiter until the backbitten man forgives him (Baihaqi).

2. You give up envy, because as fire eats up wood so does envy eat piety (Abu Daud).

3. The Prophet (sm) has said : If someone among you finds another fellow to do wrong, he should resist it with his hands; if he is not capable to do that he should then resist it with his words; if he is unable to do even that, then he should at least be angry at it in his own mind. This latter course of action is of course an indication of weak faith (Muslim).

4. The Prophet said : Everyone of you is a protector. Everyone of you will be asked about your dependents whether you guided

them according to the discipline of *Shari'ah*. The monarch is a protector; he will be asked about his subjects. An adult male (or household head) is the protector of the family; he will be asked about the family. The woman is the protector of her husband's house; she will be asked about that. The servant is the protector of the furniture and belongings of the master of the house; he (or she) will be asked about that; (Bukhari and Muslim).

One can examine and find out the nature and difficulties of enforcing the ethical injunctions about individual and social behaviour from the above instances. The first direction is general and yet mandatory because it has emanated from the Prophet. But there is no legal mechanism to detect cases of punishable envy. Avoidance of envy has to result from difficult internal self-education. The second direction, implicit in the second instance, is similar, although it involves social consequences of greater significance. Backbiting is often spread to reach the backbitten tending to create conditions of bitterness or even animosity instead of brotherly cooperation. But here also, the backbiter is left to his sense of personal responsibility to seek forgiveness from the backbitten by way of repentance before Allah can forgive him. He will not adopt that kind of action unless he feels that he did it wrongly and must be corrected so that this mistake is not repeated on another occasion. Thus this also needs strong self-education. In cases where the resulting situation of bitterness leads to violence and some other crime, he or both, the participants in the latter crime will be liable to legal punishment within the jurisdiction of *Shari'ah*. The third direction involves double responsibility for the *Mumin* – his own personal responsibility and the social responsibility which is also on his shoulders. He has to resist wrong-doing by his fellow citizens; this resistance may be physical or in the worst case just mental. Application of his injunction can be informal without legal action, provided the environment is socially strong to support such interventions by the *Mumin*. The fourth direction relates to the responsibilities of heads of states, heads of families and of others bearing some responsibility of protection. In the case of the heads of states, their responsibilities of pursuing rights and obligations

according to *Shari'ah* in modern days will be formally determined, in written or unwritten constitution or conventions which are subject to some kind of supervision and action; otherwise it will be left to popular will for ensuring the fulfilment of the Head's obligation through popular protest or revolution. But for other types of head or custodian, it is a matter of private contract; in the family, the main rights and obligations of a servant are often unwritten. The discharge of responsibility in these cases are on individual contract, written or unwritten, will depend on the internal self-education of those concerned. Indeed, the process of self-education can be greatly activated and directed by the planned formal education of the society.

A more significant area of behaviour where discipline is crucially dependent on self-education and self-control is sex behaviour. Unlike other scriptures, the Qur'an and Sannah have recognized the positive role of sex as a part of life; and in the interest of family and society based on avoidance of 'mischief on earth' and fulfilment of the objectives of life upto the Hereafter, enjoyment of sex is permissible only within married life. The responsibility of discharging this responsibility of sex behaviour is mutually shared by both the husband and the wife. The hunger for food is to be satisfied within constraints of income and food supplies in accordance with the concept of 'halal and haram' under *Shari'ah*; the hunger for sex is to be satisfied within the bond of marriage and conditions imposed by *Shari'ah* (e.g. during *Ramadan*). Even so, discipline is critically important after marriage. The Prophet is known to have said. 'Whoever can guarantee the right use of the spot between the two jawbones and the spot between the two thighs will receive my guarantee for heaven' (Bukhari).

Food, in fact all consumption, needs individual and social control; and so does sex desire. Otherwise the social objectives as well as ethical-cum-spiritual objectives of life under Islamic ideology cannot be achieved to an optimum extent. On the satisfaction of sex desire, greater care and special attention is needed because of highly intense emotional forces involved. Both individual control and social control have to be adequate; if the

former is adequate, the latter external control through the legal system of *Shari'ah* need not be severe. However, *Shari'ah* has provided for severe deterrent action for adultery to strengthen the internal forces of control working through dynamic faith (*Iman*). The relevant Qur'anic verses and the study of Hadith literature lead to the understanding of the height of dedication and surrender of the will of man or woman to the will of Allah during the early period of the Prophet's (sm) own administration. In adultery, the wrong-doing is two-dimensional : (a) wrong -doing to one's own self and Allah; and (b) wrong-doing to society. For the second part, social action is called for under the provisions of *Shari'ah* subject to evidence and conviction, when the case is brought before the court.

In fact, first part of the wrong-doing is critically important. If the individual concerned commits that sort of mistake on the spur of impulse and becomes really repentent, seeks forgiveness from Allah and takes the irrevocable vow not to give way to this kind of mistake ever again, that process becomes the process of intrinsic purification and re-establishment of internal discipline on the matter.

Balanced Economic Behaviour

With the Islamic attitude resulting from the training of the mind, as indicated above, human behaviour in general becomes socially balanced. In that framework, the economic behaviour has to become matchingly balanced. The human propensities, tendencies and weaknesses are not ignored in the understanding of human nature; but the conditions of the perspective logically accepted in Islamic way of life provide the new orientation with which human beings in an Islamic society become additionally equipped to live the life of Muminin (believing faithful human beings). It is learnt from Ibn Abbas that the Prophet (sm) said: If a human being has two fields full of wealth, he will yearn for the third field of wealth; only earth can fill the stomach of the human being. But of course Allah will accept him if he turns to Him (Bukhari). What is intended to be a Muslim individual's own wealth will

largely depend on the discharge of personal responsibility in pursuance of the discipline of a believer's life. No hunger for unlimited wealth and no aim of satisfying all human wants are consistent in this life. A precise idea of the limitations are indicated in the following two sayings of the Prophet (sm):

(i) Once the Prophet (sm) asked : 'Is there anybody among you who loves the wealth of his successors more than his own wealth? The companions stated: O Prophet of Allah, everyone of us loves his own wealth more'. Then the Prophet (sm) said: You should realize, the wealth that you spent for the Hereafter is your own, and the wealth that you have accumulated is your successors', (Bukhari)

(ii) 'A man speaks of 'my wealth'; certainly, in his wealth there are three kinds which are his own; these are what he has eaten and consumed (digested); what he has worn and used up and what he has given away. Besides these, every thing will pass away or will be left to others'. (Muslim)

With the above orientation and attitude, the individuals of the Islamic society have been asked to disperse in the land when the prayer is ended, and to seek the bounty of God. But to remember God much so that they can become successful. The untrained propensity of human nature is to disperse headlong to something of trade bargain or amusement. Even the Prophet (sm) may be ignored on this by some; but Allah has asked the Prophet (sm) to tell every body: The (reward of) the remembrance of God is better than any amusement of trade bargain; and God is the best provider of sustenance.' The balancing factor lies in 'remembering much' as a mental regulator so that excesses are avoided in the pursuit of acquisition of wealth and whatever is earned or acquired is done according to Islamic norms, for the purpose of spending according to Islamic norms. With the mental regulator on, it becomes easy and socially meaningful to establish unconventional kind of economic behaviour. The individual then understands clearly why the Qur'an says: 'And in their wealth and possessions is the right of the needy who is asking for it and the needy who is prevented from asking'. (Zariyat : 19).⁵

Social Equality and Economic Behaviour

The Principle of equality, preached and practised by the Prophet (sm) and his four Caliphs, is common knowledge for the world as a whole. The application of this principle amounted to revolutionary changes in administration, attitude and behaviour. The Qur'an lays down the fundamental principle of human equality with these words:

'O mankind, We created you from a male and a female and made you into nations and tribes that you may know each other. Verily the most honoured before God is the most righteous of you; surely God is Knowing and Aware' (49:13). The Prophet (sm) was also sent to establish the brotherhood of humanity—a brotherhood of faith, not of colour, race or geography. Social equality is basic to the concept of one *Ummah* for Muslims in the world. The nature of behaviour and fellow-feeling expected from the concept can be understood from two indications in Hadith literature :

(a) The Prophet (sm) stated : 'All Muslims in the world are like one man; if he feels pain in the eye, his whole body feels the pain; if he has pain in the head, his whole body suffers from the pain'.

(b) The Prophet (sm) stated : 'I swear by Allah, one can not become fully *Mumin* until he (or she) likes for others whatever he (or she) likes for himself (or herself)'; (Bukhari and Muslim).

(c) The Prophet (sm) stated : 'A Muslim is the brother of another Muslim. He neither wrongs him, nor leaves him without help nor humiliates him'. (Muslim)

In such a society, cooperation and mutual understanding can be the basis of both individual behaviour and social and economic institutions. Naturally, social rights of the needy and the handicapped were not only recognized but enforced under *Shari'ah*. And in the social system, both rule of law and equality before law were maintained. Administration of law in the early period of Islam demonstrated this. Ensuring economic justice is also a vital objective of the Rule of Law. The Qur'an urges: 'Withhold not things justly due to others, (26:183). The Prophet (sm) warned : 'Beware

of injustice; for injustice will be equivalent to darkness on the Day of Judgement' (Ahmed and Baihaqi).

It is through the harmony of spiritual and material aspects of human effort that the pursuit of material well-being by Muslims becomes balanced in all respects. In this, there is a social function even in individual behaviour. Economic welfare, even as an objective of individual behaviour, contains a responsibility for seeking the welfare of other members of the community through mutual help or through unilateral transfer of resources to the needy. In that context the objective of *Shari'ah* is "to promote welfare of the people which lies in safeguarding their faith, their life, their intellect, their posterity and their property". Promotion of economic welfare is only a necessary part, and not necessarily the predominantly important part of life.

The concept of success in life in an Islamic society is not one of economic success. This success is in the achievement of nearness to the Prophet's (sm) indicated objective (which is prosperity or *falah* in this life and in the life Hereafter). This success is not confined to the opportunities of acquiring with skill and management all the best in the business world for one's own self, or even for his family. This success lies in developing the best character, as is hinted in: Mankind is the family of God and the most beloved of them before Him is he who is best to His family of God and the most beloved of them before Him is he who is best to His family. With that 'best character' the member of the community will help develop the best social prosperity based on rights and obligations of brotherhood; and brotherhood demands that the surplus of material wealth earned or acquired has to be distributed to the poor who are below the socially desirable minimum standard of living. Qualitatively and quantitatively, this represents the 'best character' of a society on a higher and stronger plane of success which is both individual and social and as such represents incomparable superiority over Marxism.

Innumerable pieces of evidence exist in the Qur'an and Sunnah leading to the conclusions of sweeping radicalism that demands egalitarianism in social progress and achievement. This cannot be

and should not be, compared to the type of radicalism established by Karl Marx, simply because the latter ignores the role of enlightened personal responsibility, nor does it give its role of leadership in making all possible and necessary changes in the environment for building man's future---future in this world and in the Hereafter. To ignore the qualitatively comprehensive role of leadership for man, intended by God, is to seek excellence and success in an isolated compartment of life at the cost of life itself. A part cannot be equal to the whole; that logic is too obvious. But in fact, it is more than that. It is related to life and soul which are indivisible; conceptually, taking one part apart implies killing life and soul for that part. That is what has happened in the philosophy of Marxism. Marxians have killed the life and soul of the way of life they think socially desirable and intend to apply for material achievement; naturally, human beings in such a case have to be used as a means to that strange end. The users of the means treat both human beings and material resources as raw material for processing into material achievement; and they become the inhuman dictators to define everything in their own way for their own objectives. In fact, they become the unkind 'mundane Gods' themselves, against whom the human will endowed with consciousness of 'human rights' and personal responsibility for contribution to achievement in the fullest sense of life has nothing to compromise.

Economic behaviour in the Islamic sense is the behaviour of believing men and women---at individual level and at community or state level---for achieving the best in this life and in the Hereafter. Men and women have to use economic forces, mechanisms and resources for this achievement which is success in life. In this effort by men and women, social equality is transformed into economic equality. Community brotherhood and social justice requirements are opposed to unsocial inequality of wealth, income and means of production. The Islamic society is asked to organize economic matters in such a way that "Wealth does not continue to circulate only among the rich among you" (Al-Qur'an, 59:7). And numerous Hadith can be referred to for deriving conclusions about

the degree of equality Muslims have to aim individually and socially in their social and economic life. Some instances are the following :

'He is not a true Muslim who eats his fill when his next-door Neighbour is hungry' (Bukhari)

'He whom God has made an administrator over the affairs of Muslims but remains indifferent to their needs and poverty' God will also be indifferent to their needs and poverty' (Abu Daud).

In addition to the above principles of economic justice and relative equality, two more sweepingly egalitarian principles have been laid down by two revered early Caliphs who practised social and economic justice through their administrations, as is stated below.

"Umar, the second Caliph, explaining redistributive justice in Islam, esphasized in one of his public addresses that everyone had an equal right in the wealth of the community, that none, not even himself, enjoyed a greater right in it than anyone else, and that if he were to live longer, he would see to it that even a shepherd on Mount Sina received his share from this wealth. Caliph Ali is reported to have stressed that "God has made it obligatory for the rich to provide the poor with what is adequate for them; if the poor are hungry or troubled, it is because the rich have deprived them, and it will be proper for God to hold responsible for this deprivation and punish them. The jurists have almost unanimously held the position that it is the duty of the whole Muslim society in general, and of its rich in particular, to take care of the basic needs of the poor, and if the well-to-do not fulfill their responsibilities in spite of their ability to do so, the state should compel them,"⁶

Right interpretation by conscious social thinkers and learned men had also pointed to the same radical concept of equality : some have indeed explained the practical ways of applying the principle. Ibn Hazm has followed up the implications of the Quranic Command; 'Then if one of them does wrong to the other, fight the one who does wrong until he returns to the command of God' (49:9); and he has argued that it is proper to fight against those members of the society who deprive others of the basic necessities of life

because one who has denied his brother the latter's due right has in fact wronged him. He also argues that it is the responsibility of the rich in every country to fulfil the needs of the poor and the ruler (i.e. state) should compel them to provide the necessary sustenance, protective clothing, and housing that ensures protection and privacy. He has strengthened his argument with the Hadith, narrated by Abu Sa'id al-Khudri : He who has a surplus animal to ride on should give it to one who has none, and he who has surplus provisions should give them to him who has none, and the Prophet (sm) mentioned so many items of wealth that we felt none of us has any right over his surplus wealth'.⁷¹

Concept of Socio Economic Responsibility

Conceptually, the Islamic ideology is a synthesis of socially desirable behaviour of the various classes and groups of people in a society, founded on the principles of the Qur'an and Sunnah; and such behaviour is responsible behaviour. The responsibility is to the knowledge and observance of the principles involved and to set concrete standards of observance with the development of social, political, economic institutions at individual, group and state levels. Norms of behaviour at all levels were mostly of direct application during the early period of Islamic history, especially during the period of the Prophet (sm) and his first four Caliphs. With the expansion of large numbers of additional communities within the fold of Islam, direct administration could not reach the bulk of the *Ummah*; and the mistakes as well as distortions made by the Omayyad rulers led to serious difficulties reaching the minds of the people on the right framework of code of conduct, as was desirable. Political responsibility for ensuring this vital task of national construction and consolidation was seriously evaded or neglected. Groups and factions of a variety of ethnic and cultural heritage had opportunities of reliance on semi-autonomous multi-coloured modes of behaviour with little cohesion. The trend of lack of cohesiveness continued until the revolutions brought about by the Abbasids. And the Abbasid period had opportunities of some consolidation and

effective administration to seek to set standards of behaviour on progressive and strong economic base. Development of institutions- at political, social and economic levels- were organized to a certain extent so that the challenges of the responsibilities could be reasonably met. But the tempo could not be maintained; and the reflection of the Islamic conceptual framework in behaviour and institutions declined again.

When science and technology also declined in the Muslim world and the base of economics shifted to rapidly developing secular science and technology, the socio- economic responsibility of the Islamic way of life lost practical significance in many of the countries that emerged out of the process of disintegration; their independence and sovereignty became an excuse for receding from the unifying bonds of one – *Ummah* – one state concept. To work back to the earlier system of synthetic conceptual framework is to create new history. And that needs the revival of the forces of socio- economic responsibility.

The foundation of Islamic ideology is personal responsibility for achieving the standards of behaviour – spiritual, social and economic behaviour and accountability to Allah. In the early days of state management, this personal responsibility and consciousness of accountability were certainly great; and the functions of the state could be confined to dealing with law and order, defence and social security. Norms of dealing with such matters could also be established by the holders of public responsibility on the basis of the Qur'an and Sunnah; development of the procedures and mechanisms of decision-making in cases where clear decision was not otherwise available was also possible based on consensus and consultation with learned specialists.

In the present context, Islamic ideology and hence Islamic economics have to be discovered with relevance to the prevailing environment. It cannot be an uncompromising revival of abstract idealism for occasional focus on lost horizons. It has to be a positive revival of the basic responsibilities of transforming the timeless conceptual framework into new realities. The environment of science and technology, evolved in the last few centuries as a

'revolution' is the base of economic effort now. To revive Islamic economics is not to ignore this heritage of science and technology, achieved by pursuers of truth and knowledge in non-Muslim communities because of neglect by Muslims. It is the use of available science and technology resources in the newly-designed structural framework that can be the economic beginnings and to excel past records of non-Muslims will be a far cry for a good length of time. It is only with extensive broadening of the economic base that the independent decision-making on economic matters can become feasible. For instance, even for adequate discharge of the responsibility about the law and order and defence activities of a modern state, Muslim countries have not developed any appreciable economic strength. The hope of proper economic behaviour, in accordance with the Islamic ideology, is to examine the existing environment with responsibility and change it with responsibility at all levels. Old traditions of personal responsibility and accountability have been greatly eroded. Motivations to economic welfare as an integral part of internal and external experience of living with soul have been greatly refused both for private economic behaviour and public economic behaviour. To speak of the idealistic principles of behaviour in terms of old classical application will not be enough in itself; the revival of Islamic economics cannot be the revival of those forms of applications. Both the demonstration of right economic behaviour and the new moulding of this behaviour will depend on the acceptance of the public and private responsibilities relevant with the processes.

If the regulator of the mind can be re-installed with universal purposeful education for children and re-education of the young and adult population of a given society, and if the processes of production, consumption etc. can be adjusted to the requirements of reasonable modest living standards, new beginnings can emerge for a new history. One does not know how the forces of change in the non-Muslim world will leave opportunities to the Muslim world for the latter's own way of organizing the socio-economic change. To a

large extent this revival of the Islamic kind of economic behaviour in many countries is dependent on the course of history itself.

However, the implications of the socio-economic responsibility need be recognized by all concerned. Economics, as a social science be it Islamic or secular, has to offer knowledge as a source of power for social change. It has no place in a social vacuum.

In modern conditions, success and achievement as aims of life have become predominantly radically different from the Islamic aims under the pressures of materialism and secularism, whether under socialism or under capitalism. Muslim imagination is unfortunately captured more by capitalism than by socialism for conceiving the role of new decision-makers on possible social change. The role of private enterprise in bringing about the miracles of economic change is extolled and even considered Islamic without realizing the contradictions with the very concept of capital and the unsocial appendix of exploitation through interest and also excessive profit, as is manifest in the functioning of the giant multinational corporations. On the other hand, some tend to consider the role of public enterprise or state capital as the panacea without probing deep into the maladies of socialism (e. g. maladies of economic dictatorship, loss of human right and inefficiency of management). Whether we think of blending capitalism with socialism or not, the system will not be a system with synthesis and Islamic aim unless the moulding of the changes start with re-definition of success and achievement and linkage of socio-economic responsibility with the re-defined (or rediscovered) goals. Economic behaviour, at the present time, takes advantage of all available opportunities of material achievement with one plea or another. Individuals even in Muslim countries, think in terms of their opportunities of increased material prosperity and not in terms of the common brotherhood when large segments of the Muslim world are tragically suffering from poverty and deprivation. The economically well-off even in the poor Muslim countries think of capitalism as a desirable system and close ally to their aims in life and leave the economically deprived community of fellow-brethren to pray to God for help.

Economic behaviour will not be Islamic in the Muslim countries until it is backed by social and personal responsibility as well as accountability: this latter is not likely to grow with the mere drawing attention to the potential capabilities of the Islamic ideology to resolve all conflicts. The responsibility of resolving the social conflicts in the present conditions has to be shouldered jointly and individually by all the Muslim countries to create the conditions of right economic behaviour. The norms of behaviour will need the support of a good chance of successful re-testing.

Notes and References :

1. Maurice Bucaille, the Bible, the Quran and Science, North American Trust Publication, USA, 1978.
2. M. Ferdouse Khan, The Scientific Findings and the Holy Qur'an Bangladesh Islamic Foundation, Dacca, March, 1980, (Second Edition), (Vide preface by AZM Shamsul Alam and P.10).
3. Bukhari, Hadith Nos. 2558, 2559 Bengali translation by Shamsul Haq Faridpuri, vol. 7 pp. 121-126.
4. Bukhari, Hadith No. 2430, op. cit. p.ii.
5. Al-Qur'an, Sura Juma, verses 10-11. Hadith literature is also rich specifically on the requirement of moderation in the pursuit of wealth. One significant instance is : "Fear God and be moderate in your pursuit of wealth; take only that which is allowed and leave that which is forbidden." Ibn Majah, vol. 2. p. 725, No. 2144. Another one mentions: The best of Muslim is he who is concerned about the affairs of the world as well as the affairs of the Hereafter." Ibn Majah, vol. 2. p. 725, No.2143.
6. M. Umar Chapra, the Islamic Welfare State and its Role in the Economy, Islamic Foundation, Liecester, UK, 1979, pp. 18-19 (For sources of Hadith references vide his footnotes 56 and at p. 30).
7. Ibn Hazm, Al-Muhalla, vol 6, pp. 156-59 : 725 mentioned in Umar Chapra op. cit, footnote 27 at p. 29.

CHAPTER FOUR

Fundamental Theory : Assumptions and Concepts Under Secular Economics and Islamic Economics :

Introduction : Need for Understanding the Differences

Secular modern economics has evolved itself after isolating the methods of approach and analysis from the non-economic framework, especially the ethical- social framework, of a social science. Whatever social implications are still maintained under normative economics or welfare are also consciously segregated from the ethical-social framework. In such segregation the scientific nature of enquiry and analysis becomes easy. But the effects of this segregation are never restored in the process of analysis, at determined stages, so that the full implications of the relevance of economics to human life and society are taken care of. Without that restoration in the processes of investigation and analysis, economics assumes the character of economic science and loses the vital elements of a 'social science.' Under Islamic economics, this restoration is a part of the 'equilibrium analysis,' with a view to achieving social equilibrium for the society concerned. This difference is to be visualized conceptually and must be, as far as practicable, reflected in the fundamental assumptions and concepts with which economic analysis starts.

Leaving aside the question of relationship with the ethical social framework, modern secular economics tends to be built around the segregation of 'positive statements' from 'normative statements.' This is said to be required by the fact that it is logically impossible to deduce normative statements and vice versa. Richard

Lipsey uses an example to show this 'impossibility,' as is mentioned below:

"Consider a simple example. Suppose I believe (1) that it is a moral principle that one ought to be charitable to all human beings. Then if I am to (2) that the inhabitants of China are not Christians but human beings, then it follows (3) that one ought to be charitable towards the Chinese. We have thus deduced from

(1) and (2) a normative principle about how we ought to behave: no positive statement on how we do behave can be deduced from (1) and (2). Now suppose someone else comes along and says, 'You ought not to be charitable toward the Chinese because moral principles dictate that you should only be charitable toward Christians. If we now get into an argument about whether or not we should be charitable toward the Chinese, this argument will turn on our value judgments about how one ought to behave. These are questions on which reasonable people sometimes just have to agree to disagree. If both sides insist on holding to their views on charity, and even if both are perfectly reasonable men there is no civilized way of forcing one to admit he is wrong.'¹

The kind of logic illustrated in the example is in fact illogical, if the statements are put in their proper perspective of right and 'wrong'. If the important basic assumptions about this perspective are not ignored, the 'impossibility' factor mentioned by Lipsey just disappears. These basic assumptions are:

(a) Civilization is not founded on material and economic progress alone; ethical and spiritual values guide such progress towards meeting the objectives of life in a balanced manner.

(b) Even believers in Christianity are likely to be believers in the moral principle that we ought to be charitable to human beings not simply to Christians.

(c) The moral principle justifying charity to the Chinese as human beings is also acceptable to economists for economic analysis; even the restrictions of narrow political nationalism do not hold in modern days on international issues about humanitarian programmes.

(d) Islamic economics, relying on the perspective of the Islamic System, is explicitly intended for mankind as a whole; the moral principles of Christianity can be conservatively assumed for Christians but those of Islam (representing the advancement from Christianity in the process of evolution for the right civilization) can guide the behaviour of all humanity.

(e) When the world is not the unit of operation of the Islamic System in an Islamic society, Muslims as believers in Islam will treat their neighbours Chinese or any other with equal kindness and love as to be shown to themselves. This follows from the principles of the Quran and Sunnah.

Thus in the Islamic System, the conflict on the question of moral principle about charity will not arise at all. If both parties are perfectly reasonable, they will know their perspective and will not argue about a problem which does not exist. What can be more 'civilizing' than that ?

2. Scientific Enquiry in Economics in the Islamic Perspective:

An appeal to facts or evidence is a distinguishing method for testing a statement or hypothesis. As such, observation of facts today is thus acknowledged to be a scientific method of enquiry on a hypothesis or statement built up on the basis of a feeling about a causal relationship between two things. A hypothesis may be deterministic or statistical. A deterministic hypothesis admits of no exception. For example, when we say that if you put a match to a dry piece of paper, the paper will burn, we admit of no exceptions. Similarly, a hypothesis may be put up like this "if such methods of torture are used for such a period of time, any man tortured will always break down." This is also deterministic in its meaning. But it may not be really deterministic because it involves human behaviour and human behaviour has many forces of motivation and guidance. It will be both wrong and unscientific to assume that human response to some kind of torture will be uniform and will have no exceptions. A social science dealing with human behaviour cannot therefore use deterministic hypothesis in the sense of absolute truth which has no exception to contend the validity of the

truth. In fact, in that case, there is no need for a scientific enquiry. The deterministic hypothesis becomes an axiom. Nobody will, indeed, think logically that human behaviour is axiomatic and beyond the need for scientific enquiry.²

A statistical hypothesis admits of exception. The example may be re-formulated as: If you torture a man over such a period of time with such methods, he will very probably break down. This brings in the degree of probability in the expected result in human behaviour. The man proposing the above hypothesis may in his mind expect a high degree of probability in the result of 'break-down' which may range from 83% to 95%. He may now test this in actual observation in the detention camps for a good sample and find out if the results may show the actual degree of probability to test the assumed hypothesis. On that basis, it may also be possible to conclude about the degree of probability for a larger number of people. This may take the form of a prediction for the future too. But such exercises rely on further assumptions about uniformity of human response or human behaviour and also predictability about the continuation of the same uniformity over time. But think of human responders to the offer of alcohol in a reception held at a foreign embassy. What will be the degree of probability in drinking alcohol in the reception held in a Muslim country? What can be the statistical hypothesis? If the country is not based on the principles of Islamic State and *Shari'ah*, the degree of probability of acceptance may be quite high, and if the country is based on the principles of Islamic State and *Shari'ah*, the degree of probability may be extremely low or zero. In the latter case even the observation of bigger samples may show the same result. In the former case, observation of bigger samples may bring out different degrees of probability. Moreover, if this country plans to move progressively towards the adoption of Islamic State and *Shari'ah*, the high degree of probability of acceptance of alcohol (or any intoxicants) will be declining as a result of social control on individual behaviour. This implies that the earlier hypothesis will become unworkable.

When the social conditions are constant, a stability in human behaviour may be conceived or expected. In a fully organized

Islamic State, for instance, extremely low degree of probability of acceptance of alcohol may remain stable as general response of behaviour. If the question of alcohol is replaced by one of ice-cream, the hypothesis may be based on weather conditions like the warmer the weather, the higher will be the sales of ice-cream; if the conditions of warmth can be assumed, increased demand for ice-cream will appear every summer as an indication of stable human response or behaviour. Here Muslim or non-Muslim social conditions do not affect behaviour. On the other hand, regardless of Muslim or non-Muslim social condition, the response of the below-poverty-level people in a poor developing country for the same product (ice-cream) will be small even in summer and will be quite large for the better off urban people. Thus two different hypotheses will need be assumed for the two different groups. Further, in the process of development when poverty is reduced, the response of the same below-poverty-level group may improve considerably with the improvement of income. This implies that the assumption of stability of human behaviour does not hold under conditions of economic change.

There is an advantage in assuming a statistical hypothesis in many cases. These are aggregative patterns of human behaviour. In large aggregates, the odds of behaviour in some are offset by the opposite odds of behaviour in other; and the average situation provides a good basis for a hypothesis. For instance, a social scientist will not be able to predict, on the basis of mortality rates of countries, which healthy individuals are likely to die. But experts in probability studies on mortality can help an Insurance Company to do profitable business. When mortality rates are changing as a result of socio-economic planning, these do not remain stable, even then probability prediction is possible because of the large size of the statistical universe. But think of the aggregates of male population and female population. Is it a result of human behaviour or just a natural phenomenon that these two aggregates are more or less balanced in almost all countries? Who averages the birth rates and death rates towards the balancing of the two sexes, even in the processes of dynamic change in the demographic condition brought

about by natural and artificial calamities or controls? Statistical hypothesis, in this case, becomes redundant. This is beyond even macro-economics. Many Western writers have started to consider such areas of knowledge as Meta-economics. Islamic scholars consider the balancing of the sexes as the result of the Laws of God since births and deaths are within the realm of God's planning. No hypothesis about the balancing of sexes will be normally necessary.

The Islamic perspective brings about new conditions of human behaviour through the guiding roles of fundamental forces chiefly those of understanding, faith, knowledge and discipline, explained earlier. Under those conditions, assumptions and hypotheses for establishing causal relationship between two things or for explaining a certain event of occurrence will need recognise the discipline of those conditions. As a result, in the name of reasoning, we need not make unreasonable statements and odd theories which are unrelated to social and individual behaviour of the System we consider our own. An economic theory gives a "simplified explanation of the way in which an economic system works and of the important features of such a system"³. The Islamic perspective, logically, leads to the relationships of the Islamic economic system to the operation of that system. Assumptions and hypotheses will thus be relevant to the human behaviour consistent with this requirement.

A theory, according to Western modern thinking, 'consists of a set of definitions, stating clearly what we mean by various terms and a set of assumptions about the way in which the world behaves.' In the construction of a theory, the next step is to follow a process of logical deduction for understanding the implications of the assumptions. For instance, if we adopt the assumptions about businessmen, such as : (i) they will always try to maximise their profit, and (ii) they will behave in a particular manner when their profits are taxed, then we can derive implications about how they will behave when taxes are next changed, say next year. To explain the working of an Islamic economic system, we may not be able to make the first assumption at all, simply because the Islamic perspective will not permit unethical and unsocial maximization of

profit by individual businessmen. Individual behaviour of businessmen in an Islamic society will not be as in the capitalist society. Hence the assumption, to be realistic, will have to be modified. And hence the result of deriving the implications and stating them as predictions about how the behaviour of businessmen will change next year because of change in taxes will also get largely modified.⁴

Since the scope of investigation towards construction of theory is too wide in terms of un-disciplined unpredictable human behaviour, the range of the extents of trial and error involved is also very wide. In the case of construction of theory for Islamic economics in an Islamic society, human behaviour is basically disciplined and perspective oriented and as such, the hypothesis cannot be wild and deriving the implications also become relatively easy. In the former case, it becomes a process of perpetual inquiry to make and unmake theories only to count the latest position of result on one particular element or an issue as the indication of progress of knowledge achieved upto the given point of time. In that process old theories become dead bodies of logic to be kept in the archives of history. Only researchers of serious type may occasionally dig out those records for gaining some new light, as Karl Marx did. Such new insights gained from digging may be crude material to be used in the construction of a radically different theory. In the actual conditions, the process of observation may provide facts to support both the old theory and the radically different theory. So they can acquire the status of tested theories i. e. empirically tested theories. These acquire the quality of valid theories; the validity relies on the different sets of observation of facts. Even these validities will disappear in the process of social and economic change which brings about different actual conditions out of which facts have to be observed again. This is the way how classical theories, causing revolutionary change in thoughts and applications, yielded place to neo-classical theorists who yielded place to Keynes and Keynesians who again made room for neo-Keynesians, anti-Keynesians, Radicalists, Socialists and Communists as new theorists.

In the other case where the Islamic system is in operation, the fundamental assumptions are more or less constant because they relate to the basic conditions existing under the Islamic order of discipline. A good deal of standardization in behaviour as a pattern of life and application of 'norms' will emerge in this condition. The conditions of this basic framework of socio-economic life to a large extent are likely to develop stability and this stability will provide the 'stability of behaviour' justifying the construction of theories on the basis of enduring hypothesis or assumptions on other related areas of human behaviour. Such theories, tested by observation of empirical facts, are also likely to endure until the conditions of the basic framework change substantially or radically to warrant adoption of new hypothesis or assumptions. That situation emerges when actual conditions deviate very substantially from the 'norms' of the Islamic framework. Fundamental theories based on fundamentally unchangeable conditions of hypothesis remain fundamental in all stages of operation of the Islamic economic system. For instance, the theory of zero rate of interest, is fundamental for all kinds of Muslim country in their different stages of application of the "norms" of the Islamic framework. Yet there will be differences in the actual status of application of the theory. In one country, because of the firm conditions of application of the 'norms', the theory will be faithfully applied so that theoretical economics in that field becomes applied economics, and laws of economics are enforced by the laws of the state (based on Islamic *Shari'ah*). But in a country remote from those firm conditions, the theory may be honoured as an applicable theory in an academic sense. The fundamental theory, tested and applied in another country, may become an 'ideal' to aspire to reach because of the 'unreadiness' of the conditions in this country. This 'unreadiness' will require the theorists of this country to construct new theories with new hypotheses and assumptions to introduce innovations in the actual conditions so that eventually changed conditions can provide the basis for reaching the 'ideal'. Reaching the 'ideal' here implies applying the fundamental theory. Thus scientific enquiry in the present conditions of Muslim countries will have quite a large

scope. But the economic scientists in these countries will have to rely on normative 'procedures' rather than the pursuit of just 'positive statements.'

Muslim economists or economic scientists interested in Islamic theoretical research, can indeed enter an era of purposeful theorizing for helping the Muslim countries, in their different stages of nearness to the 'ideal' towards their creation of new conditions and institutions with meaningful innovations. This represents a great opportunity of new research and contribution by scientific approaches. There is only one difference. In the case of modern scientific approach, a theorist can challenge all preceding authorities and strive to establish anything. But in the case of the Islamic theorizing this challenging will be only until the fundamental truth is established. That fundamental truth is embodied in the fundamental theory.

The steps in scientific enquiry can be common to both approaches, e. g.

- a. Definitions and hypothesis about behaviour or assumptions;
 - b. Process of logical deduction;
 - c. Predictions of implication;
 - d. Process of empirical observation or testing ;
 - e. Conclusion ; consistency or inconsistency with facts. If the theory is inconsistent with facts, further steps are called for, e.g.
 - f. Amendment of the theory with changed definition, hypothesis etc. in the steps of the procedure above ;
- or
- g. Discarding the theory in favour of a fresh start.

Assumption of Economic Rationality

Economic theories are often called economic laws, particularly when the validity of economic theories endure for long after the 'testing' with observed facts. In such cases, certain assumptions play a fundamental role. One fundamental assumption of this nature, under modern economics, relates to what is known as Economic Rationality. It is assumed that consumers behave rationally, buyers

and sellers behave rationally and so on. These assumptions help establish Demand Theory, Supply Theory, Equilibrium Theory and eventually the Laws of Demand and Supply.

For a consumer's behaviour, it is easy to notice the meaning of this concept of rationality. For instance, when a consumer goes to buy a pen in the store, it can be assumed that he has rationally decided that he wants the pen and not something else. It is also assumed that consumers' tastes of consumption remain 'fairly constant' over time. For instance, within a given time period, meat-eaters remain meat-eaters and do not become vegetarians. It is also assumed that consumers always try to get the maximum possible value out of spending money on a purchase (or maximum satisfaction or utility). For instance, when a consumer spends an amount of money on cigarettes, he tries to find a seller who will give him the best bargain; and after buying if he finds that another could have given him a better bargain, he feels some loss of satisfaction.

In the case of the entrepreneur, it is assumed that the entrepreneur tries to derive maximum profits from production and sales. Modern economists often admit that such an assumption may not always be true or real. But they insist that "to introduce a more realistic assumption would make economic theory very difficult, quite apart from the fact that no one really knows what the correct assumption would be.⁵ They think, the assumption helps the construction of a fairly simple theory of business behaviour.

It is to be recognised that satisfaction or utility as a concept is based on psychological experience of happiness or welfare. A good deal of controversy is persisting even today among modern economists about the precise nature of it and particularly about its measurement. Measurement is at the core of modern economic theory; and insurmountable difficulties about the measurement of satisfaction or utility introduces a large area of doubt about the Demand Theory. On the other hand, absence of realism in the assumption of maximization of profits for entrepreneurs, producers and sellers reduces the validity of the Supply Theory greatly. As a

result, the technique of equilibrium analysis also loses a good deal of validity.

In Islamic economics, consumer behaviour and producer behaviour are first governed by the subjective, ethical and spiritual norms. The resulting condition is in the mind of the consumer and producer. This condition provides basic rules for decision-making for a choice in consumption and in production within the constraints of 'halal' and happiness or welfare, as conceived in the Islamic System. In the case of a modern developed economy like the USA, social control through legislative measures and competition among themselves prevent businessmen from maximizing profits. In the case of a true Islamic economy, producers and businessmen will be prevented from maximizing profit by the fear of God. From the producer's own point of view, maximum profit will provide the maximum advantage of material gain. The Islamic viewpoint of the producer in an Islamic economy will first internally control his behaviour in the form of preference for non-material gain and subordinating the material gain to the securing of non-material gain in pursuance of achieving the objectives of life as set out by the Islamic system. Maximization of profit by a producer in this case, as far as practicable, plays only a subordinate role. Even in that subordinate role, behaviour will be controlled by *Shari'ah* which discourages social exploitation in the form of profiteering, speculation, blackmarketing and illegal gratification. Hence the assumption is a 'socially desirable profit.' With this modification in the assumption on supply side, economic analysis of supply and demand will be useful in an Islamic economy. The fundamental assumption of economic rationality will thus become an 'Islamic economic rationality.'

Assumption of Scarcity

Western Modern economic analysis is based on another fundamental assumption, viz the assumption of scarcity of economic resources. Finished goods and the means to the production of the finished goods are economic resources. Economic

services and the means to the production of the economic services are also economic resources. The fact of scarcity requires proper distribution or allocation of economic resources in the interest of economic justice. It is possible to hold the view that if there were no scarcity and no need for proper distribution or allocation, there would be no economic system and no economics. In this sense, economics is fundamentally a study of scarcity and of the problems to which scarcity gives rise.

Modern economists, however, do not give due attention to the existence of other resources which are abundant and to the relationship of these abundant resources to the economic resources. The resources of free air, free water and all that exist in the land, oceans and the sky of the earth and other planets of God's creation are not economic resources. But application of human effort to any of these for converting them into economic goods becomes important for the creation of economic value. This conversion would be impossible without the existence and availability of the Original Free Resources. Hence in fairness, economic analysis cannot logically ignore the source of real value in the economic resources.

Recognition of the above fundamental truth leads to the Islamic concept of resources. In this concept, some of these are abundant and free and others are scarce and not free. Whatever resources are drawn by man from the abundant and free sources, are used with gratitude to the Creator of Original Resources. If this gratitude is lacking, modern economics has no concern and economic analysis can be on its scientific foundation of a determined narrow scope. Other social and natural sciences may similarly isolate their zones of investigation and analysis. The ultimate effect is thus to ignore the needed gratitude, and even to promote ingratitude. If the science of economics is to remain a social science, it should not permit this abandonment of gratitude for the original resources which man has not created or produced, particularly for maintaining the role of man's wisdom in leading economic progress to consolidate social progress in a given society. This is really intended in the Islamic economy.

In this context, other assumptions related to the fundamental assumption of scarcity need be rationalized in the Islamic sense, as indicated below :

A. Economic wants

Human wants are almost unlimited. The economist, in the modern world, is to concern himself with the process of providing goods or services to people for the satisfaction of human wants. But here the economist is confronted with two problems. First, there are certain human wants which are beyond the skills of the modern economist. For instance wisdom, courage and love (or peace, justice and freedom) are recognised requirements of welfare and perhaps very important requirements for social progress. But the wants felt by people for these cannot be satisfied by the provision of goods or services through the economist's theories. Such goods or services are not to be bought anywhere on the earth. Economists place the satisfaction of such human wants beyond the zone of economic analysis. Second, there are some wants which are fully satisfied for all people with tangible goods like air. On the earth, air is abundant to satisfy every human beings want for this vital life-giving commodity. It is provided by nature in quantities more than desired by human beings. Such goods are freely available and are called Free Goods, and these are also placed beyond economic analysis. These two kinds of wants are treated as Noneconomic Wants.

In the Islamic economy, the economist may not be directly concerned with the Noneconomic Wants; but an indirect concern will be relevant and important. For the first group of noneconomic wants, not only natural endowments are involved, their development through education and training will also be called for. Economics along with development of the natural faculties of wisdom, courage and love cannot be like economics without this development, whether the economist concerns himself with that or not. If other social efforts are made on the development of qualities of human development, the economist in an Islamic economy will

have to keep track of the results of those efforts as additional empirical facts.

Under the Islamic System, it can be assumed that those social efforts will be made in order to produce the Islamic attitude. In the case of the second group of noneconomic wants, the Islamic economist will be guided to 'gratitude' to the Creator of the Free Goods and all types of natural resources. In modern days, the energy crisis has arisen out of the 'ingratitude' to the original Supplier.

B. Economic wants

Modern economics deals with only economic want. These are the wants which man can satisfy with goods or services which are economic goods or services. They are called economic goods and services because they are not free and are capable of being produced or provided through the economic process of production or procurement. If material economic goods are wanted, say food, cloth, house, car, etc., all we have to do is to organize the production and distribution of these various goods or components. Similarly if we think of services of some other people like the services of carpenters, doctors, lawyers, teachers, airliners, road transportation companies, insurance companies, bankers, etc, we can also organize activities that provide such services. In a simple society, many services may be personal; but in a well-developed economy, many services may be provided by organized enterprises. Even economic human wants are infinite in nature. To satisfy them, infinite quantities of economic goods and services will now be required. Even if it is assumed that technical know-how for the production of all such goods and services are available, the means of production or economic resources required to be used in the process of production for these goods and services are not enough. In modern economics, this constitutes scarcity. This scarcity is the crux of the problems of economic analysis.

In an Islamic economy, the assumptions about economic human wants and the need for satisfying these wants with economic goods and services will remain equally important. The differences

in the nature of the assumptions will however, emerge quite significantly in the following manner :

(i) The total bundle of economic wants in an Islamic society is not infinite.*

(ii) Even within the limitations of the concept of Islamic standard of living, production and consumption of these economic goods and services will be subjected to the constraints of 'halal' and 'haram' as laid down by Islamic *Shari'ah*.

Within the limits of such modified assumptions also, economic analysis will have to grapple with the fundamental problem of scarcity of economic resources. This scarcity is apparent in terms of availability of finished goods and services as well as availability of the means of production of these goods and services in relation to the requirements of all members of the Islamic society. The scarcity will be apparent first within the limits of a national economy (in the present political sense) and then within limits of Islamic Umma (in all the Muslim countries collectively). Relative differences in the individual Muslim countries in the contemporary world, are quite evident and significantly large.

Islamic theorists will need to build up new theories about Islamic standard of living, about the production and consumption of the goods and services of the socially desired kind covered by the concept of Islamic standard of living, and about the ways of meeting the challenge of scarcity of economic resources (including technical and technological resources). The efforts of building up theories will naturally take note of the heritage of theories available in the Quran and the Sunnah as the guiding framework.

Economic Laws and Islamic Economics

Economic theories, tested with observed facts, become valid; and the validity of some of them may endure with the continuation of the facts. These are often called Economic Laws. The purpose is

* Mass consumption of such goods may be assumed only after satisfying the needs of defined standard of living in all countries under Islam.

to indicate the strength of the theory concerned about the tendency of behaviour in consumption, production or distribution. In another sense, these are deductions from the hypothesis or assumptions of theories after these are tested with observation of facts relating to them. For instance, the Law of Diminishing Marginal Utility is derived (or deduced) from the Law of Diminishing Marginal Utility in the process of production on land as constant. The difference in this case is that instead of utility psychologically felt by a consumer in the process of consuming one particular commodity (or service), physical return is obtained from the use of a plot of land more intensively than before. This physical return is tangible and measurable.

In an Islamic economy, the Law of Diminishing Returns will be fully valid and applicable. But the Law of Diminishing Utility will not be so strongly applicable because of the following qualifications;

- (i) The concept of utility is suffering from lack of precision and lack of measurement even in modern economics.
- (ii) Consumers in Islamic society may not be interested in maximization of utility because of pre-existing modifying factors which link utility in consumption with the broad objective of maximization of welfare in the Hereafter.

It can be said that the Laws of Demand and Supply will hold good in an Islamic economy as a basic mechanism of operation of the two interests of utility and cost of production. The mechanism will work in the market composed of buyers and sellers with modified influences of marginal utility and marginal cost of production. In the Islamic economy, the theory of market equilibrium or competitive equilibrium will be modified. This will be examined in the relevant chapter. It will be seen that cut-throat competition is not the technique of Islamic economic competition; rather the technique of cooperation is important there.

Thus from the principles laid down in the Quran and Sunnah and the rationalism in their interpretations by learned reformists like Ahmad Ibn Taimiyah, it is possible to assume that an Islamic economy has relied and will rely considerably on the market

mechanism, provided conditions of 'justice' to the parties of buyers and sellers are maintained. It is not simply the concept of 'just price' attributed to the Christian economist of the Middle Ages, St. Thomas Aquinas who might have borrowed a partial truth from the Islamic philosophers and economists. Reliance on 'justice' to both parties implies fairness to buyers and fairness to sellers to be established by the interactions of demand and supply in fair market conditions (i.e. in market conditions free from monopolistic and monopsonic influences).

But the interactions of demand and supply are not conceived under conditions of perfect competition. The market mechanism in the Islamic sense will be founded on conditions of 'mutual good will', as is directed by the Qur'anic principle; "But let there be amongst you traffic and trade by mutual good will." (iv; 29) This provides the basis for obligatory cooperation for determining the 'economic justice' and its acceptance by both the parties concerned. Wherever it is possible, 'mutual good will' can take the form of mutually agreed contracts; and these contracts are directed to be documented and properly signed and witnessed. This direction has been made quite specific in Sura Baqara: verse 282 which reads as:

"O ye who believe, when ye deal with each other in transactions involving future obligations in a fixed period of time, reduce them to writing. Let a scribe write down faithfully as between the parties: let not the scribe refuse to write: as God has taught him, so let him write. Let him who incurs the liability dictate, but let him fear his Lord God, and not diminish aught of what he owes. If the party liable is mentally deficient or weak or unable himself to dictate, let his guardian dictate faithfully. And get two witnesses out of your own men, and if there are not two men, then one man and two women, such as ye choose for witnesses so that if one of them errs, the other can remind her. The witnesses should not refuse when they are called on (for evidence). Disdain not to reduce in writing (your contract) for a future period, whether it be small or big: it is juster in the sight of God, more suitable as evidence and more convenient to prevent doubts among yourselves. but if it be a transaction which ye carry out on the spot among

yourselves, there is no blame on you, if ye reduce it not to writing. But take witnesses whenever ye make a commercial contact; and let neither scribe nor witnesses suffer harm. If ye do such harm, it would be wickedness in you."

The principle above, not only implies the application of cooperation, but lays the foundation of Commercial Laws and practises on internal and foreign trade transactions, including banking (transactions) observed even today in modern business. The emergence of commercial credit documents, negotiable instruments (promissory notes and bills of exchange) can be historically traced to such practices legalized by the Quran in the 7th century.

Concepts of Wealth and Goods

According to Alfred Marshall, wealth consists of 'desirable things or goods'. Such 'desirable things or goods' may be material and non-material, depending on whether they satisfy material human wants or non-material human wants (explained in preceding Section 4). Non-material goods may be internal or external; the internal ones relate to a person's internal qualities which can be used by him for economic performance (say, business abilities, professional skill etc.) and external ones relate to external use of qualities due to relations with others (say, slave labour or serfdom). Goods may again be classified as transferable and non-transferable. Internal goods are not transferable; hence mental qualities are not transferable goods. Personal trust and good-will connected with the person concerned are also examples of non-transferable goods. So also are the advantages related with natural conditions like climate, air and light which are external; advantages of citizenship are also external but non-transferable. Most material goods are transferable; these are man-made products which are reproducible. Non-reproducible goods obtained from nature like minerals and oil are also transferable.

From the modern economic point of view, only a part of wealth is economic goods. It is the part of goods which are external to man and which involves effort and can satisfy economic human wants

(utility) and are measurable in terms of money. This is from the individual's point of view (i. e. private ownership point of view). But there are goods, not in private ownership, which may have the same characteristics of cost and utility e.g. goods produced by a public corporation like Steel Corporation or Sugar Corporation. There can be services with the same characteristics both under private ownership and public ownership.

But the sumtotal of private and public wealth (or goods and services) is not social wealth or national wealth. Many items of wealth are not estimated as wealth by individuals; such cases relate to public material property like roads, canals, buildings, parks, gasworks, waterworks. They are public goods and national wealth. Even non-material elements can be national wealth. In particular, German economists have stressed the point that scientific knowledge after invention becomes the property of the civilized world. Nations make efforts to acquire and use it as national wealth. Even the organization of a well-ordered state can be regarded as an important element of national wealth.

Islamic Concepts

To appreciate the differences in the Islamic concepts, it is necessary to put things in proper perspective in the beginning. In this perspective, goods or wealth may be personal or national; but within the framework of Islamic 'norms' and system goods and wealth, internal or external, are derived from Allah and His gifts and provisions. Within the meaning of this derived jurisdiction of authority, goods and services are used by Muslims for the satisfaction of wants which are lawful as a base for achieving social ends as well as the spiritual ends leading up to the culmination in the Hereafter. Allah has planned the earthly existence of mankind with all the necessary resources which are 'His provisions' (Called '*Rizq*'). Nations and individuals have to draw on these 'provisions' for production, distribution and consumption. All these main processes of economic life are integrated with recognition of the

relationship with Allah as the provider and demonstration of gratitude for the opportunity thus made available to mankind.

When the above rationale is kept in view, the full significance of 'goods' and wealth becomes evident in the well-known Qur'anic verse "O ye who believe, eat of the good things that we have provided for you and be grateful to God, if it is Him you worship." (ii; 172) In this overall directive, eating is specifically mentioned to indicate the economic process of consumption which has to be related to the concept of Islamic standard of living as permissible under *Shari'ah*. As such, these conceptual relationships set the limits within which 'good things' should be consumed. These 'good things' may be the economic goods as permitted to be lawful in the Islamic System. These economic goods or services become 'good things' (or '*al-tayibat*') when the relationship with the concept of '*halal*' in the Islamic sense is maintained. In addition, the important element of 'gratitude to the Provider' as a spiritual obligation is to be recognised as a part of the process of consumption.

The Islamic concept of economic goods and wealth relates to such 'good things' obtained from the provisions of God for lawful consumption with gratitude. Economic goods in modern economics do not stand for 'good things' just because 'goods' represents things only, and not 'good things'. To become 'good things' economic goods have to be lawful in the Islamic sense. This is appropriately explained in one Hadith, narrated by Abu Huraira, as :

"God is good and accepts only what is good, and He has given the same command to the believers as He has given to the Messengers, saying, O Messengers, eat of what is good and act righteously (xxiii : 51) and also 'You who believe, eat of the good things which we have provided for you' (ii : 172). Then he mentioned a man who makes a long journey in a dishevelled and dusty state who stretches out his hands to heaven saying, My Lord, My Lord, when his food, drink and clothing are of an unlawful nature, and he is nourished by what is unlawful, and asked how such a one could be given an answer.⁶

Consumption and uses of unlawful things, according to the Islamic concept, make people deviate from the moral base of the

physical existence, and honour, and corrupts the heart, as is mentioned in one Hadith, narrated by An-Nu'man b. Bashir:

"What is lawful is clear and what is unlawful is clear, but between them are certain doubtful things which many people do not recognise. He who guards against doubtful things keeps his religion and honour blameless, but he who falls into doubtful things falls into what is unlawful, just as shepherd who pasture his animals round a God's preserve will soon pasture them in it. Every king has a preserve in the things He has declared unlawful. In the body, there is a piece of flesh, and the whole body is corrupt, if it is corrupt. It is the heart".⁷

In the Islamic concept, 'wealth' as well as 'good things' are obtainable from the 'provisions' and 'sustenance' given by God: these latter stand for *rizq*. The word '*mal*' is frequently used in the Qur'an and Hadith literature. Personal wealth is the personal income (current and accumulated) out of which the Muslim consumer has to spend for his own consumption, and for his family members; and more important, he has to spend for others in the society as desired by the Qur'an and Sunnah. Personal wealth becomes personal (by right of ownership). But in the Islamic society, personal property is not to be used for personal satisfaction of wants alone.

The Qur'anic directives have several dimensions, so that the comprehensive purpose of earning and spending wealth or property is appreciated:

First, people are asked to eat of what is on earth, lawful and good' (ii:168); specifically, the words '*halalan tayiban*' are significant and the world is the source of supply (*fill arda*.)

Second, people are asked to eat and be 'grateful to God'. (ii: 172)

Third, people are given the criteria of righteousness, one of which is to spend of your substance out of love for Him, (ii: 177). The list of those who are eligible for receiving such transfers of income and wealth is also provided.

Fourth, eating 'for vanities' and 'use as bait, (or corruption) is forbidden. The part of the personal wealth which can be devoted to

personal consumption has been strictly restricted in one Hadith, reported by Muslim and Ahmed as:

"None of your property (wealth and income) belongs to you except what you eat and use-up, what you wear and wear out, and what you spend on charity, the reward of which is saved for you."8

Tools of Economic Analysis

From the indication of fundamental theory, assumptions and concepts related to secular modern economics, and Islamic economics, as briefly discussed in the preceding sections, it will be easy to conceive of the main basic differences in them and also why economic analysis itself will have to differ. This also points to the need for difference in the application of the usual tools of economic analysis.

The Islamic economic science has to be both positive and normative ; even the elements of positive investigation and analysis have to be in view of the close relationships with the norms of the Islamic System. Even so, there is a good deal of scope for investigation and analysis in the manner of positive economics with the application of modern-type tools or analysis. Formulation of an economic theory seeks to establish relationship between two or more things, called variables. This is done by way of deduction from the hypothesis or assumptions. The process of deduction can be just verbal reasoning, graphical representation, geometrical analysis or mathematical modelling. Within the scope of Islamic economics, analysis can also be subjected to these various applications of tools.

Verbal reasoning is the oldest tool, mostly found in philosophical and logical analysis. In the case of Islamic social philosophy and economics, verbal reasoning has been traditionally favoured by writers because of the advantages of deduction from hypothesis or truths derived from given sources. This is particularly evident in the Islamic Laws. The original sources of Islamic Laws are two: the Qur'an and the Sunnah which provided the fundamental principles. With the new demands of social evolution and emerging

problems of larger and larger communities under Islam, it was necessary to develop additional methods of finding the solutions. These were the methods of *ijma*, *qias* and *ijtihad*. Broadly speaking, we may mention the following on the nature of these three methods:

(a) *Ijma* : This method refers to the process of establishing a consensus of the community as a whole or of the learned schools of thought. The process was one of systematic reasoning and deduction from the original two sources. Even the systematization of the original sources in the form of present codification was the result of a prolonged process of consensus. In the case of the Qur'an, it was only the arrangement of the revealed *Suras* which had to be agreed to, and it was not necessary to involve the whole community. Prophet Muhammad (sm) recited the *Suras* in this order, not in the order of sequence in which these were revealed; and his successors accepted and followed the same order of arrangement as the established consensus. In the case of the Hadith literature, it was a tremendous hard-work requiring skill, knowledge and logical reasoning so that true traditions could be distinguished and sifted from all available statements and narrations. In that arduous process of sifting, six authoritative collections (each in many volumes) emerged. These required consultations, reasoning and testing with reference to available sources of personal and other evidence. The third stage of development of '*Ijma*' becomes necessary for references to conditions after the period of Prophet's (sm) companions was over. In these conditions, right interpretations of the Qur'an and Sunnah depended on the institution of '*Ijma*'. The agreements reached and accepted by the whole community became a new source of knowledge and law. On the basis of reasoning, again minor differences among learned schools arose as an indication of intellectual limits. Even this could be treated as God's grace based on one reported Hadith : The difference of opinion in my Community is an indication of God's grace.⁹

(b) *Qias* : This method is one of deduction from the existing sources, (i.e. Qur'an, Sunnah and *Ijma*') as inferences based on reasoned interpretation. Such methods were relied on for the

purpose of extension of law, by analogy of earlier instances of application.

(c) *Ijtihad* : This method relies partly on interpretation process and partly on the analogical reasoning process. As such, it opens the door for new interpretation and new judicial decisions in the light of other authoritative sources of knowledge and law. Development of *Ijtihad* thus depends on a method of deduction and reasoning on a wider scale to take care of the new problems of the evolving stages of social evolution.

Thus, in pursuance of traditions of enquiry, the method of verbal reasoning has been used in economic analysis along with the development of the *Shari'ah*. Such tools are more effective than others in the sense of general understanding and acceptability. This was particularly important in the formative stage of the Islamic System.

Other Tools:

In the present circumstances, in many countries the Islamic System is now a solidified ideal because of the history of neglect on the issue of keeping pace with science and technology along with Islam. New methods and tools will provide a rapid restoration of the bridge between the past and the present.

The relation between two variables can be more precisely shown in graphical representation. When one thing depends on another, it becomes a dependent variable; and mathematically, it becomes a functional relation.

In that case, variable or factor, 'b' as dependent variable of 'a' becomes a function of 'a' and the relation as a functional one can be expressed as $b = f(a)$. The functional relationship is a basic concept behind all scientific investigations. In the physical science, it is possible to say that gravitational attraction is a function of two things - mass of the two bodies concerned and the distance between them. In general social problems, we may say that the crime of murder is a function of the severity of punishment for murder. In economics, we may say that quantity of a product

demanded is a function of the price of the product. These three instances may be functionally and mathematically represented in the following manner :

(1) $g=f(M,d)$, Where g stands for gravitational attraction, M for mass of two bodies, and d for distance between them; just can read 'is a function of' and will mean 'depends on'. That is how, a mathematical tool can be used instead of a verbal statement.

(2) $K=f(S)$, Where K is a measure of the frequency of murders and S is measure of the severity of punishment when murder is detected, proved and the murderer convicted. The mathematical expression here stands for the verbal statement. The frequency of murders is a function of the severity of the punishment for being convicted of murder.

(3) $D=f(P)$ Where D stands for the quantity demanded of some particular product, and P stands for the price of the product. So the mathematical equation can read: 'The quantity demanded of a particular product is a function of its price'.

Let us take another example like $Y=f(X)$. When we do not know what Y stands for and what X stands for, we know in this case that Y depends on X and hence is a function of X . We can only say, Y and X as variables that these two are so related that one varies with the other. But we cannot say anything about how is the relation of variation: Does Y increase as X increases or, Does Y decrease as X increase? In such functional relationship, there is no hypothesis, and hence this does not lead to economic analysis or construction of a theory.

Let us take a second example like $C=f(Y)$, where C stands for the total spending of a nation on consumption in a given year and Y stands for the total national income of the nation for the year. Here the functional relationship as between two defined concepts and magnitude are not known. Here we have adopted the hypothesis that national consumption depends on national income. We can make the hypothesis more precise with the expression $C=O_8Y$ in which

the proportion of national income used as consumption, as assumed to be 80%. This is how a theory may get started. There is no reason to believe that the magnitude must be true. This is only an assumption which has to be and can be tested with reference to observed facts. Testing may lead to the rejection of the assumption or modification of it.

Economic theory is thus based on relations between various magnitude, as has been illustrated above (e.g. quantity demanded of a product is related to its price; and amount spent on consumption is related with the national income). All such relations can be expressed in mathematical equations. This is why modern economic analysis uses the tool of mathematical formulation of a theory in many areas of economic problems. The examples of functional relations considered above are known to be deterministic in the sense that they are expressed as if they held exactly. But the relations considered in economic theory are not usually deterministic. Knowing value (in magnitude) of X may not enable an economist to know exactly about Y when the hypothesis stands as $Y=f(X)$; it is possible to know what Y will be only with some margin of error. This error occurs because of two reasons: (i) there may be other variables which also influence Y; and (ii) we cannot measure our variables exactly in the case of economic science. For instance, in the case of quantity demanded for meat or fish, the margin of error may not be large; but in the case of the functional relation $C=f(Y)$, the measurements of the proportion of national income spent on consumption (C) and the national income itself (Y) may be subject to large errors. That is why an error term (E) is added to the functional relation, such as $Y=f(X,E)$. In economic theory, the error term is almost always suppressed; and hence the functional relations appear to be deterministic. In the process of testing, we then face serious problems because we do not expect the functional relations of the theories to hold exactly. Richard Lipsey, therefore, warns:

"It is extremely important, both when one comes to interpret a theory in terms of the real world and to test a theory formally against empirical observations, to remember that the deterministic

formulation is a simplification, and the error term is really present in all our assumed and observed functional relations, "10

There is, however, a basic question about quantitative measurement of economic relations. Such questions, for instance, related to the measurability of utility and quantity demanded based on utility, have not yet been satisfactorily resolved. Mathematical notation cannot specify what basically is incapable of being specified. This is not the limitation of the tool itself. The mathematical formulation has the advantage of precisely saying what it has to say and what it is leaving unsaid. In that respect, it is a neutral tool. But that is precisely the reason why economists must be conscious of the uses of the tool. In a social science, we must not lose sight of the relevance of the economic problems to society. In the case of Islamic economics, the economists have to be more conscious of the uses because the relevance here is to Islamic society. The uses of mathematical tools can, indeed, be directed to the solution of problems ultimately to construct the Islamic society. The neutrality of the tool is thus a favourable factor. It is the economist himself who has to be conscious and capable of making the uses purposeful and normative.

Graphical Representation Tool

A functional relation between two variables may be graphically represented; and a hypothesis may be assumed with a precise indication of the magnitudes involved. Let us suppose, the relation is expressed in one of the two equations like (i) $Y = 150 - 10X$, or (ii) $Y = 100 - 10X$. Then by assuming values of X as we choose, we can derive values of Y from the above two equations as shown below:

(A) For $Y = 150 - 10X$: if value of X is value of Y will be

0		150
5		100
10		50
15		0
20		-50

(B) For $Y=100-10X$: if value of X is value of Y will be

0	100
5	50
10	0
15	-50

Statistical Tools of Analysis

Economic theories are used for analysis of given hypothesis and also make predictions on the basis of conclusions. Economists think of predicting the outcome of various changes in which they are interested. These predictions are intended to tell us what happens when a certain thing is done by way intervention or change. Economic policy is a policy of intervention. Economic intervention is undertaken on the basis of reliance on some economic theory that links the act of intervention with the result desired. It is possible that this implicit theory is wrong and in that case we may bring about results which are undesired or even opposite to what we desired. It is therefore critically important to know if the assumed theories do or do not predict the result of the various changes (or interventions) in the economy within reasonable (or acceptable) margin or error. For determining this we have to test the theories against evidence on what actually happens in the economy. Tools of statistical analysis are used for the purpose.

Since economic problems relate to society and an economy, testing is difficult and complicated. Vast mass of facts of behaviour is emerging all the time; and to relate the effect of change in one variable on another or on a number of variables is hazardous. Various techniques of statistical analysis are used to let the economist obtain reasonably satisfactory results.

As Richard Lipsey points out : "The techniques of statistical analysis show, how given enough observations, it is generally possible to identify the relationship, if one exists, between two variables, even though other things which affect the outcome are also varying."¹¹ It is to be noted that observations must be enough;

and 'enough' depends on the nature of outcome desired and the nature of the variables. The analysts need also measure the margin of error involved in the technique used. Surveys, sample surveys, random surveys etc. are undertaken and results analysed in order to identify the observed facts. Regression analysis or multiregression analysis may be used as techniques to establish relationships between variables.

Statistical tasks are not always easy. Since society is the laboratory in the case of economic problems, statistical analysis will have many pit-falls and limitations before reliable validity can be claimed. A whole new field of study called Econometrics has now grown up to improve the techniques of statistical analysis and also to develop new techniques so that the challenges of testing can be better met and better predictions can be ensured. Yet predictions and forecasts still remain uncertain because of the basic truth of too many imponderables or unpredictable continuing to qualify the use of the techniques.

Applications to Islamic Economics

In an Islamic society, too, economic problems will need investigation in a scientific manner within limits of conformity to fundamental truths, assumptions and laws. In this investigation, the reliance on methods and techniques other than verbal reasoning will be very important due to a number of reasons :

First, these other methods and techniques are more suitable to the conditions of economic behaviour and the dynamic changes that characterise modern social and economic life. Muslim countries have fallen behind the Western and other advanced techniques because of their own neglect of development of further knowledge and further techniques analysis. They have to bridge the gaps now with speed and imagination.

Second, these methods and techniques are part of common knowledge and culture available for humanity. Islamic economics, meant for humanity at large, can serve human welfare better on the

basis of reliance on these although Islamic constraints should qualify the perspective.

Third, these methods and techniques can be better assimilated in the system of education now in force and likely to be in force in the Muslim countries in the coming decades. The problem of training the teachers can be better overcome by adopting such tools of analysis.

Fourth, these methods and techniques in themselves are neutral. By using them in the Islamic perspective to development of theory, we can derive at least two advantages : (a) we can inspire Muslim talents, even West-trained sophisticated ones - to engage themselves in accomplishing the advancement of the science of economics desired for an Islamic society; and (b) we can convince the modern economists of the West and of other advanced countries about our claim of the superiority of the Islamic ideology (which largely depends on the operation of the economic system).

Notes and References

1. Richard G. Lipsey, An introduction to Positive Economics, p. 6
2. Lipsey has used this example, I have slightly changed it (Vide, Lipsey, p, 10)
3. Alfred Stonier and Douglas Hague, Economic Theory, London: Longmans (Tenth impression) p.1
4. Richard Lipsey, op, cit. p. 14
5. Stonier and Haque, op. cit. p. 2
6. Mishkat al-Masabih, op. cit. p. 592.
7. Ibid. p. 593.
8. Ibn Kathir, Tafsir Al-qur'an al-Adheem, Beirut: Dar Al-Andaius, 1971, p. 549 (as quoted in Monzer Kahf;, The Islamic Economic MSA or USA and Canada, Oct. 1978. p. 22.)
9. Syed Abul A'la Moududi, The Meaning of the Qur'an, Board of Islamic publication, Delhi, 1973. pp. 23-28.

10. N.P. Aghaides, *Mohammedan theories on finance*. Lahore : Premier Book House 1961 (quoted by M.A Mannan, in his *Islamic Economics: Theory and Practice*, Lahore : Sh. Ashraf, 1970. p.22.)
11. Richard Lipsey, *op. cit.* p. 25.

CHAPTER FIVE

Islamic Economic Rationalism and Theories of Consumption and Production and Market :

Islamic Rationalism

Following Max Weber's statements in his "Protestant Ethics and the Spirit of Capitalism", Dr. Monzer Kahf thinks, it is possible to treat 'rationalism' as a 'cultural concept'. Cultural values have, however, evolved in the West around changing processes of ideas in social and class values as well as 'privileged traditions'. Hence shifting foundations could be acceptable to Weber's method of analysis. Capitalism was accommodated as the joint product of those shifting ideas of economic rationalism, and 'utilitarianism'.

Weber asserted that the alternative to 'economic rationalism' was the hand-to-mouth existence of the peasant or 'the privileged traditionalism of the guild craftsmen'. and this laid down the logic of vigorous calculation directed with foresight and caution towards economic success.¹ The logic, indeed, deviated eventually from what cultural concept implied.

Islamic rationalism, emanating from Islamic economics, needs first be understood as a cultural concept involving moral values, and secondly, needs be based on Islamic values (derived from the Quran and Sunnah). When conceptualism is thus adequately adopted, definitions and analyses are not likely to be evolved as is noticeable in the trends of Western conventional textbooks.

These conventional approaches stress the need for segregation of the 'norms' of morality from the 'whole' analysis of economics. This stress is based on the argument of practicability of testing with evidence and objective data. One textbook mentions two examples

of normative statements: (a) It is wrong to look for life on other planets; (b) Firms should attempt to maximize profit. And it states: "No factual studies can be made to prove or disprove these two statements. Instead, whether or not we agree with normative issues depends largely on our ethical perspective." That is to say, the need for analysis of 'the ethical perspective' is thus summarily dismissed and pushed under the carpet of permissible analysis as 'positive economics'. At the same time, it is also acknowledged that "although positive statements are potentially probable or improbable, it may sometimes be very difficult or costly to do this. Consider, for example, the cost of disproving the statement: common forms of life exist on Venus."²

But suppose, we assume the world as the territorial unit for analysis of the economic resources allocation and productivity, from the point of view of human welfare, will this be more difficult or costly than the already executed projects of making atom bombs (which destroyed Hiroshima and Nagasaki) or the nuclear and hydrogen bombs (which are in stock and pipeline of production in the known industrially advanced countries of the world)? Not at all. The truth lies in the fact that norms and moral values have been put into the graves, hidden or suppressed. The data about the costs and negative benefits for humanity had been available (as secrets) for good many decades.

Islamic economics suggests that before aiming exploration of other planets and galaxies, mankind 'should' have been enabled to develop the planet earth for optimum human welfare output for equitable distribution. The above 'should' has been inhumanly banned to suit objectives of superpower games of neocolonialism with militarism and anti-human welfare commercialism. Islamic economics may, of course, still lead the way to corrective analysis and application of appropriate solutions to problems. Of course, the need is for national and international decision-making for these levels. The beginning lies in planning and applying reforms in education (in sciences, technologies and economics etc.) to produce 'whole' men and women including matching researchers

and teachers. The environment will then be fruitfully normative-positive, integrated with Islamic rationalism.

Significance of Consumption

Consumption is in fact the objective of economic activity and production. Goods are produced for consumption by both producers and others who cannot produce. The same is true for services which are exchanged for income; such services are consumed by those who pay for them in kind or in money. In an exchange economy, goods and services are exchanged for money (out of earnings of income) before these can be consumed. The process of consumption in an economy and society, thus, primarily depends on earning of income. In modern days, the income is mostly earned in the form of money. And the money income is spent on goods and services available in the market. The size of income determines the size of total command over possible consumption of goods and services. This total command is also called possible total demand for them, if the income is intended to be spent. All goods are not, however, directly consumable like food and cloth. For instance, a part of the income may be spent on capital goods like machines and equipment required for producing processed food items or garments. Such parts of income are savings converted into capital and are outside the scope of consumption. The services of banking and insurance required in connection with the procurement and installation of machines and equipment are also thus outside the scope of consumption. From another point of view, the tax paid on income is neither available for consumption nor for converting into capital (which is called investment). The income after taxation is thus very important for the purpose of determining potential demand on goods and services which are consumable and which are investments. But investments (or use of capital goods) are also for the purpose of producing more consumable goods and services. That is why businessmen (or entrepreneurs) keep all eyes on consumers and their incomes. In an exchange economy, the consumer is the central key around which every economic process revolves. In the

early stages of development of capitalism, the emphasis was on accumulation of capital for increasing production and also increasing consumption. The capitalist entrepreneur considered the consumer to be the king. Production was directed to meeting all wants of consumers; the production process itself provided the incomes for enabling the consumers to buy goods and services to satisfy their wants.

In modern days, basically the same thing is true in market economies or liberal economies. Capitalism of old days has been greatly modified with many measures of egalitarianism and humanism. Elements of socialism have been integrated with capitalistic structures or systems. As a result, incomes of workers have increased. Increased incomes have provided increased opportunities of consumption. Increased opportunities of consumption have led to the establishment of higher levels of living. The 19th century Industrial Revolution in Europe and the opportunities of colonialism provided unique advantages to the West for achieving such economic progress for their societies in which 'affluence' is being enjoyed.

Standard of Living

The level of consumption of goods and services is usually meant by the level of living. In economic analysis or thinking, according to the conventional economic science, level of living concerns itself with the level of satisfaction of material wants with the help of material goods and services; mental and spiritual satisfactions in relation to non-material wants of life are excluded. These are not tangible, nor measurable. Hence these are logically excluded from the scope of the exchange economy. In Islamic economics, these are not irrelevant, even though these do not belong to the exchange economy. Such wants relate to meta-economics in the Western sense and relate to the basic assumptions of Muslims living in the Islamic sense. The basic assumptions exercise a 'control' function without which economic rationalism of Western definition does not become Islamic economic rationalism.

Subject to this condition, standard of living refers to the bundle of goods and services a consumer or a class of consumers habitually enjoy on the basis of spending of earned income. For a given bundle of consumer goods and services or for a given level of standard of living, however, constant purchasing power of income is assumed. Hence rising prices of this bundle of goods and services implies lowering of the existing standard of living to that extent.

The Islamic economic rationalism relating to consumption and standard of living rely on these principal assumptions :

- (a) Material wants have to be satisfied with material goods and services as a means of satisfying the conditions of success for the life in the Hereafter; code of individual and social behaviour has been provided in the Qur'an and Sunnah as the defined conditions of success.
- (b) Consumption is to be guided by the principles of halal and 'haram' and supported by lawful earnings of income-lawful in the sense of conformity to the *Shari'ah* and relevant proper interpretations.

The above assumptions introduce significant differences in the objective and subjective elements of the concept of standard of living. The subjective elements will result from the operation of the two key assumptions which are indicative of the 'controls' in general terms. The controls are intended to produce qualitative effects in the act of consuming the goods and services. Even in the act of consuming food, a Muslim consumer begins in the name of Allah and finishes with the expression of gratitude to Allah.

Objectively, two structural differences can be observed in the Islamic concept of standard of living :

- (i) Goods and services prejudicial to the principles of lawfulness under *Shari'ah* will be out of market for Muslim consumers; limited market may exist for non-Muslim consumption with official permission. Consumer demand will accordingly assume a general and special pattern. Production pattern will also follow a similar trend. These cultural differences will be reflected in consumption and production.

- (ii) Muslim consumers as members of the Muslim community will apply principles of Islamic equity in income distribution, economic opportunities and economic security. This will result in avoidance of excessive inequality in income and consumption and hence socially and economically justifiable stratification of standard of living. Social and economic exploitation will be eliminated through the operation of the principles of social and economic justice emerging from the Qur'an and Sunnah. Ostentatious unsocial consumption will be automatically avoided; and cases of deviation will be socially condemned and may even be lawfully punished.

Consumption and Ethics

In an economic system, income-earning and income-spending activities of mankind constitute the basic operations leading to economic progress. Economic rationalism requires that a substantial part of income is to be saved for investment in the production of capital goods and also in the use of capital goods so that the production of consumer goods can be greatly increased for distribution. This process of enabling a larger share of income than before on more consumer goods than before explains how standards of consumption and standards of living are raised. This result cannot take place, if the entire amount of income earned is spent on consumer goods. This logic led to the emphasis on the growth of capital and of the system of capitalism. In this system, the capitalists themselves took advantage of the new methods of production which involved more and more time and several processes (because of the use of mechanised technology). Over-emphasis and undue advantage of expropriation of parts of income of workers led to the social problems of economic exploitation. This was socially unethical. The consequences were the creating of the classes of 'haves' and 'have-nots' as a demonstration of economic imbalance.

Such economic imbalance is to be avoided by maintaining a balance between growth of capital and growth of consumption as a code of social ethics. This is precisely the aim of the code of social ethics. In an Islamic economy, the consumer (who is the earner of income) is ethically oriented to the maintenance of the required balance in the allocation of expendable income. He (or she) is asked to observe due balance between 'extravagance' and 'niggardliness' in the spending of income. Anybody exceeding the limits of balance will become "blameworthy and destitute" (xvii:29). In so far as the Government assumes economic functions of consumption and production, similar principles of balance have to be maintained in the interest of social equity; but this will be a general goal in the budgeting of Government revenues and income on capital expenditure.

Over-emphasis of suppression of consumption (or imposed 'niggardliness') was, on the other hand, found in the experiments of the socialist system. State capital was created by depriving people of even essential consumption and to the extent of extermination of 'kulaks' in soviet Russia. When 'control' and the objective of balance, are not internally operating in the consumers, it becomes necessary to impose control with a view to achieving the objective; but the socialist experiment of Russia used "overcontrol and coercion as well as ruthless deprivation for squeezing consumption and re-modelling production. Excessive 'economic imbalance' was used as a strategy of change with the implications of excessive harshness and disrespect to human values and human rights.

In the Islamic economic system, the above two kinds of over emphasis and imbalance are ruled out. It assumes 'balanced' production and also 'balanced' consumption. The producer will maintain balance in the allocation of resources (or investment) between capital goods industry and consumer goods industry. The role of the Government will be to help and promote this process directly or indirectly as becomes necessary. The consumer will maintain balance, first by saving a part of his income for investment, and then by distributing his expendable income on other uses - payments of zakat and other taxes to the State,

expenditure on the consumption requirements of the family and expenditure on 'sadaqa' (to support both consumption and capital requirements of neighbours and the needy). Transfer payments to the needy and low-income groups will flow both from the Government and the members of society who have succeeded in earning incomes in excess of 'defined' subsistence. Social ethics, influencing economic behaviour towards the achievement of the objective of balance, is built-in within the framework of Islamic faith. As such, it operates aggregatively as a macro-discipline for individual and group behaviour in the economy as well as society. This in fact works as a mechanism of 'natural general equilibrium,' for the Islamic economy.

In real situations, considerations of such a general equilibrium will depend on the nature of requirements of adjustment. In one situation, opportunities of income earning may be enormous, as in an Arab oil-surplus economy today; and savings for capital formation as well as organised transfer payments to the needy (by individuals as also by the State) can support high expenditure as the internal equilibrium may require. In some cases, even such an internal equilibrium position will require external transfer payments (as relief and economic security) and capital outflows to other Islamic economies (or Muslim countries) which suffer from low income opportunities and below-optimum equilibrium position. Within the framework of international relations of the Muslim world, efforts can be made to reach an overall international general equilibrium in which balance is achieved between 'extravagance' and 'niggardliness' in expenditure and an optimum level of living (or standard of living).

Use of Market Mechanism

Producers and consumers represent two different interests in economic activity but to help the process of satisfaction of human wants (which are considered economic wants). Producers produce goods required by consumers in different degrees of urgency. On considerations of urgency or priority, some goods are necessities,

some are comforts and others are luxuries. Consumers allocate their expendable income on such goods available in the market economy. Producers allocate economic resources (i.e. factors of production like labour and capital) on the production of these and provide them in the market. They aim, in the context of liberal economy of the West, maximization of profit through selling at the highest possible price. On the other hand, consumers aim maximization of utility (or satisfaction) through buying at the lowest possible price in the same context. It can be conceived that under such conditions, a sort of tug-of-war takes place in the market but not in the sense of one group winning and the other group losing it. Pulling by both in the opposite direction will show the relative strength of a group. This relative strength will let the groups settle an accepted price somewhere between their points of view (of maximum profit and maximum utility); this will be the market price representing the condition of settlement, called equilibrium price relevant to the given situation. This is how the forces of the market or market mechanism are found to be operating in a liberal economy. The role of the market mechanism is thus considered to be a crucial institution governing or propelling the wheels of the liberal economy. Of course, even in liberal economies of today, everything is not allowed to be priced and exchanged in the free market. Controls, regulations, prescriptions etc. are applied in desired cases, mainly from the point of view of social utility or collective good (e.g. alcohol, certain types of drugs and medicine, firearms etc.). In a fully socialist or command economy, the opposite methods apply. All production is performed by the State (under State Planning) on the basis of a preconceived idea of making a certain number of goods and services available to consumers through its own system of distribution. The consumers may buy whatever is made available with their surrender of points of their earned points - Book or on the basis of the rations fixed. Here the buying power as well as availability of goods are controlled for achieving a desired pattern of consumption. Mostly, a level of austerity or even severe austerity in consumption is established in order to maximize capital formation with forced

saving. In addition, with complete disregard to the welfare of the consumers, capital-formation is directed by the state to the production of goods for civil and military uses in unbalanced combinations, even to the extent of producing nuclear weapons instead of food. The market mechanism does not operate in such a situation.

In a modified 'command economy,' however, it is possible to allow the operation of the market mechanism moderately in certain areas, as were found in Yugoslavia, Czechoslovakia, Hungary, Poland etc. Some private production may be permitted by the State; and producers and consumers may derive the benefit of selling and buying in a market to that extent. The use of cooperatives for production and sale is also a means of allowing the marketing mechanism to operate in a modified manner.

An Islamic economy has the quality of a 'command economy' of entirely different character. It is not an economy of unguided and unlimited production and consumption, as in a so called liberal economy, nor is it a 'commanded' economy like one of East Europe or of former Soviet Union.

Its 'command factor' works in two ways: (a) Individually, producers and consumers are spiritually motivated for maintaining a 'balanced attitude' about social solidarity so that instead of maximizing, (a) profit motive and utility motive are moderated; and (b) collectively, they are controlled by the laws of the State, based on the *Shari'ah* which, inter alia regulate the types of goods and services for production and consumption in view of the Islamic value-system. Because of the spiritual motivation created by faith and pursuit of the Islamic code of conduct, an internal 'command system' is built in the mind of both producers and consumers. This 'internal command system' regulates economic behaviour in general as the appropriate environment in which external control becomes mostly unnecessary. That is why private enterprise and private initiative in an Islamic economy is permitted as 'spiritually commanded'; and the consumption pattern to be evolved is also 'spiritually commanded'. The controls and regulations are the assumptions within which freedom of choice is to be exercised and

enjoyed. The market mechanism will also operate within the scope of the same assumptions. Both producers and consumers, in this economy, for instance, know that pork and wine are out of their consideration or preferences; but only non-Muslims can produce and consume pork and wine permissible in their culture and have a limited market for the same.

The pattern of consumption, in the Islamic economy, is moulded by spiritual as well as earthly goals of achievement in life. Not only there are controls emerging out of *Shari'ah* (which prohibit certain items of consumption) but freedom of choice for luxuries and comforts has been linked with considerations or criteria of 'desiring the life of the present and its glitter' in exchange of receiving 'nothing in the Hereafter' and of 'not' straining thine eyes (wistfully) at what we have bestowed on certain classes of them'. (xi: 15 and xv:88). The process of consumption itself is subjected to an ethical test in which the scale of preference is dependent on the exercise of choice for the Hereafter. This preference is qualitatively much higher in value, graded higher in excellence, the preference for 'the transitory things (of this life)' may also be exercised and such achievement is also granted. That is how distinct differences in the enjoyment of consumption standards are visible and can be real with the clear understanding that the preference for 'transitory things' of the nature of luxuries and comforts, in excess of sustenance, is the preference for the promised Hell (Vide xvii: 18, 21). In the pattern of consumption, there has to be real balance in which good things are desired to be consumed 'for sustenance' without committing excess. (xxx 81). Economic goods are of course to be defined as 'good' within the concept of '*halal*'. By 'sustenance', we can imply in modern days what is considered as 'basic needs' of life. Beyond the common standard of living based on sustenance or basic needs for the individual members of society, resources are desired to create collective economic strength.

If the internal 'command factor' becomes weak (with the weakening of faith and pursuit of the Qur'an and Sunnah), the 'external command factor' of the *Shari'ah* can hardly cope with all

possibilities of deviation from the social norms of economic balance aimed by the Islamic economy. In that situation, if large opportunities of material gain or enjoyment become somehow available, incomes in excess of 'sustenance' or 'basic needs' may not get adequately redistributed. Inequalities may evolve and levels of consumption may rise for some classes; and even ostentatious consumption may become a reality. As a result, pursuit of production and consumption of luxuries is likely to become fashionable to some sections of the Muslim community. Such opportunities may particularly influence or even induce non-Muslim ethnic or cultural groups to adopt these pursuits as a matter of economic rationalism of their own choice. Demonstration effects, then, tend to spread the areas of influence. The external 'command factor' through the operations of the *Shari'ah* may then control a limited number of members of society towards the desired pattern of consumption; and this may result in the emergence of a system of trade and production of a heterogeneous nature which supports both the limited 'desirable' consumption pattern and also the non-desirable other patterns of consumption evolving in the situation. That is how many varieties of the applied principles of Islamic economy may become real; and yet the Islamic economy as such has its own norms in which economic balance and economic justice are indispensable. The efforts of the Muslim community, in the real situation, will of course be to restore the position of 'balance' and 'justice'. Thus, the Muslim community continues to aim the establishment or restoration of 'balance' and 'justice' in pursuance of the economic rationalism contained in the concept of Islamic economy. In this effort, the market mechanism is an acknowledged essential instrument. The operations of the market mechanism will, however, be modified in view of the implicit control of the internal and external 'command factors'.

Analysis of Consumer's Demand

We may proceed first with the analysis of consumer's demand and market demand from the conventional Western point of view.

For a scientific treatment, such economic analysis has to start with a number of assumptions: (a) The consumer has to satisfy wants and his wants, as felt now, remain unchanged throughout the process of consumption.

(b) He (or she) has a fixed amount of money available out of his (or her) total income for spending in this regard. (c) He (or she) is only one of the many buyers in the market. (d) He (or she) has full knowledge of prices and goods of the market and each of the goods is homogeneous.

(e) The consumer acts 'rationally' and if he likes, he can spend his money in very small amounts.

In the context of the above conditions, some other important features of consumer's demand can be analysed; these relate to the behaviour of the consumer. Three features need attention: (i) choice between alternatives; (ii) scales of preferences; and (iii) decision at the margin. These features explain how and why the consumer becomes a part of the market and decides to buy goods.

First, the consumer has in his own mind a concept of deriving the best benefit or well-being through satisfaction of his wants with the spending of the available money. This is his self-interest. Satisfaction of a felt want is psychological experience which is not quantifiable. Yet for the purpose of analysis, economists seek to represent a precise idea of a return in exchange of the money surrendered for an item of commodity which is consumed. Acting 'rationally', he wants to maximise that return of benefit received. Since it is related with satisfaction of a specific want, it can be represented with the term 'satisfaction' itself, and maximisation of satisfaction may be considered to be the guiding principle for the consumer. More commonly, economists use the term 'utility' to convey the same idea of satisfaction derivable from satisfying a want with the consumption of a commodity. However, the critically important problem involved is that web of choice between alternatives because of the fixed amount of expendable money (or income). The consumer chooses those purchases that provide the best position of 'satisfaction' or 'utility'. Such choices are exercised in view of the available goods and available prices for them.

Existing prices in the market play a very important role in enabling the consumer exercises his choice between alternatives. Not only the price of the goods desired to be purchased are important, but the prices of many other goods in the store visited by the consumer can influence his decision on buying. As indicated by Wicksteed, "If good sound potatoes are to be had at a low price, the marketer will be less likely to pay a high price for new ones, because there is a good alternative to be had on good terms". The decision to choose is not easy, because there are many alternatives. For an individual consumer, the disposable money is limited while his wants are numerous.

He can only buy a certain limited amount of goods. He has to buy some and forego others. Even so he aims the attainment of maximum 'satisfaction' or 'utility' within the range of his possible purchases. He measures the different alternatives available in terms of expected utility and takes decision on the basis of a scale of preference.

Second, the consumer builds up a scale or preference "on which all objects of desire or pursuit (positive and negative) find their place and which registers the terms on which they would be accepted as equivalents or preferred one to the other"⁴ It is a part of the 'rationality' of the consumer's behaviour that his purchases at any given time will be determined by his scale of preferences. But the amount of money he will spend on any given occasion of shopping will not be fixed in the same way. The total amount of available money is spent all at once. Prices and availability or necessities of 'basic needs goods' and other goods (comforts and luxuries) in relation to the fixed amount of disposable money provide opportunities of consideration over time; and decisions are to be taken on different occasions on different situations of market. Not only the amounts of money spent in each shopping occasion vary, but the 'purchasing power' of the spent money or 'real value' varies from occasion to occasion. On a particular day when a housewife goes out for shopping with a given scale of preferences in her mind, she may find out that prices are higher or lower than she had expected (on the basis of her knowledge), she is faced with the

problem of readjusting her preferences because of the change in the 'purchasing power' of her fixed expendable money.

Third, in addition to the problem of deciding on the choice of a piece of goods in the midst of other available alternatives, the consumer is faced with the problem of how much of the goods is to be bought. Here the housewife is to decide about how many units of one piece of goods should be purchased. The scale of preferences will now depend on the expected 'utility' as equivalent of the money to be surrendered, if one, two, three, four or more units are to be purchased. The price charged by the seller in the market is the indicator of the money required to be surrendered; and this is the same for all individual units, irrespective of the first, second, third or fourth position in ranking. The concept of margin is a guide in understanding how the consumer decides on how many units of a given piece of goods are to be purchased. At the 'margin', the consumer is said to be on the margin of doubt whether it is worthwhile to buy the unit of the goods at the price to be paid for it. The measurement of this worthwhileness is the measurement of expected 'utility'. When the consumer thinks that he (or she) can derive utility equal to the surrender of 'utility-equivalent' in terms of money from the purchase of a given unit of the goods, he is on the 'margin of doubt'. This unit is the unit of marginal significance; and the purchase is the marginal purchase. Alfred Marshall has pointed out, we may say that the "Part of the thing which he (the consumer) is only just induced to purchase may be called his marginal purchase because he is on the margin of doubt whether it is worth his while to incur the outlay required to obtain it."⁵

In the process of purchasing several units of the same thing, such an unit is the one where he stops buying. This unit is the marginal unit and the utility derived from the consumption of this unit is the Marginal Utility which is equal to the price of the unit. At quoted price, the consumer may not buy even a single unit of one piece of goods; in that case, the goods become piece of 'extra-marginal'. On the other hand, the same consumer may buy more than one unit of a piece of given goods at the latter's quoted price; in that case, the units purchased become 'intra-marginal'. The

concept of 'margin' and 'marginal utility' thus enable a consumer compare the sacrifice of money to money to be made with the measure of utility to be derived for determining whether it is worthwhile to buy something and if so, how many units will be worthwhile. At the margin, he does not derive more utility than he is sacrificing in the form of money. On units higher than the marginal one, he is deriving extra utility. For this 'extra-utility', he has not or does not have to sacrifice anything. This is therefore called 'consumer's surplus' (i.e. surplus utility derived by the consumer). In deciding to purchase goods, the consumer thus seeks opportunities or maximising consumer's surplus. Given the scale of preferences, rising price implies reduction in consumer's surplus. On the other hand, from the point of view of marginal utility, it diminishes as more units of the same goods are bought in successive instalments until it reaches the point of equality with the current price. This tendency is termed the Law of Diminishing Marginal Utility. The consumer will feel that above this point of equilibrium of marginal utility with price he was happier or better-off because of paying less than 'derived utility'. This is also the result of consumer's surplus.

Consumer's Equilibrium in Islamic Economy

The consumer's behaviour in the market has been explained in the preceding section. We have seen that he or she aims to organize his (or her) purchases of the units of a given commodity in such a way that he (or she) can reach a position of maximum utility and maximum consumer's surplus. But the problem lies in reaching a position of judgement on the basis of comparison of a psychological experience of the feeling of satisfaction or utility with the current price of the commodity in question. It is on the basis of this comparison and judgement that consumer is known to reach a position of equilibrium where he (or she) has no desire to buy any more units of the commodity. This is the fundamental proposition implied by any statement of 'consumer's equilibrium in a text-book of modern economics. This is also known to average out

of the consumer demand theory. As stated by Stanier and Hague, "A consumer will exchange money for units of any commodity A upto the point where the last (marginal) unit of A which he buys has for him a marginal significance in terms of money just equal to its money price. This fundamental proposition enables us to explain how a consumer will reach an equilibrium position where he has no desire to buy any more goods.⁶

Let us take the following example (based on the current price of 5x per unit)

Units of Commodity A	Expected utility measured in money	Money to be exchanged (price)
First pound	10x	5x
Second pound	8x	5x
Third pound	5x	5x
Fourth pound	2x	5x

The consumer reaches the equilibrium position with the purchase of 3 pounds of 'A' in this case. Purchasing the fourth pound of the commodity will make the position of satisfaction or utility for the consumer worse because he loses 3x money units worth on that. In this of course the mental calculus of measuring the expected utility is the crucial factor. Suppose the consumer estimates 6x or $5\frac{1}{2}x$ for the third pound and 3x for the fourth while the price is 5x. How can he find his equilibrium in that case? Here the marginal utility (or the third unit) higher than the price and not equal. Even then the purchase or the fourth unit will render the position of the consumer worse in terms of total utility. Hence he will stop purchases of the commodity 'A' at the third pound. This is an Optimum position of equilibrium for the consumer.

For an individual commodity, the analysis of the theory of consumer equilibrium is simple and logical. But the limitations of the human mind cannot be ignored. These limitations particularly work substantially when the spending of the entire amount of expendable money income is considered. In that case, all goods and services relating to the economic life of the income-earner will be

concerned. All goods may imply both consumption goods and capital goods; and besides economic services, & articles from which future satisfaction can be obtained and leisure (the alternative to working and earning money) may be included.

It is conceivable that the earner as consumer will adjust his expenditure of the different parts of expendable income at all 'margins' in all the cases of purchase or preference resulting in all the cases of purchase or preference resulting in a position of maximum utility derived from his total expenditure. Given his wants on the one hand and his income and set of preferences on the other, such a position of general equilibrium can be reached as the 'best budget' of the consumer. The reasoning is : "So long as the relative importance of his different wants remains unchanged and his income and market prices remain constant, he will remain 'at rest' in the same equilibrium position. He has no motive for revising his plans, and will continue to buy the same things in the same quantities, until either his wants or the opportunities of satisfying them alter. His wants are adjusted to each other and to his environment.⁷

The above possibility can happen only when a "perfectly rational economic behaviour on the part of the consumer" is assumed. Even Western analysts have indicated many traits of the human mind for which the 'possibility' of reaching 'equilibrium' of the above nature may not be practical. For instance, the following may be illustrative :

- (1) No sensible consumer really bothers much to make minute calculations about expected utility nor to make the necessary adjustments at the margin.
- (2) A truly rational consumer is required to revise his purchases continuously while frequent changes are taking place in the prices of the various things to be bought. In practice, the consumer tends to have a list of 'habitual purchases' which he will make every week or every month and he will not revise even when market conditions change.

- (3) No consumer will ever have worked out in detail beforehand how he would reach a new equilibrium position, with given wants, if large or appreciable change takes place in the market conditions.

In an Islamic economy, these limitations of practical significance are further qualified by the differences in the assumptions and the given factors involved. These relate to the following major ones:

- (a) The behaviour of the consumer will be guided by the assumptions related to the operation of the Islamic economy. These assumptions will flow from the internal and external 'command factors' of spiritual motivation, as explained in Section on market Mechanism.
- (b) The goods and services out of which utility will be sought to be derived have to be 'lawful' and 'good' ('*halalan twaieban*').
- (c) The expendable income (i.e. income after taxation including *zakat*) is not wholly to be spent for the consumer's own family only. A part of this income is also to be '*sadaqa*' or charity to others who will spend as consumers.
- (d) The 'environment' of wants, feeling and estimation of utility, maximization of utility etc. is socially and spiritually oriented.

The above factors of Islamic orientation largely influence the 'general equilibrium position' for the consumer. In that general position, the consumer weighs and compares his position of total utility with that of his neighbours, especially in regard to the 'necessities' (or basic needs) of life. A Muslim consumer, if he is truly faithful, cannot eat his food when he knows that his neighbour is starving. This constitutes a 'command factor' emerging out of the Prophet's desire.

Within the above framework of limitations and constraints, the theory of demand will apply appreciably for the individual items of consumption when considered separately. Other things remaining the same, the Muslim faithful consumer will also experience the

psychological feeling of diminishing marginal utility when a commodity like potato or onion or beans will be consumed. He will also like to proceed to buy as many units as will give him an expected amount of maximum utility in his purchase of the particular commodity in a market. Of course, he will not estimate as selfishly and meticulously as a consumer in a capitalist society. He will take current prices as given and will tend to complete his purchases as 'habitual budgets' for a day or weeks as required. He will, however, feel the impact of changes in price or changes in relative prices of essentials. In that case, he will readjust his scale or preferences to reach a new position of equilibrium. The concept of equilibrium, either from the point of view of maximum utility or optimum utility, will thus be significant in an Islamic economy in a general way within the framework of its own environment of conditions and limitations. As such, economic analysis of consumer equilibrium and theory of demand in the same context will be quite fruitful and valid.

Theory of production in 'Islamic perspective'

The production process of an Economic System assumes the predominant role in making goods and services available for the people. And after the Industrial Revolution and the part played by Adam Smith's Wealth of Nations, economic individualism laid the foundations of Capitalism firmly to promote an imperceptible process of social exploitation. When that latter process of exploitation was greatly facilitated by Colonialism, theoretical and social protests were developed in various ways especially through the voluminous unconventional writings of Karl Marx. The Muslim countries' analysts and thinkers could not then play a vigorous role in presenting their version of solution of multi-dimensional character in a manner that could have rendered the emergence of Marxism unnecessary and undesirable. The two World Wars, their aftermath of political, social and economic consequences put the Western capitalism and Soviet socialism on the crest of historical epoch of worldwide wrestling for Superpower control through the

'wrong' use of resources and technology for a competitive militarism. Keynesian economic inventions of the 'greed and avarice'--based philosophy became popular to invoke the latent powers of neo-capitalism to the work of salvaging the ruined British economy and also to help revitalise Western conventional economics on the basis of Government Policy-planning role. That of course extended a handle to a potential future use of State functions for objectives other than 'greed and avarice' --'based social welfare. But the economics as a science did not help that kind of socially desirable swing to the 'potential' regeneration of 'social values' required in the interest of social welfare.

Many of the Muslim countries had to pay the price of their inability to counteract more powerfully the 'wrongs' imposed by the Superpowers with their arsenal of arms and impersonal mechanistic theories and tools of economics. Only after the ideas of world economic order and operation of UN mechanisms of human rights resolutions along with the acceptance of the rights of self-determination of peoples and nations, the emergent Muslim countries, damaged by the colonialism and two Wars, could begin to play the New Interpretations of Values, including Islamic economics. Even here, many Muslim countries, now occupying places in the medium and poor developing categories, could not equip themselves with the researches and their social and Islamic solutions of development problems. In theoretical economics, this void is particularly felt in countries where Arabic sources of knowledge could not be used for study and analysis while their prevalent system of education did not provide facilities for these opportunities. The South Asian and Southeast Asian countries are especially a victim of old history of colonialism in this area of knowledge.

What is important to remember is : despite difficulties and limitations, the fundamental postulate which has been established by Muslim analysts represents the socially desired synthesis of the social sciences of socio-political economics and ethics. Based on Al-Sadr's *Itqtisaduna*, Dr. Monzer Kahf has indicated it as : "The extraction of every particle of usefulness from the entire universe is

an ideological objective of the Islamic society". And Dr. Kahf has provided 20 points of illustration, given by Al-Sadr, to serve as indicators, since these were briefly the known application of legislative action to promote productivity and discourage idleness or non-utilization of resources:⁷

1. Government will take away land from the private owner if he does not cultivate it and abstains from cultivating and using it. The State will not pay any compensation will dispose of the land to the best of its judgement.
2. Acquisition of land which is ownerless does not establish the right of ownership of it. What does is the proper utilization of it. Colonization of land becomes a source of ownership in Islam under four conditions:
 - (a) Nonexistence of any previous claim of ownership;
 - (b) Continuous productive use of it;
 - (c) The non-use of others' labour; even if it is paid for in the process of colonization; and
 - (d) The non-violation of the principle of equal opportunity.
3. No privately-owned natural resources are to be left unused. Non-use of them results in the invalidation of the private claim on them.
4. Public land may be given to private bodies only according to their capability of utilization.
5. All kinds of non-productive intermediary activities are prohibited, such as leasing a piece of land at a certain rate and renting it at a higher rate.
6. Interest is prohibited as being a guaranteed source of income to those who are not actually involved in productive activity.
7. Economically non-productive activities such as gambling or the practice of magic or sorcery are prohibited.
8. Hoarding of money or other mobile assets is discouraged by the imposition of a 2.5% yearly tax on it.

9. The use of alcohol, drugs, and all means of wantanness which affects the sensibility of a person and his ability to carry on serious productive activities are prohibited.
10. Legislation which leads to continuous and slow fragmentation of concentrated wealth is to be enacted.
11. Speculation is restricted and mere speculative transactions in both the finance market and commodity market are prohibited.
12. Inheritance laws are to be used as a stimulus to productive activities, and at the same time inability imposed by Islam on anyone to select his legal heirs or reduce their number is a means towards attacking the concentration of wealth.
13. There is to be social insurance in relation to both the guaranteed standard of living and the guaranteed payment of debts.
14. Unwillingness to work and voluntary idleness make an individual ineligible for social insurance.
15. The discouragement of luxury in private consumption makes biased investment spending more attractive.
16. It is a collective duty of the Islamic community to make available every branch of knowledge and industry.
17. It is the collective duty of the Islamic community's members to participate in the leading industries and fields of knowledge in the world.
18. The State has a leading role to play in production in relation to planning and public enterprise.
19. The State is allowed to obtain resources and redistribute them in order to maximize the realization of the normative objectives of society.
20. The State enters the field of economic activity as a central planner and supervisor.

These 20 ideas on hypothesis indicate only Al-Sadar's 'indicators' of socioeconomic areas of practical research towards

development of policies for action. Progress in such follow-up researches and their uses need be integrated with my effort. This is left to the next edition of the present small book after further work of elaborate nature.

Amongst the above guidelines, it is clear that the Islamic Economy is to be marked by a critically important role of the State, especially in national planning (including coordination and supervision), in exercising a leading role in production in relation to planning and public enterprises and in acquisition of resources and their redistribution for maximizing the achievements of 'normative objectives of society' (as mentioned in Nos. 18. to 20.). On the other hand collective duty of the members of the Islamic society has been separately noted (Nos. 16 and 17). 'Collective duty', it has been explained, has a special meaning in Islamic jurisprudence, "It is an individual obligation on every member of the community until the point at which satisfactory level of work in the community is done and maintained; then it ceases to be 'an individual obligation' and becomes 'an individual duty' for those who are in the field. It is the 'duty of the State' to mobilize the community with adequate motivation towards the aimed 'satisfactory level.' And this strategy has been required to be applied in two key areas: (a) dissemination of knowledge on every branch for application (i.e. education, including sciences and technologies) and also knowledge about industry; and (b) participation in the 'leading industries' and 'fields of knowledge in the world.'

The Islamic system emphasizes production and increasing allocation and utilization of natural and other resources. In this rationale, the scarcity factor, as is so indispensably emphasized by modern conventional economics, need not be a general situation. It has been indicated in the Qur'an that 'scarcity' situation may arise because of human 'laziness' or 'neglect' of adequate utilization of human and natural resources. (Vide Sura Ibrahim; 32-34). The message is simple and pregnant with significance in such language:

It is God Who has created
The heavens and the earth
And sendeth down rain

From the skies, and with it
Bringeth out fruits wherewith
To feed you — it is He
Who hath made the ships subject
To you, that they may sail
Through the sea by His Command;
And the rivers (also)
Hath He made subject to you.

And He hath made subject
To you the sun and the moon,
Both diligently pursuing
Their courses; and the Night
And the Day hath He (also)
Made subject to you.

And he giveth you
Of all that ye ask for,
And if you count the favours
Of God, never will ye
Be able to number them,
Verily, man is given up
To injustice and ingratitude.

The explanatory notes given by Abdullah Yusuf Ali include the following significant points:

- (i) "Man can understand and control the forces of nature so as to bring them to his own service;
- (ii) Man can only do so, because he has got these gifts from God and God has fixed definite laws in nature, of which he can take advantage by God's command and permission. He has been made Vicegerent on earth (ii:30): God commandeth the highest creatures to bow down to Adam (ii:34).

- (iii) Man can, by God's command, use rain to produce food for himself; make ships sail the seas; use rivers as highways and cut canals for traffic and irrigation;
- (iv) Not only the above, even the heavenly bodies can (by God's command) contribute to his needs;
- (v) The sun gives out heat which is the source of life and energy on the planet earth, and produces the seasons of the year, by the utilization of which man can produce and supply his needs, not only material but also immaterial in the shape of light, health and other blessings. The sun and the moon taken together produce tides and are responsible for atmospheric changes which are of the highest importance in the life of man. The succession of Day and Night is due to apparent daily course of the sun through the skies; and the cool light of the moon performs other services different from those of the warm daylight. Because there are laws here, which man can understand and calculate, he can use all such things for his own service, and in that sense the heavenly bodies themselves are made subject to him by God's command.⁸

Even the explanatory notes of beautiful rendering of the 'forces' of nature and wonders of Allah's creation of skies, stars, planets, milkyways, shooting stars etc. as manifestations or using the 'powers' of winds assisting the man-made ships to sail across the seas do not provide enough knowledge to man for 'understanding' the Laws of the Creator involved. It is through scientific enquiry and finding solution to the problems of 'enquiry' that the pursuers of truth as knowledge establish beyond doubt the new Secrets of potential innovation for using the new bits of knowledge in making new instruments, methods etc. in the process of production of output (in terms of many material goods or services). That is why just reciting the relevant verses of the Quran with a deep sense of 'understanding' with the Meditation due to the process in itself is not enough to educate the created man – created as representative of the Creator – in the pursuit of scientific enquiry, research, innovation and develop potentialities of new products for the

market. That is why Industrial Revolution brought about a revolution of knowledge and research for developing new products and processes. Now the new form of education is known to be R. and D. Institutes for development of technology. Investment of capital is particularly devoted to this development of new technology for securing some 'miracles' of production-success. And a country's political and national planning skills have to organize the appropriate education system for equipping the country's economy (i.e. agriculture, industry, trade and commerce etc.) with the needed skills and technologists. And within that systematic approach, the main strategy of creation of employment opportunities in all directions is given due consideration, depending on the backlog of continuing unemployment in the case concerned. And this becomes a hard nut in the face of competition with the already developed countries who themselves rule the Industrial and Trade World.

Despite the 'foulness' and 'inequity' of the situation in the existing situation for the Low-Developed countries (where most Muslim countries do struggle), best of efforts have to be mounted by all Muslim nations. Available natural and human resources need be utilized through appropriate education, training, research and development of skills for production of economic goods and services. Even here appropriate education itself has fallen an easy victim to pollution, corruption and valuelessness with the dominance of Westernism as well as dehumanized 'economics'.

Recently, Alan Bloom wrote the American Bestseller, 'The closing the American Mind (1987)' to reveal that 'the closing the American Mind' has resulted directly from the perverse new virtue which urges the Americans to 'keep an open mind', and be 'non-judgemental'. Bloom notes the rise to prominence of a 'new language' of 'value relativism'. This language effectively prevents us from 'talking with any conviction about good and evil'. Bloom adds: "In their retreat from making moral distinctions, Americans have amassed a whole arsenal of terms for talking about nothing'..... Unequal to the challenge of married love, they pursue self-fulfilment, 'but they are haunted by the awareness that the talk does not mean very much and commitments are lighter than air. Yet

Americans long for something lost – the great moral truths upon which civilization rests." In that context, the proper role of education is now lost. "Education", Bloom asserts, "is not merely about facts, it is about truth and the state of our souls". But what image, he asks, "does a University present to a teenager, leaving off to the adventure of liberal education? Where there was once the vision of education for the 'whole' person, there is now 'an anarchy' of disconnected disciplines in these Universities – which can split the atom, find cures of terrible diseases and produce massive dictionaries of lost languages – cannot generate a modest programme of general education for undergraduate students. As it stands now, students have powerful images of what a perfect body is and pursue it incessantly. But deprived of literary guidance, they no longer have any image of a perfect soul and hence do not long to have one".

Bloom also points out that Americans have the tools in all the great works of the past, the real living monuments of civilization. They stand ready to reform and provoke. The question is: do Americans have the will, honesty and the humility to listen to them? The reviewer of the Book has stressed: "If there is a re-assertion of moral truth rather than relativistic values, this book will be remembered as a catalyst." I feel, if that 'if' works out in America as a 'catalyst' in educational reform, then only the planners and designers of education programmes of the low-level developing countries, including Muslim countries in South Asia and elsewhere, may feel the inherent urge to change their systems of education to suit appropriate training of skilled persons as 'whole' men who can both 'understand' the verses of the 'Quran according to Quranic interpretations and educate themselves in the R. and D. Institutes of modern development of technologies, wherever these operate. Modern production base of a struggling developing country like Bangladesh could also then organize an 'appropriate' production and technology system to discipline 'economics' according to its own traditions of value.¹⁰

One German Agricultural University has helped agricultural farmers and rural people in South Korea, Tunisia and Niger in three

different projects; by helping with the innovation of an inexpensive graindryer to replace a wasteful method of drying rice on village streets; by showing isolated peasant farmers how to use their animals' dung as energy-source; by putting weeds to protect crops from the desert storms. All the three instances show how inexpensive advice can innovate new small technology to fight a war against poverty. Let us take the case of rice dryer in South Korea: the University experts analyzed the country's meteorological data, did some tinkering and came up with a designing of the device for drying rice; this was basically the structure of a brick storage bin, protecting the rice while air was forced through pipes into bins, floor by a low wattage fan, guaranteeing uniform drying. The University now works with permanent experimental stations in the Philippines, Syria, Niger, Colombia and Mexico. "To solve special problems of each country, it is important that we work closely with local scientists and offices." says Prof. Erwin Reisch, the University's 65 year-old president.¹¹

Economic Freedom and Right of Ownership

The process of production in Islamic society, as in any other human society, relies on the cooperation of the production. The latter basically implies (A) Cooperation between 'man' and natural as well as other resources, and (B) cooperation between 'man' as producer and entrepreneur and other 'human members' offering physical labour, mental effort, technical skills and knowledge etc.; (C) co-operation between producer-seller and consumer-buyer in exchanging value and utility; and (D) what is known as Market. Man, thus in various forms of roles, works towards the production, consumption and distribution of output or value or income. Exchange of work is for earning an income (in terms of money or real goods / service), this exchange is a process of using money or credit through the market. Right of ownership and transfer of ownership is also thus involved in such transactions of exchange. The barter system of exchanging one type of goods for another is not common today. Market competition now determines market

value and that, expressed in money, becomes market price. Price theory for a particular product demanded and supplied may relate to current time, i.e. now on spot may thus be the quickest signal of quotation of price for the item concerned. This is Spot Market. Similarly, market conditions of demand and supply for the day will refer to Daily Market price; and weekly price, monthly price, short period or seasonal price for the same product (say rice or jute) may indicate significant signals of conditions of supply and demand. And these signals will be different in different markets or Centres of Trading in the country. These varying conditions are facts of life of the people. Such were also the facts of life for the people 20 years or 50 years back in the same country. But facts were then quite different because of other factors of influence actually were also different; i.e. supply and demand conditions themselves were then different. Hence price signals had reasons to be different. The differences arose out of the level and nature of socio-economic as well as cultural development then. Some people were too poor, hungry and ill-clothed even in the days of Shaista Khan when, as history tells, one unit of money used then could buy eight maunds of rice. So economic signals of price cannot always be treated as 'good' signals as in themselves.

Values or prices could be 'good', if evidence can show that social and ethical norms were used by the community concerned along with the 'economics'-related calculus of 'utility'-measurements on the supply conditions and demand conditions for the period concerned and for the product concerned. That is a different kind of socio-economic 'normative' equilibrium consideration, not altogether considered in conventional economic analysis. In an Islamic Society, right of ownership of property is to be treated as of 'special' character, as indicated by Monzer Kahf :

- (a) Property is a trust from the real owner (Allah); man's right to dispose of worldly goods is in the capacity of a vicegerent and trustee. By definition, his rights are circumscribed by the limits which Allah has prescribed and which are to be exercised towards the ends prescribed.

- (b) Even the limited rights of ownership can neither be devoid of purpose nor an end in themselves, in view of man's life. Wealth is a means to the end of living a life in accordance with Allah's guidance and of earning the reward in the Hereafter; and wealth need be instrumental in the achievement of well-being of the worldly life as well.
- (c) The purposive nature to property rights along with the ideas of oneness of mankind as a whole required that the bounties of nature and worldly goods be accessible to all human beings and that these do not become the 'monopoly' of a few among them. "As all human beings are members of one family, man should handle the wealth bestowed upon the family ranking as a whole as the members of an individual family do."
- (d) The object of the right of property is the opportunity of economic utilization. If this opportunity is not attended to or the utilization is diverted to non-economic purposes as defined, the right will be reduced (to the limit of zero) in proportion to the "oppression" (*Zulm*) committed. This may mean foregoing the entire right in case of losing the opportunity of the deprivation of control over one's property in case of misuse.
- (e) This does not mean that Islamic economics looks at private ownership as a right granted by society; rather it is intimately related with the principle that man is the Trustee of Allah : it is granted as a conditional 'grant' so that the owner may not commit any 'oppression' with it or because of it.
- (f) The right of ownership is limited in time by the life of the owner; the owner has no authority over his wealth after his death (Laws of inheritance, according to the Quran provide the details of distribution methods).¹²

Economic Freedom and nature of market in Islamic economy

The 'conditional' nature of the right of ownership of property and wealth paves the way for understanding also the 'special' character of 'economic freedom for analysis of economic problems in relation to Market condition. Economic freedom depends on the basic principle of 'individual responsibility' which is related to 'accountability' for actions and behaviour, based on the guidelines of the Quran and Sunnah. Economic actions and behaviour are only a part of the total life's actions and behaviour. Each individual as a human being is individually 'responsible' for the 'whole life' account and also the 'economic' account.

Based on Ahmad Ibn Taymiya: Al Hisba fil Islam, Beirut Darul Kutub Al Arabia (1976), it has been stressed by Monzer Kahf: "Throughout the history of the Muslim society, economic freedom has been guaranteed by the traditions of the society as well as by the legal system. The Prophet, peace be on him, refused to fix prices even when they rose very high. His refusal was based on the principle of fair-dealing in business which does not allow for forcing the producers to sell their goods at lower than the market price as long as changes in price are caused by the real factors of supply and demand without any monopolic force. Further more, the Prophet, peace be on him, was keen to minimise the information gap in the market when he rejected the idea of receiving farmer-producers before they reached the market place and became familiar with what was going on there. He was very forceful in dealing with cheating and monopoly to the extent that he equated them with the worst sins and disbelief. "Thus it seemed impossible to deviate from the spiritually-motivated behaviour of maintaining conditions of social equity by producers/ suppliers and buyers/ consumers towards determination of 'just' market prices in those conditions. Operations on the forces of fairness provided normal conditions of freedom for both producers and buyers. Even after Prophet, peace be on him, passed away, market control was highest public responsibility by the Muhtasib entrusted with the functioning

of the operations. While the trend of writers and thinkers was reflecting more and more inclination towards maintenance of the conditions of 'freedom of market', the role of the State to control 'monopoly' was threatened with dangers of erosion. At that stage of economic history, Ibn-i Taymiyah's Hisba fil Islam was written for settling the issue conclusively to show that Individual economic freedom must be limited in such cases, even if such limitations include the pricing of goods and services.

It can thus be stated that an Islamic economy relies substantially on the market mechanism; and this reliance, based on Ibn-i Taymiyah's views may be summarised into five implications: 13

1. People are free to enter and leave the market.
2. An adequate level of information about the market forces and commodities is necessary. Inadequacy of information needs be corrected by the Government.
3. Monopolistic elements should be eliminated from the market. Ibn Taymiyah did not permit coalitions of professional men (in groups of sellers or buyers) Muhtasib as Government authority should intervene for determining the right or just price after correction of the monopolistic influence.
4. Within this freedom, he recognized the effects of increasing demand or declining supply on prices. He approved the resulting increase in prices, 'since forcing People to sell at a given price in compulsion without right' and although the seller should not be forced to give up profit, at the same time he should not be allowed to hurt others.
5. Any deviation from honest practice of economic freedom, e.g. false paths, incorrect weights and ill-will has been criticised by Islamic writers, along with production and trade in commodities which are condemned as bad health or for moral reasons, according to Qur'anic norms, e.g. alcoholic beverages, drugs, prostitution, gambling.

It follows from the above analysis of Islamic economic history and development of norms that in Islamic economics, the concept

of market is one of 'normative' freedom. This implies that the rules of market or the market mechanism is to be guided by the relevant Islamic norms. Amongst the norms, again, one guiding principle lies in the operation of the forces of 'cooperation' in the place of selfishness-propelled competition. In the manifestation and operation of Islamic economic behaviour, interests of individualism and social organization are inextricably integrated. This leads to an internally-induced spirit of cooperation for the best or optimum realization of social utility along with private utility. An internal indicator of justice 'leads the process of bargaining towards reaching the point or level of equilibrium,' acceptable to the parties, competing for price of goods and services and also for the wages, salaries or rewards for the different types of work (skilled/unskilled) contributed to the process' of production by workers as human cooperators. In fact the Quranic concept of 'cooperation' is extremely wide (vide : Help ye one another In righteousness and piety. But help ye not one another, in sin and rancour" Sura Maida:3). Prophet (sm) has emphasized the general concept of cooperation as the foundation of Islamic society. This is evident in the Hadith: "You find the believers in respect of their mutual love, mercy and compassion as one single body, that if a part of it is in pain, all the body falls ill with restlessness and fever." Muslim and Bukhari in Al-Adab al-Mufred). Sometimes even redistribution of income and property may become necessary, say if the Prophet's (sm) saying about his appreciation of the Ashariyin community is followed: "When *al Ashariyin* have any shortage of food while travelling to battle or when they are in town and their food decreases, they collect all they have in one place and divide it equally among themselves. They are my own group and I am theirs," (Reported by Muslim and al-Bukhari).

Role of the Government in the Market

The Government is also an integral part of the functioning of the market mechanism; the involvement of the Government is neither occasional nor temporary. The role coexists along with all

other participating units. It is to be considered the planner, supervisor, producer and also the consumer. The important indications of role may be observed in the following:

A. The political body in Islamic society works within a well-defined set of norms for economic activities. A particular pattern of consumption, production and distribution has been set out in the Islamic teachings and the system derived from them. Since this system does not permit the scope for any 'invisible hand', as in the Classical Economist Adam Smith's philosophy, the processes of production and distribution are required to be organized to achieve the desired patterns. The Islamic Government has to assume the role of the planner and organiser. And the Government has thus to affect the commodity markets and financial as well as credit markets with appropriate policies and their executions. And when the need arises, it has to adopt detailed comprehensive plans and programmes to achieve the objectives, including those of maintenance of a sustainable minimum standard of living of norms of 'justice' for the people as a whole.

B. Public enterprise along with public ownership of assets are also areas for a significant role of the Government towards the achievement of objectives of planning and organizing. Islamic history of the functioning of the Governments when norms were established indicate this trend. Such role of Government ownership and organization is noticeable in activities, conventionally known as 'utilities' or 'public utilities' (e.g. roads and rivers). In Islamic literature, these are also mentioned as publicly-shared sources of utility' (originating in the stand taken by Prophet (sm) when he refused to admit any private ownership of such sources. He is reported as saying : " All individuals share water, fire , herbage and salt." (Al-Sibai, *Ishtirakiat al-Islam*, Damascus, 2nd ed. 1960, pp. 209-11). Dr. Al-Sibai comments on the items mentioned above that "these should be understood as examples only; all the types of goods mentioned are necessities of desert life and there is no reason to limit application of this principle to these goods in urban life. Prof. Al-Mubarak includes under this category all minerals that exist below the surface of soil, whether found in privately-owned or

publicly-owened land. He adds that government is not permitted to grant any personal franchise to any individual upon these minerals nor upon land which is not privately-owned. (Al-Mubarak, Nizam al-Islam, Al-Iqtisad, Beirut, 1972, pp. 103-104) Zahrah discussed the concept of the "Bounty of Allah" in which the value of the product cannot be attributed to the labour put into it. He also emphasized that individuals are not permitted to own such resources, nor can the Government permit such private ownership.

C. The role of Government in relation to insurance is of course to be considered as a service of special importance. As social insurance, this is based on two things:

(1) general mutual responsibility, and (2) claim of the public upon the revenues of the Government. The general mutual responsibility is one of the duties imposed on Muslims who should fulfil them according to their limits or capabilities. The Government's guarantee of a minimum standard of living emerges out of the fact that it acts as an agent of the public and it is authorized to collect enough funds through the institution of Zakat to provide the relevant financial guarantee. The second basis of social insurance (i.e. the public claim of the public on Government revenues) is a direct one. As such, it imposes a direct duty on the State towards the individuals; this may imply not only a guarantee of minimum subsistence but reasonably adequate level of living, compared to the general level of living prevailing in the society.¹⁴

The Islamic Economy's Rules of the Game

We may refer to such Rules of the Game as set of social, political, religious, moral and legal commandments to which the Islamic society is committed. The observance and operation of such 'Rules of the Game' provide the desirable environment for the promotion and achievement of the objectives of the success of human life on the face of the earth with a view to culminating with the success in the life Hereafter. The rules themselves have therefore to range from man's relationship with the Creator Allah down to the observance of the behavioural norms in social,

political, economic and occupational roles of men, women and children around us. Only by way of illustration, we may refer to a number of these rules for understanding, study, analysis and continuing research in pursuance of the demands or the evolving young social science of Islamic Economics, such as:

A. The whole Universe, including man, belongs to Allah, who has full control and complete sovereignty on His creatures. Man is, undoubtedly of the highest order of being among Allah's creation; and everything in the earth and heavens is placed at the disposal of man. He is authorized to use all this as a Vicegerent or Steward on behalf of Allah. Man has been given this power of Vicegerency or Stewardship to extract as much benefit and utility from all this as he can.

B. Allah has ordained such limits on man's behaviour as will benefit the individual without sacrificing the rights of others. He has imposed certain obligations on human behaviour; their performance prescribed by the Law of Allah is to be supervised by the community as a whole on the basis of the Islamic rule that the rights which man owes to Allah in relation to social affairs are obligations on man towards the Muslim community.

C. All human beings are dependent on Allah. The more benevolent a person is to Allah's dependents, the more beloved he is to Allah. Everyone is personally responsible for the improvement of the community and for the removal of the difficulties standing in the way of the improvement process. And the individual is also ultimately responsible for any failure of the community's cooperative and collective effort.

D. The status of Vicegerent or Steward of Allah is general for mankind; there is no specific privilege for any particular individual or nation as far as the Vicegerency is concerned. This does not necessarily mean that human beings are or should be equal in the benefits they extract from the universe. They are only equal in the opportunity concerned, and each person derives as much benefit as is within his capacity. Individuals are created with different capabilities so that they are instinctively disposed to live together and utilize each other's capabilities. But this does not imply or

grant any superiority to the employer over the employee in relation to his worth as a human being. It is only incidental that one is an employer while the other an employee; at another time, the situation may well be the reverse.

E. Individuals are equal in their human dignity. Colour, race, nationality cannot be any criterion for differentiation in class, rank or dignity in Islamic society. Each individual will claim economic rights and duties according to his capabilities and also the normative roles played in social objectives. It is on this basis that some differences may be observed between the adults and the aged and the growing generation, or between men and women. But women are given equal rights and opportunities, the differences between men and women are likely to be minimal according to the stage of success in maintaining the standards of equality despite the propensities of male aggressiveness. Wherever difference exists because of obstacles, they affect both the rights and obligations and the quality of social and economic justice.

F. In Islamic society, work is considered to be a virtue and idleness a vice. The Quran declares: "*Laisa lil insane illa masa'a*": There's nothing for man but for his effort. The Prophet (sm) is reported to have prohibited begging unless it is owing to starvation. The best worship is work. (Al-Banna, *Majmuatras's'l*, Al-Imam Al-Shahid, Beirut, 1965, p. 393). Work is at the same time both a right and duty. It is the obligation of the society's Representative Government to provide job opportunities and also to educate and train them in the nationally required skills and discipline.

G. A minimum level of goodness is clearly defined; and exertion towards improvement and excellence has been desired. The performance of the individuals is controlled and promoted by the social institutions which impose the guidelines based on law. Dr. Monzer Kahf adds three points to the above general rules of the game; these need modification as shown below:

(a) There are the principles for regulating market mechanism in an Islamic society; and all prices, for factors or products, emerge from this mechanism. Dr. Nejatullah Siddiqui suggested, 'just prices' related with cost of production may not always be acceptable Ibn

Taymiyah's concept or theory of 'price equivalent' may be still a good instrument to work with. This is more compatible with traditions and expresses the conceptual content of it more satisfactorily.

(b) The market mechanism in an Islamic society does not represent an atomistic structure. It is true that Islamic principles do not permit coalitions among producers and consumers to create conditions of 'unfairness' but it does not exclude the possibilities of gains with excellence of quality or additional advantage and also needs of correction of 'wrong' usage of price. Some ethical sellers charge the customary price for their best-quality product while others charge more than the customary price for 'mixed'- quality product of the same type in the same market. Conscious consumers may willingly pay a higher than customary price to correct the market quality itself. It is the equivalence of correct measure of value that is to be exchanged as I myself feel. A glaringly living instance may again be cited for the price charged by a rickshawpuller in Gulshan (Bangladesh) plying between Market No. 1 and Market No. 2. On a customary basis, the pullers charge the incredible price of Taka 2 to 3. They feel very happy if the passenger gives one more Taka anytime. Only ethically-moved ones just put a five-taka note in the hand of the puller and goes away with a sense of new 'value' internally felt for the puller. Trade Union tricks have not yet reached the sophisticated market for rickshaw pulling in Gulshan while all other markets, say for clothings, stationery, hairdressing, furniture and video shopping etc. easily get away with 30% to 50% surcharges.

(c) Dr. Kahf's third comment is about the application of the distinction between economic usefulness and normative (Islamic) usefulness for theory of value in the market. Whatever is forbidden in society, say pork as food and alcohol as drink, the products will not be produced and marketed and hence no value will be attached. If such banned things are found, these will be destroyed. But if some Muslim consumers through some alien influence become lovers of such consumption, they will use unknown methods of obtaining the supplies from producers or importers so that illegal

market will provide the market mechanism any how. Since Islamic society and Islamic economy are not yet in an ideal stage of development in many countries, though with predominant Muslim majorities as a continuing transition stage. Clandestine producers or suppliers may create their own 'rules of the game'. In that case, Dr. Kahf's words like: ".....any effort put into its production and distribution will be considered an absolute waste in economic sense" will apply only to the legal part of the market.

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CHAPTER SIX

Problems of Distribution in an Islamic Society :

Inadequacy of Modern Distribution Theory

Economic theories have very competently approached problems of consumption, production and money as the most essential segments of private enterprise activities; and all efforts of explaining the methods and principles of distribution, somehow or other, leave out gaps and loopholes for supporting exploitation of labour with inflated shares of income for capital and organisation-cum-entrepreneurship. The permission of Trade Unionism to bargain for a better share for labour is only an institutional gadget to seek to compensate the inadequacy of the distribution theory. In this process, however, despite Trade Unionism, national income is not distributed really equitably. After delinking the growth of economics from Islamic principle, modern and Islamic systems of distribution are two dissimilar ones in a fundamental conceptual sense. The major consideration now should be: when modern distribution is relying almost exclusively on institutional arrangements and innovations, there can be solid bridge between the two systems on the basis of institutional innovations in which hoarding or idle saving will not be rewarded and interest will be replaced by profit.

Absence of a General Islamic Framework : An attempt at constructing a general Islamic framework as a model for uniform application to the economic systems of all Muslim countries will create many problems. It is desirable to have an optimum level of socio-economic development relevant to the specific resources of the specific Muslim countries as a long-range perspective within the conceived Islamic order; but to proceed to

that goal is highly difficult under conditions of state sovereignty, nationalism, internationalism and competitive international politics of super-powers, though a little reduced with the dissolution of Soviet Union. It is within the framework of planning efforts of the specific countries that gradual institutional changes and adjustments should be designed and implemented in accordance with the faith of the majority population concerned. Without such a flexible and constructive approach the application of radical ideas may run the risks of unreal idealistic planning.

Fundamentals of the Islamic Approach to Distribution

Before one gets into a modern scientific type of analysis for a social problem from the Islamic point of view, one has to be conscious about the relationship of the problem with the whole social system envisaged in that framework. We cannot just assume away that the analysis can be scientific after putting all questions of relationship and interrelations under the isolating phrase of 'Other things remaining the same'. In the present-day analysis of development problems too, particularly after Gunnar Myrdal's effective exposition of the weakness of western theoretical approach, the relationships and inter-relations of economic and non-economic factors are required to be given due weight and also place. In that sense, the application of Islamic approach represents rather a re-discovery of the age-old logical method of study for social problems, irrespective of faith and geography.

In this accepted approach, we have to put the principles of distribution in pursuance of who and what contributed to the sum total of production in a society called National Income. When society has advanced so much in course of history in terms of population, social organisation, application of science and technology, man has to proceed with division of labour and specialisation in production, trade and services etc. within national regional frontiers; technical methodologies have been developed by economists and statisticians to compute National Income. Even the U.N. has been trying to evolve standards of uniformity in

computation, and methodology for the purpose of international comparability. However, in this methodology, we only get the picture of 'value-added' by sectors, e.g., agriculture, industry, trade, banking, government etc.

No methodology tells us how much 'value-added' is contributed by labour, how much by capital and how much by organisation and entrepreneurship. Economic theories provided various hypothesis about why rewards are to be paid for the services of the factors of production – wages for labour, interest for capital, rent for land and profits for the rest. But how much to whom and for how much service remained indeterminable, despite various researches on the ramifications of the hypothesis, not to say anything about whether the classification of factors and the nature of their services are right. Tools and techniques have, therefore, been evolved to make shares of income seem logical, although arbitrary according to the type of social system in which decision-making takes place. In a capitalistic system, decision-making is piloted by the capitalist-cum-big entrepreneurs, as is evident in the role played by those classes in the giant multinational corporations today. For the best possible advantage of these classes, interest on borrowed capital used in the enterprise becomes an item of cost (which is determined in national and international money markets from time to time and is contractually fixed) irrespective of what happens to the profit or loss of the enterprise.

How a social system can become inequitable with established methods and practices of distribution can be traced back to the Feudalist period of history when one could easily see why the land-owner became the capitalist and also entrepreneur to grab opportunities of sharing rent, interest and profits for himself, leaving some crumbs of bread to slave-workers as subsistence. The capitalist system is an advance from that socially oppressive situation through the operation of a 'modernised' wage-system with the permission of bargaining to Union of workers and also of a renting system for land uses in the case of non-agricultural activities. Interest and profit are still the privileged shares of the capitalist-cum-entrepreneurs. While profit is the indicator for the

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dynamic and technical qualities of the class of entrepreneurs especially with regard to 'know-how' and risk-taking principles of social equity do not permit interest to be a secure guaranteed fixed share of income to be allotted to the class at the cost of other classes who are also contributing to the production of the National Income. It is against this inequity that the Islamic principle of zero interest was established for an egalitarian Islamic society. Although historically the establishment of that theory was so many centuries earlier than the present day, one can easily see how society was so radically advanced with the application of the principle along with other principles in the given social system. This is so radically different that the international financial system and economic order will cease to function if the application of this single principle is accepted as socially desirable for all countries now. Since the Muslim countries became victims of historical decline and colonialistic imperialism for a long time, the advanced system suffered segregation and remained in quasi-slumber while the less advanced socially inequitable systems had the laurels of recognition, expansions, rationalisation and continuity. Without keeping this background in mind, any analysis of individual verses of the Quran or the Hadith, even with '*shan-i-nuzul*' may run the risk of being treated as theological. The fundamental point is that no Islamic principle is just theological.

As an instance, I recall, one learned man was explaining Islam as a system of individual and social life and inter alia, he referred to a Hadith in which the concept of '*rizq*' or means of livelihood has been mentioned as 'the food that has been digested, the shirt that has been used to the point of wearing off and what-ever has been spent in the way of Allah'. The specific explanation of the Hadith was stressed by the learned man to be in terms of modesty and austerity so that love of high standard of living could be sacrificed for an anticipated reward in the pleasure of Allah. Obviously, the explanation is narrow and that is because it is 'theological'. In the context of social philosophy and social development of a community, the concept can lend itself to an analytical base for some revolutionary principles; e.g.,

- a. An individual in a society has a right to a minimum standard of living according to the latter's resource capability, at least with adequate healthy food and minimum clothing, provided housing does not pose any problem;
- b. Society has to guarantee employment to the extent of ensuring this minimum standard of living with direct or indirect planning and adequate social security;
- c. State social security has to be vastly strengthened by private social security resulting from every individual's expenditure out of his earned '*rizq*'; and
- d. There is no limit to individual earning of expendable income, but there is limit to expenditures of income on food and clothing with the implication of limitless spending in the way of Allah, i. e. for social distribution.

The Hadith can thus be a social theory of earning and spending income for the purpose of maintaining social equilibrium under conditions of private enterprise. Social analysts will now of course find that the social environment of the given country or countries is largely out of tune with the above principles. For a country like Bangladesh at least, the social environment is now characterised by many deviations from the assumed implicit model such as absence of any guarantee of assurance on the right to a minimum standard of living; absence of employment guarantee and employment insurance; extremely limited expenditure for people at large on private basis and almost unlimited expenditure on individual material wants even at the cost of conscience and propriety with aggravating effect of 'demonstration' of foreign consumption habits and so on. Hence the above reference to a social distribution can only mean pointing to the need for corrections of the deviations as far as practicable so that the prescriptions underlying the theory can be practised with the building of new appropriate institutions. Pious wishes of theological significance for social issues do not lead us anywhere unless social analysis is undertaken to lead to social institution- building at the same time.

Taking another instance from a Qur'anic verse (e. g. Al-Hijr: 19-2) we find a cryptic exposition of the theory of world economy in the following words:

"And the earth we have spread out
(Like a carpet): set thereon
Mountains firm and immovable
And produced there in all kinds
Of things in due balance.
And we have provided there in
Means of subsistence, for you
And for those for whose sustenance
You are not responsible."

In addition to 'theological' implication, the exposition refers to a number of key elements of world economy, e.g.

- a. The earth as the homeland of mankind is set in order of balance for the life of human beings and animals and other living creatures in relation to natural resources (or gifts of God). Even scientists and theologians did not care for the significance of this basic key to healthy economic life until man produced the modern curses of air pollution and water pollution on a gigantic scale in the economically advanced countries of the world. They are now very very concerned that economical balance has been seriously disturbed.
- b. The balanced natural resources are intended to provide means of subsistence for man which he has to earn through his effort. If man does not make the effort or if conditions created by other societies like imperialism and colonialism (including racialism) prevent man to make the effort, economical balance or abundance of natural resources of the earth will not provide the means of subsistence. The present world after a sordid history of imperialism and colonialism, is not only divided into many worlds (First world, Third world, etc.) but sub-division and fragmentation of each of them into nations and nationalities are on the increase with no indication of disappearance of neo-

colonialism, expansionism and racialism. Man is not permitted to make the necessary effort on an equitable basis for the means of subsistence because of inequitable distribution of the natural resources and man-made insurmountable barriers against allocation and use of resources towards the production of the optimum feasible national income for a country, especially in the 'so-called' Third World.

- c. The provision of 'means of subsistence' in the balanced national resources is there in the sense of potentialities; these potentialities may become realities only after their proper uses in the process of development, national and international or even global. The realities of the present situation, however, are supporting an opposite trend – the trend of decadence of healthy internationalism and international planning and determined reliance on nationalistic planning of the development of resources by developed rich nations, privileged with colonially obtained undue share of global natural resources.

It is because of the above nature of deviations of the world economy and national economies from the models implicit in Islamic principles that the Muslim commonwealth of '*Ummah*' is not functioning as intended in a world social system for mankind. The concept of commonwealth is indicated in the Quran (Al-Baqara 143) as " an Ummat justly, balanced so that you might be witness over peoples of the world." Theologically, it is possible to interpret '*ummatah wasata*' as an intermediate geographic entity in Arabia- intermediately located in the Old World as was eventually proved in history by the rapid expansion of Islam in all directions, north, south, east and west. But it is also possible to work out two other interpretations :

1. After the change of '*Qibla*' sixteen and a half months subsequent to the *Hijrat*, it was a historical turning-point for the new Nation to take an independent position spiritually, intellectually and economically. That position is one of 'balance' between extremes – the extremes of too much

formalism of Mosaic law and of the 'other-worldliness' professed by Christianity.

2. As a projection over time or long-term perspective, the Nation was intended to hold a 'balance' in the basic scheme of social distribution of economic benefit as between the claims of capitalism and socialism. An analysis of the principles of allocation of natural resources (with ecological balance) and of distribution of national income to wages, rent and profit (with the exclusion of interest) can easily show this indication of economic balance which, in modern terms, will be economic and social justice. Thus it becomes a fundamental issue to decide about the choices in the interpretation of relevant social injunctions and then to assume a constructive role in settling the problem, say the problem of distribution as such. When two ideologies are competing and also combating with their typical excesses of claims, it is for the 'witness' to bring to bear on the weight of sound interpretation and decision-making on the issues involved so that the judgment of other decision makers as well as the contestants can be moulded on sound lines.

Institutional Development and Prospects

Principles are practised through the development of institutions and social evolution proceeds with institutional change and innovation. Whoever will endeavour to relate the institutions of a distributive system with the conceptual framework of an Islamic society, will confront a many-sided practical question with such elements: (a) How far principles were transformed into social institutions in the past and in what type of socio-economic environment; (b) Which of these fell into disuse, decline and nominal existence and the relevant factors responsible for such results; (c) What kind of innovations can be designed for making new institutions work effectively; and (d) What kind of adjustments or institutional changes can be introduced for eliminating the

excesses of capitalism and socialism. This provides a wide area of research and development of programmes of action. Here we can only refer to instances once again.

Banking and Interest

No modern society can do without the financial institutions of banking for various kinds of credit operations and monetary control. When in an Islamic framework of society, interest is prohibited and business is permitted, the banking or financial institutions are permitted to do 'business' under the same injunction. A business institution, be it trade, commerce, industry, transportation, power or agriculture has to work for profit. If banking institutions are contributing to productivity, they have to share the productivity in the form of profit; and profit cannot be pre-determined before the costs are booked against business revenue and the Profit and Loss Account is prepared. When banking is private business, the position becomes somewhat different in the sense that profit earned will have to be largely distributed among the share-holders as dividend as a patronage of capitalism. When banking is state business, the situation is very favourable for social analysis and social treatment of both interest and profit as gross profit (out of which the depositors can be paid a part of the profit and to which borrowers of credit can contribute a part of their earned or accrued profit.) The crucial point, however, is how to determine the rate of profit for such transactions on deposits and lending, with no serious risk to the continuous operation of the institutions. In a dynamic economy, risk is inevitable and is to be reflected in the variability of the profitability ratio. Because of the existing accounting practices of assuming the rate of interest as fixed and pre-determined, profitability has its own behaviour as indexed in the Stock Exchange quotations. We do not have a Stock Exchange on an international scale for capital operations to cover both interest and profit as prospective yield. That is why improvisation will be inevitable, if institutional innovation is to be designed and applied.

If this is an extension of insurance against risks, certainly institutional innovations in this regard are feasible.

Consumption Credit and Usury

In this conceptual framework of Islamic society, credit for financing consumption provides the area of serious controversy. It is possible to treat such credit, both productive and unproductive, especially in the background of a process of economic development in the poverty stricken countries of the so-called Third World. When workers need support for subsistence with short-term credit and also for capital equipment with long-term credit, the support is wages to keep the workers in the process of production in a condition that enables them to offer efficient or semi-efficient labour; that is to come from the employer entrepreneur, if the workers are not themselves entrepreneurs. If a part of the productivity resulting from the process is to be attributed to such borrowed capital, it is immaterial for the employer to think in terms of either interest or profit for such credit simply because whatever one may call it, the employer-entrepreneur has to bear the burden of the charges, and he does it in the name of wages as a share of productivity advanced to the worker so that his residual share can be enjoyed by him after the accounting of the total productivity and its distribution to the contributing factors – land (i.e. all, natural resources), labour and capital-cum-entrepreneurship. But if workers cease to be workers, by losing employment or through disability, there is no question of paying wages out of anticipated productivity; human beings as citizens of society will have to be enabled to overcome the emergencies with distribution of subsistence from the State or from other sources. This can be charity or payments out of various types of Social Insurance funds (which represent scientific organisation of charity). In the Islamic concept, this is to be shouldered by self-enlightened private obligation – the obligation of distribution of '*sadaqat*' by day and by night, in secret and in public, as is prescribed in the Quran (Al-Baqara: 271-74, The prescription not only specifies whom to give charity but how and how much.

Everybody in the social system possessing a surplus over his or her basic needs, has to spend thus by way of distribution of the private 'surplus' (Al-Baqara: 219). There cannot be any question of lending in such cases of subsistence; if any case happens like that, it will be deprived of all blessings of God who wants that all such demands of 'usury' must be given up (Al-Baqara:276-278). If the claims of 'usury' are not given up by the creditors in such cases, it is tantamount to asking for a war with God and His Apostle; if the creditors are considerate, they can get the 'capital' back with another sweeping recommendation of debt settlement, even for repayment of that capital; "If the debtor is in difficulty, grant him time till it is easy for him to repay, but if you remit it by way of charity, that is the best procedure," (Al-Baqara: 279-280). Such ideal conditions of enlightened private management of credit in the interest of social solidarity are obviously lacking now in most of the countries; hence institution-building will be necessary to fill in the vacuum with public sector effort or with both public and private sector planning efforts. All these imply institutional change and institutional innovation.

Wages and Sustenance

In modern economic systems of western conventions, Wages as the share of workers could not be scientifically related to contributions of productivity by them; historically, workers received much less than their due share (i. e. much less than their contribution) giving rise to the revolutionary handle of 'the theory of surplus' to Karl Marx. The corrective institution that was logically developed was Trade Unionism and even this institution could not be equally and adequately effective to seize the due share through bargaining and negotiation in all such countries. There are technical problems also involved; determination and apportionment of the final product determination and of permissible differences in the share of contribution as income for the various classes of Workers skilled and unskilled, highly skilled, medium skilled and semi-skilled etc. In the final analysis, the institution of Trade Unionism

in the industrially advanced countries does succeed in reaching approximately near the equation of wages with contribution to productivity because of the large size of total productivity (i. e. GNP / GDP) and the satisfactory organisation of other institutions like those of promotional legal system, education and research system, manpower and entrepreneurship development system, scientific management and decision-making system, general economic management planning policies, etc. Even so, economic progress proceeds through a ceaseless war between labour and capital under the intermittent control and regulation by Government, and through the painful processes of recession, inflation, stagflation, partial recovery, mild recession, upturn etc. Instability in terms of real income (real wages), employment and inflation has become a continuous malady of those advanced economies, giving rise to many more new institutions-innovations and arrangements aiming to control instability, but spreading the effects of instability far and wide to all other countries in that process. If the same institutional approach is to be adopted for the poor developing countries, the problems are immensely multiplied because of tremendous domestic problems of small size of GNP/GDP, large unemployment of labour, low availability of natural resources and poor development of institutions, science, technology enterprises, legal systems and so on. In such a situation tremendous without even attributing to productivity, thus tending to push the economic system to the doors of dangerous instability. In an Islamic framework, the concept of wages (or income or sustenance as conveyed by '*rizq*') is guaranteed by God, and the guarantee works in relation to the natural resources, stage of development (in terms of science, technology, transportation, communication, education, etc.) of the world economy. Through the efforts of man, the resources of the world economy have been developed and controlled for enabling workers or individuals to traverse its paths and processes to enjoy the sustenance guaranteed by God (Al-Mulk: 15 & 21). But nobody in the world is going to ensure the allocation and distribution of such guaranteed sustenance- opportunity. The Islamic world in itself is not ready with any international

institutional arrangements to aim an application of the principles involved in the guarantee, not to say anything of the problem of designing an institutional innovation in a small developing country like Bangladesh. If the barriers to movement of workers in search of sustenance could be removed, the world could become one economy and the distribution system in terms of guaranteed wages, zero interest for consumption credit, rent and profit (for capital and entrepreneurship) could have shown the practical image of the 'balanced' Islamic economic system in which both national income and personal income are to be institutionally distributed towards social equity.

Prospects for Solution of Problem

Distribution of resources and distribution of income constitute the fundamental problem of any economic system and for that matter of a social system; and social 'balance' and equity depend on the appropriate solution of the problem. Social imbalances and inequities have tended to diminish gradually through historical changes in the approaches to the problem as social values changed through the efforts of master minds. In this process, Feudalism (rationalised by the physiocratic school of economics) had to give way to Mercantilism and Capitalism (supported by Classical economics): the latter gave birth to imperialism and colonialism and Industrial Revolution: all these approaches aimed at material progress and prosperity through the uses of natural resources and slave-labour or nearly slave-labour (as is indicated in the exposition of the theory of wages in terms of subsistence, wages fund or brazen law). Since Christianity manifested itself as an approach to life in terms of 'other-worldliness' human beings with social consciousness and love of material happiness revolted and designed those other approaches and mixed them up with the rationalism of their own into a mould of secular systems as a reaction. Such approaches kept ethics and spiritual principles completely out of consideration. It is the Islamic framework of society that sought to maintain a comprehensive and composite view of social development in which

economics was to be pursued and understood within a perspective of ethics and spiritualism. This approach retained humanism, and rather emphasised human and social values so that wage-slavery could not be a problem. Yet Western capitalism did not go all out to accept this socially desirable system because of the psychosis of Crusades. Western capitalism, however, learnt the hard way that there are limits to tolerance of workers; and wages theories and labour management institutions had to be changed and innovated, especially after the Marxian theory of surplus value was making an impact theoretically and also practically (with the Russian Revolution). The Islamic socio-economic system also appealed to the large mass of oppressed and exploited population spread over many countries in the nature of a community of commonwealth, as is seen on the world map today. Could this commonwealth develop science and technology and devote adequate resources to Research and Development efforts in the modern sense, Marxism would not have had any *raison d'etre* for the forceful appeal it had in the background of the excesses originating from capitalism, however, adjusted and readjusted it eventually could have been. That is because of the intrinsic quality of equalitarianism built the mechanisms of distribution of resources and income, as has been briefly indicated in the sections above.

The emphasis on science and technology and material progress, however dimetrically opposed they are, turned Western Capitalism and Communism or Socialism into global super-powers. Material economic power, however inequitably achieved, could become the foundation of competitive political strategies between the 'so called' First World and the Second World towards seizing the affiliation and markets in the various segments of the Third World. Despite the 'balancing' factors of egalitarian synthesis in the concept of Islamic society and socio-economic system, the Muslim world as such could not join the international race effectively, just because of the serious gaps in science, technology, innovative skill and development of manpower resources to match the challenges of all-sided development. Even after the strategic significance of oil resources in most of the Muslim countries was recognised and felt,

the gaps were strong and large enough for a role of ineffectiveness, expect in terms of use of the 'oil weapon' through the OPEC machinery of pricing oil from time to time. The gaps produced in many centuries of neglect and misplanning could not, even under the best conceivable conditions, be bridged up within one or two decades with all the unexpectedly large windfall gains of oil sales. As a result, Muslim countries in general are presenting a pattern of new efforts at technical and structural change, but of a shaky character. The conditions of dynamic 'balance' creation could not be brought into being to demonstrate the power of arbitration between capitalism, communism or socialism. This inherent power of arbitration is all the more weak in the non-oil poor Muslim countries. That is why even some Muslim countries in Africa, Middle East and Asia have fallen victim to the political strategies of hegimonomism of communism. Such political power-game on the international scene, tragically indeed, has been possible because of a socially undesirable system of distribution of resources and distribution of income (when income is produced) internationally and nationally by the developed countries, occupying positions of power and privilege in the 'First' and the 'Second' Worlds and also in the UN Security Council.

Their unsocial system of distribution is manifest in the gigantic annual sales of military equipments made with resources that could have wiped out world poverty. In addition, manpower and goods are not permitted to enter their own principles of efficiency (producing geographical specialisation and comparative advantage). All these continue along with problems of inflation, increasing unemployment and impending risks of recession while most of the resources needed for combating the latter problems are just pre-empted by their internal national distortion of priorities and maldistribution of resources.

In addition to the question of time-lag and the tremendous size of the gaps in the conversion of oil and other resources into technological development, the Muslim countries had been suffering from the consequences of heavy emphasis of political and military strategies adopted by the West and also by communism. The US

policies, professedly patronising democracy and human rights, sought to protect weak countries or regions against potential aggression and seizure by communist powers. The latter worked for their own opportunities before effective counteraction was organised by the West.

The fundamental point of truth coming out of experience and historical lessons lies in the fact that an Islamic society was in the process of evolution when the vital elements were left to decline and decadence, leaving the people (who were multiplying any way) on the choice about clinging to the ritualistic and spiritual elements. As a result, gaps created are too large for any particular Muslim country to fill in with the planning and execution of policies; and execution of such policies and programmes are remote from the framework in which social equity, based on Islamic system of distribution, can be organised.

Some additional elements of analysis (as indicated in this chapter) are presented in the Appendix, from the considerations of equity and efficiency as related to the Theory of Distribution under Modern/Western Approach and the Islamic Approach.

APPENDIX

Considerations of Equity and Efficiency Related to the Theory of Distribution Under Modern/Western Approach and the Islamic Approach :

Introduction : Modern/Western Approach to Distribution problem

Economics, as a social science, is directly related to the people of a country or the human element of a nation. Natural sciences are predominantly matters of abstract research and are often sources of uncertainty about positive or negative results, while these latter sciences, say physics and chemistry, are dependent on the laboratory equipment, appropriate supporting facilities and the inquisitive mind of the scientists. And economics has to grow as a process of evolution in relation to the actions and reactions of human members of a society through time. That is to say, the economist has to use the laboratory of society in an evolutionary sense for developing knowledge based on social behaviour of man but with a purposefulness which is also social. The social purposefulness, if perceived relevantly, makes the social science of economics normative, and extra-economic of course in contrast to what is known to be positive economics in modern days; we need not dig into old history of the stages of civilization, nor into the known traditions of stages in economic terms like Feudalism, Mercantilism, Capitalism and Socialism for grasping the historical perspective of social purposefulness. Historical analysts have by now made all these conceptual emergences and changes abundantly clear in thousands of volumes, even during the short period of a century or so. For approaching concepts, ideas,

principles and institutions emerging out of Islamic economics, we have to keep only the summery version of all known history and historical analysis at the back of our mind with an attitude very different from what a modern economist researcher would adopt. The modern economist will take economic data or at best socio-economic data observed in a specific, determined area (subjective or objective) for the application of known techniques of analysis with a view to bringing our judgments or conclusions which may or may not be useful for solving any felt problem in a definite entity of a society. The techniques and concepts or theories and analytical tools are all given, and these are not to be questioned for testing before laying hands on the accepted specific area or problem of research. The researcher of Islamic economics has first to set "man" and mankind at the centre of attention and assume the conceptual framework of civilization and growth of society with norms derived from the status of man as representative of Allah, the Creator, as received by man through knowledge transmitted first directly (to Adam) and indirectly through Prophet and Messengers, and finally with studies on the knowledge of the Qur'an and Sunnah which have set out the correct guidelines for the adoption of a perspective.

When the correct guidelines are held by man for research and development of knowledge, man's history of progress is likely to be dynamic within 'orderliness'; and disasters and total destruction of nations may be ruled out. But failures and serious deviations of some peoples somewhere meant historical cases of serious 'failures and deviations' leading them to total destruction in the past. Instances of such cases are available in the Qur'an. The reality of the Muslim states in the contemporary world represents the changed situation of stagnation and semistagnation as a historical sequence to negligence, deficiencies and decline, still conscious of the need for maintenance of orderliness based on 'correct guidelines' while Secular West and Communist Socialist East had been trying new incorrect innovations of 'disorderliness' based on a partial disproportionately inflated notions for man and his life (i.e. materialistic interpretation of human life). In this given situation of realities, researchers of Islamic economics will normatively strive

to develop new knowledge, methods and institutions needed to fill in the gaps of available knowledge toward restoration of the 'correct guidelines-based orderliness' in the face of conflicts or oppositions from incorrect innovation-based secularism of partial orderliness of the West and the East. Development of such additional knowledge by the researchers of Islamic economics implies a new opportunity for building up an enduring bridge to let the latter school of partial orderliness-seekers travel to a sight-seeing tour and be convinced about the permanent character of the Islamic orderliness, based on correct guidelines as a source of enduring welfare for mankind. From this point of view, the modern Western capitalistic or Eastern Socialistic approach will naturally attract attention for analysis and examination in such a way that the linkage with the above enduring 'correct guideline-based orderliness' is adequately and rationally indicated.

Historical Background: Pre-Industrial Revolution

Before the conventions of secularism and liberalism were built up in the West, traditions grew around overemphasis on austerity and rigours of churchmen as well as rule of rites. Mental resentment against this approach to life and its problems grew naturally in this environment; and social reformers could seek new ideas and philosophies for necessary relief. In particular dehumanization of human beings in any system provided the handle to seeking significant reform in the European geographical region. Upto the beginning of the eighteenth century, as J. M Keynes has mentioned: there was no very great change in the standard of living, in the average man living in the civilized centres of the earth, Ups and Downs certainly. Visitations of plague, famine and war, Golden intervals. But no progressive violent change.¹ It is easy to suppose that there were reasons of age-old stagnation. It can be said, productivity of any economy based on agriculture and household industry (of Backward characteristics) will have understandable limits; and before the emergence of nation-states, accumulation of any surplus would have attracted armed pirates and plunderers. In

the latter part of Eighteenth century, the factory began to replace the household as a centre of productive activity, especially with the remarkable impact of the new forces of scientific and technological revolution during the nineteenth century, first in Great Britain and subsequently in West Europe. Economic progress as such assumed the image of Industrial Revolution while old stagnation was continuing in all continents, except west Europe and USA; and analyses indicate that 'the economic life of the Middle East never recovered from the imaginative and highly co-ordinated destruction, pillage and massacre of Gengis Khan'.²

The New era of progress, depending on the new environment of knowledge and technology, could well be the breeding ground for Adam Smith's Wealth of Nations. He offered the economic pillars of a liberal society where regulation was by competition and market rather than by the state and in which each individual, relying on his own resources, achieved efficiency for his own increased welfare and enrichment of society. There was little realization in the midst of achievements in aggregate wealth if 'enrichment of society' necessarily meant 'just' distribution of the aggregate. The new ideas were just catching on with the attitudes and aims of entrepreneurs during the Industrial Revolution. The new yardsticks were attractive. These showed that both total production and output per person were rising rapidly; number of wealthy people was increasing; but "the improvement in the position of the masses was far less evident than the increase in the industrial and mercantile wealth,"³ Adam Smith himself had little hope that the distribution between merchants, manufacturers and landlords on the one hand and the working people on the other would benefit the latter. His attention was on growth rather than distribution, as is clearly indicated in the words. "It is not the actual greatness of national wealth but its continual increase which occasions arise in the wages of labour in England uncertainty, in the present times, a much richer country than any part of North America. The wages of labour however are much higher in North America than in any part of England."⁴ It is no wonder then that the Classical economists following the footsteps of Adam Smith, developed their system of thought and analysis on the

foundations of efficiency and in complete disregard to considerations of equity in distribution. That is how the elaborate Ricardian economics contained serious weaknesses in the labour theory out of which a theory of "surplus value could be derived so radically by Karl Marx to bring out the fundamental element of lack of equity in the scheme of distribution conventionally accepted in the modern economics of capitalism. The disregard was theoretically formalised with the concepts of 'utility' and marginal utility with the miraculous balance of cost and utility margin of exchange in the market between those who demand and those who supply. The balance is the equilibrium representing the best situation of benefit for both the forces of demand and supply and is assumed to represent the best situation of social utility or welfare. And Adam Smith's theory of "Unseen Hand " provided an indeterminate vast area to meditate on and to use whatever discretion chooses to adopt. The handle here was also given by Adam Smith to be 'relative bargaining' strength or bargaining power of Trade Union. Smith knew fully where lay the strength of bargaining power. He said, "We have acts of Parliament against combining to lower the price of work, but many against combining to raise it".⁵

Theory of Distributive Justice: Micro-Macro Synthesis

The process of industrialization brought about the stresses and strains, economic and social, as explicit indicators of conflicts between efficiency and equity inherent in the evolving conventional economic system. Trade Unionism and social reformers could not effectively grapple with them. It was necessary to build up a revival of the state role in the face of contradiction with the rationale of liberal economics, predominantly based on private enterprise and individual behaviour in production and distribution of wealth and income. Redistribution of wealth and income became public policy for effecting transfers from wealthy few to workers (or socially handicapped) as measures of social as well as economic security so that a social foundation of stability with social equity could be

added to the new era of Industrial Civilization in the West. These efforts led to the emergence of welfare state and also the emergence of welfare economics. Yet instabilities and social disequilibrium appeared sometimes as moderate oscillations and often as wild trade cycles. And serious doubts agitated social thinkers and serious economists if capitalism and democracy could be saved of the civilized West. In particular, the complications and new problems that emerged in course of the events and their aftermaths in the cases of the World War One and World War Two, brought about the needs for state intervention in internal and external economic policies and affairs. The advanced countries of the West reaped the harvest of technology in terms of industrial capital equipment as well as military equipment, often reinforced with the strings of financial capital, immense opportunities arose of organizing giant industrial corporations to replace the old order of small and moderate establishments. The giant corporations could manipulate and handle vast assets often greater than total assets of small nations of the world. On the one hand, the theoretical model of 'perfect competition' and 'innumerable buyers and innumerable sellers,' in the market became a fiction: on the other, monopolies, monopolistic competition conditions and multinational corporations of giant size became realities. Yet the latter remained within the structural framework of capitalism and capitalism-favoured democracy. The success of economic performance, within the constraints of limited capital resources, in the experiment of Soviet Russia's socialist approach at the same time provided new food for thought in the midst of new complications and politico-economic problems, especially after the World War Two. Elements of socialism, considered adaptable, were permitted formal or informal entry into economics that were earlier proud of being marked, 'capitalist societies'.

Naturally there has been differences in the degree of acceptance and also perception among economists and social thinkers about the perceptible and imperceptible processes of the 'march of socialism.' The institutions of Schumpeter's study and observation have enabled him to indicate that the process of

'disintegration of capitalist society' may or may not be formally accepted by many but they accept not only unquestioningly but also approvingly: programmes and policies like 1) Various stabilization policies for preventing recessions or at least depressions; 2) Desirability of greater equality of incomes; 3) A rich assortment of regulative measures, as regards prices; 4) Public control over labour and money market; 5) Indefinite extension of the sphere of wants to be satisfied by public enterprise; and of course all types of security legislation. And Schumpeter has added: "All I wish to emphasize is the fact that we have travelled far indeed from the principles of laissez-faire capitalism and the further fact that it is possible so to develop and regulate capitalist institutions as to condition the working of private enterprise in a manner that differs little from genuinely socialist planning."⁶ It is possible to coin "labourism" and install it in the place of capitalism, if one wants to. But can one be confident about the survival of 'labourism' as the most desirable social goal under present circumstances? Schumpeter answers that question with the words: "Past achievement was the achievement of a more or less unfettered capitalism. It cannot be assumed without further consideration that 'labourism' will continue to perform like this. We need not accept the stagnationist thesis as it stands in order to be disturbed by the possibility that this possibility may come true after all if the private-enterprise system is permanently burdened and 'regulated' beyond its power of endurance. In this case and outright socialist solution may impose itself even on the enemies of socialism as the lesser evil".⁷

But before the above kind of surrender to a sure "march into socialism," serious efforts were made by Keynesian economics to build a halfway house of modified capitalism, based on macro-economic demand analysis. This analysis centred round the consumption function, marginal efficiency of capital, savings and investment; and discarded Say's Law that supply creates effective demand. During the historic conditions of prolonged depression of 1930s, this kind of analysis proved appropriate for seeking opportunities of a higher level of equilibrium with higher investment (with equivalent savings), higher income and higher employment of

factors of production, including labour. Consumption function, in this scheme of things, plays a crucial role and has explained the turning points of the instability creating Trade Cycle and its dangers. A fatal flaw in classical theory in classical analysis was the lack of a theory of effective demand and classical economists applied the logic of marginal productivity theory (somewhat relevant to industry or firm) to the whole economy. They ignored the fact that an overall reduction in wages would reduce effective demand and also employment quite substantially rather than increase these. Post-Keynesian thinking led to some new developments, especially in the area of consumption function; and these explain more fully the consumption-income relationship. In particular, we may refer to relative Income Hypothesis and Permanent Income Hypothesis because of relevance to the analysis of Islamic aggregative demand which will follow. The first one stresses that consumption expenditure does not depend on absolute income but on relative income. This stand introduced by Dorothy Brady and Rose Friedman, was supported by Dusenbury with empirical and psychological investigations. According to Dusenbury, there is a strong tendency on the part of people to emulate the consumption pattern of their neighbours; this is the 'demonstration effect' on consumption behaviour. The second one, permanent Income Hypothesis, is mainly attributed to Friedman. Consumption may be permanent or transitory to the consumer, and similarly durable or nondurable goods type. Ordinary consumption expenditure relate to nondurable types of goods (which are quickly used in consumption). Durable consumption relates to the purchase of capital assets. The first kind represent a 'flow' of item continuously while the second kind relates to investment. Another approach to consumer expenditure is represented in what is known as Life Cycle Hypothesis mainly attributed to Modigliani, Brumberg and Ando. It is contended that consumption function is affected more by the consumer's whole-life income rather than his current income. While permanent income hypothesis focuses on current income as well as expected future income (wealth), life cycle hypothesis makes consumption function

dependent on the consumer's whole-life income. In his childhood, the consumer earns nothing but gets the benefit of spending by his parents or guardians; in the middle age, he has his own family and earns as well as spends for himself and also for his family members, but he will be earning more than spending so that he can save for his future or for his old age when he will not be able to earn much or anything. Over his life-span, the consumer tries to maintain a certain uniform standard and with that end in view, he organized his whole life's uneven flows of income and expenditure. Since death does not come at a predicted point of time, most people also follow policies of savings as accumulation of wealth to leave for their descendants. Amount of net savings for the community will then depend on the growth of population, their age structure and on income and the amount they want to leave for the heirs. Thus the life-cycle hypothesis income is derived from wealth rather than from cash receipts. And thus economic theory is progressively evolved from the theory of consumption to the theory of capital. This particular development will be very important for a comparative analysis of the modern trends and the principles of Islamic economics and Islamic distribution theory.⁸

From the above analysis of Western trends of theoretical adjustment towards new evolving situations which represent Classicism, Neoclassicism, Keynesianism, Post-Keynesianism and Welfare state Economics, it is possible to identify the following major problems for which adjustments were required as corrective reactions, if not solutions:

- (a) Imperialism and colonialism of Europe enabled the ruling metropolitan capital city-based powers to exploit natural resources and extract financial resources as massive transfers to match the requirements of large scale-production, based on science and technology and required Classical and Neoclassical rationale for wide international markets and freedom of movement for finished goods and factors; Adam Smith's and David Ricardo's economics eminently suited that foundation-making and ramifications of marginal utility and marginal cost for equilibrium and

adjustments for imperfect competition and monopoly or monopsony pricing analysis could easily follow upto Alfred Marshall.

- (b) When Karl Marx's writings revealed the weaknesses of capitalism, based on classicism and neoclassicism, especially the unearthing of the hidden 'surplus value' as a rationale of the contention that workers were getting inequity from the capitalist entrepreneurs, labour theories and wages theories were reoriented to better treatment of labour. The need justified a new role of trade unionism and factory laws and eventually World Wars set the stage for remodelling concepts and radical adjustments could follow towards the setting up of Welfare State through public policies.
- (c) In the wake of a general situation of unemployment and misery during the thirties, even readjusted capitalism, based on some reforms but essentially old values and principles, could not stir up investment, raise hopes of good return to capital and hence needed something more than advantages of 'contract' through 'laws'. Socialism, started in Soviet Russia in 1917, did not appeal to Western Society because of the brutalities and loss of freedom it demonstrated. Nor was Marxism correct in perception and prediction on the British economy's progress and prospects. Hence Keynesian farsightedness and courage in reconstructing capitalism was new adventurous economics which revived investment and employment through the rationale of 'consumption function'. His was an economics of expediency for the short run so that the British economy could get its wheels out of the quagmire of perils and miseries. If Keynesian innovation of throwing the supply assumption of the conventional economics out and putting the 'demand' accelerator in high gear would not have appeared on the scene, one does not know what could have happened to the Western order of clutching on to capitalism.

Western Approaches To Distributive Justice

We devoted to the preceding analysis in two sections because of the overriding consideration that the theory of distribution, approached in an isolated manner as the Western economists do, provides a misleading picture without the linkage with the production system in which factors of production have to work in co-ordination to produce the national income which is to be shared by them. While some economists adjusted and readjusted the production system and its rationale, others were watching the impact of those changes on the new picture of distribution from the point of view of equity or justice. The nature and function of land, labour and capital are not similar; after finding out the difficulties of grappling with those 'dissimilarity' characteristics, the uniform treatment of factors from the point of view of contribution to productivity was assumed by the neoclassicists in terms of the Marginal Productivity theory. It was subsequently discarded by most economists because it ignored the supply side altogether; and it is applicable to perfect competition conditions which do not exist. The modern approach to factor prices is with reference to Demand and Supply theory in which, however, it is clearly assumed that demand implies 'derived demand' and factors are jointly demanded for joint contribution. The critically important point which is missed in such analysis (analogous to the analysis of commodity pricing) is that the human element is left in the background. Factor prices are factor incomes earned by land-owners, labour-owners and capital-owners because of the use of the services of land, labour and capital in the process of production not because of the sales of land, labour and capital. In any society, social problems of inequity or injustice arise from joint ownership of factor services and absence of logical principles or yardsticks for assigning the due share of the total product to each factor service. In a situation of indeterminateness, theories only provided a cloak to cover the sins and evils of exploitation of one factor's income by another factor that was placed in a position of decision-making or position of

socially recognized authority. During the days of feudalism, land owners were in a position of authority and decision-making and hence could grab an undue lion's share of the total product in the name of return for land and whatever small capital was provided. In the days of early capitalism, the capitalist (i.e. capital-owner) came to assume that position of authority, and they could combine capital-service with organization-service and also land-service in many cases and hence grabbed an unduly determined lion's share out of the total product. Wage slavery for vast numbers of people who provided labour-service could indeed be social reality because of indeterminateness and economic jugglery. That is why modern economists of the West felt compelled to consider issues of efficiency along with equity as and when found necessary and feasible, especially after the Spectacular advent of Keynesianism.

Welfare economics ventured by Pigou could not get into the crux of the social problem of equity. During the depression of the thirties, Keynes felt moved to speculate on the 'economic possibilities for our grand children and concluded that the day may not be all the far off when everybody would be rich. We shall then, he said "once more value ends above means and prefer the good to the useful." "But beware," he continued, "the time for all this is not yet. For at least another hundred years, we must pretend to everyone that fair is foul and foul is fair: for foul is useful and fair is not. Avarice and usury and precaution must be our gods for a little longer still. For only they can lead us out of the tunnel of economic necessity into daylight."⁹ Thus we may altogether ignore Keynes who was frank and bold in discarding claims of equity or social justice or ethical issues for solving his concept of emergency which could not, however, be hundred years anyway.

There were other economists who felt the need for probing things like 'collective preferences, social welfare function' and 'distributive justice'. It is of course possible to cover these issues under the issues of social choice problem which touch on several disciplines like moral philosophy, decision theory, mathematical politics, group psychology and economics. New welfare economics, from that point of view, begins with Pareto and reaches maturity

with Bergson (1938). Samuleson (1945,1950) and Graff (1957); New versions of classical Utilitarianism by Hatsanyi (1955) and Vickry (1961); Leading modern-day alternative to utilitarianism (new and classical) is provided by Rawls (1967,1968), and implications of utilitarianism in the context of certain economic models are greatly sharpened by such modern analyses as those by Mirrlees (1971), Sheshinski (1972) and Atkinson(1972).¹⁰

The conception of 'distributive justice' has been advocated most comprehensively in his 'A Theory of justice' (1971) by John Rawls as the first complete principle of social choice to command wide and serious interest since the time of sum of satisfactions of utilitarianism'. All such principles are considered generally for public policy choice in relation to taxation. For instance, while Paretian efficiency objective is usual for taxation analysis, E.S. Phelps shows how Rawls's methods of analysis can indicate better choices in terms of equity or socio-economic justice. K.J. Arrow also applied the utilitarian approach to the concept of equality in public expenditure (1971). In fact, redistributive justice is conceived in Western society as an effort of redistribution of income through transfer mechanism of taxation, subsidies and other means. The most popular mechanism is indeed taxation for moderating existing inequalities in wealth and income. J. Tobin (1970), for instance, examined how to limit the domain of inequality and has candidly confessed the difficulties of resolving the conflicts of social objectives with economic objectives of efficiency, and then reached the conclusion: "In conclusion, I believe that Simons (1948) and the mainstream of economics tradition have been right to insist that general taxation, positive and negative, is the best way to moderate inequalities of income and wealth generated by a competitive market economy."¹¹

Tobin's conclusion is of course more or less representative of American view. The crux of the matter lies in the variety of cases even in the West with wide differences in the realities of social problems and their influences on political affairs and government policies. The differences have emerged out of the impact of the two World Wars; and these are contrastingly felt to be very different

from the American case. The conflicts between efficiency and equity had to be faced with compromises and implemented with social legislation in many cases and with acceptance of components or national versions of socialism in other cases.

In the cases of operating capitalistic and mixed systems, ethical and moral values got dislodged by the candid prescriptions of 'foul is fair because foul is useful' for the period of emergency of postwar darkness of depression. But human behaviour becomes tricky and unpredictably selfish even after the dark days of emergency because of the de-linking with ethical and moral values (i.e. equity issue). Their economic systems had either internal vast resources and opportunities of economic transformation with efficiency but without much conflict with equity (as in USA) or had historically amassed vast resources and developed technologies with efficiency (and exploitation from colonies) and also with continuous adjustments of compromise with equity considerations (as in Great Britain, France, Italy, West Germany). Socialist countries, in varied degrees of rigidity, had to discard ethical and moral value as necessary premise for keeping themselves free from dragging debates in social life; rigorous implementation of the programmes of material development had to be their primary sense of value, if any value is to be assumed at all. Outsiders can certainly view it as a new kind of value judgement attached to socialist materialistic ideology. Even here the picture is marked by wide differences among the family claiming this ideology.

Soviet Russian type and the Chinese type of socialistic ideology were two familiar rigid value systems dependent on the philosophy of society above individuals; but they have recently changed their colour and quality. In the case of China the change is rather radical for the last few years. What was despised as revisionism during Mao's days had become China's Second Revolution under Deng's sweeping reforms. Material incentive, not moral incentive, is now the great motivator in Deng's China; and working of the reforms is pushing China rapidly to the colours of old-fashioned capitalism, as is indicated below:

"Deng's immediate task is to boost efficiency and productivity in China's urban areas. Failure to match rural growth on the factory floor could break the momentum of overall reforms. One of his biggest problems has been reversing Mao's sacrosanct 'iron rice bowl' policy which guaranteed jobs even to the most inefficient workers.....Peking declared a debt-ridden factory in the city of Shenyang bankrupt last month. In October, the government will introduce new regulations enabling factory managers to hire outside workers according to demand. The reforms may well weed out China's inefficient workers, but they raise a disturbing question: What will happen then to the newly dispossessed? China's unemployment rate now hovers at an estimated 10 percent, and cities like Beijing are already being inundated with hundreds of thousands of migrants looking for jobs. If Deng's new policies take hold, the ranks of the unemployed will surely grow. Peking is already planning to introduce a social security system to care for them."¹²

The Soviet system had stronger traditions of rigidity and pride of performance in the arms race with the USA. But before the new leadership of Gorbachev, there was little urge on modernization and efficiency in the economy; especially through advancement of technology. Now it appears, Gorbachev had at least started a bold new beginning to change the hard shell of the nut of the system. It is reported that after reading the first draft of 1986-90 five year plan, Gorbachev bounced it back to the state planning agency asking for radical changes, as is indicated below:

"He wants to shift the system's centre of gravity toward the bottom, giving the individual enterprises the freedom to invest their profits in new technology.....and an incentive to do so. At present, the income of an enterprise, and of its workers and managers, depends primarily on fulfilling gross output quotas, not on efficiency or quality. Gorbachev wants a 'direct link' among income, productivity and quality".¹³

Western diplomats suggested that as long as those at the centre are making the decisions, the wishes would make the system

work. There is increasing evidence that attention is being given to that central problem.

If the lessons of China prove really productive and quickly, one could expect radical elements of adjustment even in the Soviet system soon. This indeed happened in 1991 (year-end) when the Soviet Union was disbanded and replaced by a commonwealth of eleven former Soviet Republics (CIS) headed by Boris Yeltsin.

Missing Link to be Rediscovered in Islamic Economics

Adam Smith's theory of 'Unseen Hand' could not explain the vacuum involved in it because of the determination of the factors only in terms of elements of materialism once again, but all shrouded in vagueness. Hence the classical and neoclassical traditions were made to believe that there was something to be explained which could not be explained. The maladies and abnormal downswing gave Keynes the opportunity of throwing out the whole assumption about 'supply' and distribution-based cost issues altogether' the need for upswing supplied the rationale for heavy weight on 'demand' and 'aggregate demand'. Marx had deliberately put 'heavy weight' on 'surplus value' as the basis of cost and kept the hammer banging on 'exploitation' of labour. The sound of 'hammering' was however muffled by the new innovations of anti-depression Keynesianism and Welfare state philanthropy. When it was realized that the basic problem of missing 'link' and explanation of Unseen Hand remained and got aggravated under the craze of militarism, environmental crisis and plunder of exhaustible (and nonrenewable) natural resources foretelling the 'limits' of modern economic growth and wonders of science of technology, grave emphasis is now put on 'meta-economics' and 'metaphysics' to provide the new premises for the answer. While the Western mind is still haunted by indeterminateness, it is evident that determinateness emerges from the Islamic concept of 'Unseen Hand' which stands for socio-economic plus spiritual forces identifiable under Islamic economics. Here preference schedules (or indifference curves) and optimization of utility, productivity or

benefit measurement procedures will be guided by subjective and ethical-spiritual criteria as the Islamic 'unseen hand' so that nothing undue will get distributed to the accepted 'factors of production' and no residue will be left for additional consideration of vague arbitrary nature.

Value and price of goods and services as well as factors of production can of course be assumed to emerge out of the conditions of demand and supply but in a sense very different from Western secular concept of market equilibrium. In the latter case, market refers to a given set of conditions primarily based on perfect competition which the modern economists and analysts themselves find to be a fiction. Actual conditions are characterized by imperfect competition, monopoly, monopolistic competition promoted by product specialization, imperfect knowledge and information, prejudicial influences because of advertising, distortion of tastes as a basis of demand and market etc. Under real conditions, profits do not represent true profits or 'normal' profits as was conceptualized by the Neoclassicist Alfred Marshal. Value or price is now tantamount to that producers or sellers can squeeze from buyers wherever they are with 'given' quality of the product or service in question. But that is only one type of situation in which value or price itself implies some inclusion of 'exploitation' by producers or sellers (of the capitalist economy). Here the general members of society as buyers or consumers know the 'quality' of product or service and also know that there is some element of 'exploitation' (of different degrees large or small) included in the value or price they have to pay or have to accept to pay because the situation cannot be changed by the members or buyers themselves. Another type of real situation will emerge within the similar situation but only with the change in the condition of 'given quality' that it may not be 'given' and may not be known or knowable to members of the society or buyers. In this second situation, 'the element of exploitation' implicit in value or price becomes much larger in scope and magnitude through the distortion of quality of the product or service in varying degree. These two types of cases of capitalistic exploitation emerge just

from the conceptual mechanism of market and equilibrium without any consideration of 'equity' in distribution through pricing of the services of factors of production..

From the point of view of 'equity' in the pricing of factors, the supply side is affected. That is to say, the producers (and sellers) or capitalists themselves are interested to keep the cost of production as low as feasible by making factors, except themselves, receive low prices of their services. That is how capitalists-entrepreneurs versus workers become a more and more important issue as more and more capitalistic and technology-intensive economy tends to become. And 'low prices' of services gradually becomes 'low prices' of the predominantly large and human factor i.e. worker with increasing 'abundance' because of growth of population and increasing scarcity of land and capital, representing a situation in which capitalists/entrepreneurs alone can dominate and accumulate for allocation and use in their favour all the factors of production. That is to say, the share of the produced output payable to labour becomes susceptible to manipulation or 'squeezing' almost without any limit. The process of organized exploitation thus continues with the respectable stamp of the economy even in a welfare State where, some re-transfers of income are also organized by fiscal systems of social security benefits supported by taxation of higher income groups. Here the relevant issue is: Is it equitable to subject workers, not labour, to social exploitation and the misery of undeserved 'low wages' and to offer subsequently some transfer-money as ointment on the injury?

The Islamic fundamental principle with regard to determination of the share of wages is implicit in the obligation of '*adl and ehsan*' (i.e. justice and welfare) to be observed right in the process of production before the need for social security re-transfer is to be considered. Under the above Islamic principle, justice (and welfare) may be considered to be fourfold: human justice to be related to 'just' behaviour of human being as a basis or 'human rights': social justice to be related to 'just' behaviour of members of society from the social point of view: economic justice, within social justice, to guide the economic relations in relation to economic activity; and

self-justice to rely on the functioning of the soul or conscience as guidance to actions or behaviour in two ways (i) in the weighing of the benefits of justice being reached to others as required by the laws of human justice; social justice and economic justice, and (ii) in the weighing of the quality of the individual's own self in accordance with the criteria of 'righteousness' as laid down in Al-Quran:

"It is not righteousness that ye turn your faces towards the East or West, but it is righteousness to believe in God and the Last Day, and the Angels and the Book and the Messengers; to spend of your substances out of love for Him, for your kin, for orphans, for the needy, for the wayfarer, for those who ask and for the ransom of slaves; to be steadfast in prayer and practice in regular charity; to fulfil the contracts that ye have made; and to be firm and patient, in pain (or suffering) and adversity, and throughout all periods of panic. Such are the people of truth, the God fearing. (Sura Baqara; 177.)

The criteria embodied in the above verse represents the political, social and individual requirement of self-training in an Islamic society for a very different kind of self-development affecting economic decision-making, especially in production and also in distribution. The spiritual-ethical forces operating as a master key influences the processes of decision-making in production and allotting the share of wages to workers with due elimination of 'injustice' which is emphasized within the framework of the fundamental principle of '*adl and ehsan*' itself as may be noted in the command of Allah Himself; "God commands justice (*adl*), the doing of good (*ehsan*) and liberality to kith and kin, and He forbids all shameful deeds and injustice and rebellion, (Sura Nahl; 90).

How the criteria of spiritual-ethical motivation helps a process of 'exploitation-free' decision-making in general and in production and determination of wages for workers can be briefly understood from the following analysis:

"Faith in God and the Last Day (of accounting) provides the compulsion in human motivation to seek the Home of the Hereafter

with the wealth and resources provided by God in the created and the earth. Allocation of resources for production and selection of methods and techniques in this regard are in view of the need for doing the best for 'not forgetting your portion in this world' as the necessary stage to reach to goal of the Hereafter. Man is extensively involved in the two vital processes of economic growth production and distribution, in both he is concerned with spending or allocation out of available resources or income. Economic justice is to be aimed by the production process in the various areas of judgement in course of decision-making on questions like: what is to be produced, how is it to be produced, how is the product to be marketed, how is the product to be priced and so on. The producer or entrepreneur, in an Islamic economy, is internally induced to seek 'economic justice' in the decision-making process of the whole economics of production and the earning of profit-income. He is similarly oriented internally to distribute the gross output to participants of production, mainly the workers. The workers deserve and will receive 'just wages' and the exploitation of the Marxian contention will disappear. "And additionally, a large part of profit-income of the producers will be spent, after meeting the requirements of reinvestment, on social security (as indicated in the standards of righteousness) so that the trend of equalization of income is supported and ensured. In the event of difficulties about producing such economic justice results and the desired social impact, the State has to step in for organizing the institutions necessary towards achieving the objective. Thus the socially just system of distribution of income is integrated into the operations of the economic forces in an Islamic economy."¹⁴

One more fundamental principle that radically changes the capitalistic scheme of production and distribution towards elimination of 'exploitation' of workers lies in the very conceptualization of factors of production which, in Islamic economics, include only two basic factors- Gifts of Allah (natural resources and forces including land) and man (labour, management skills, entrepreneurship etc); and capital is only a durable product like other products of varying use with the difference that capital

products can be used for further production and hence can be a source of two stages of profit-earning activity. Corresponding to the life-cycle hypothesis, both the stages are needed for supporting present and future consumption of self and family members and future generations. Production of capital equipment involves use of savings larger than in some other product – production and accordingly the produced capital equipment will be priced for use of natural resource, use of man's labour plus skill plus management and also use of saved-up stock of resources without any involvement of usury or interest for such latter use in banking is to be conceived for this use, it has to represent the use of the real stock of resources involved with no increase accumulated on the basis of time of use on loan at fixed rates. Return on such use of resource-stock through the intermediary of a banking institution can be on lease basis or profit-sharing basis so that a fixed charge of usury or interest does not enter the accounting of cost without identification of rendered service before closing the accounts for Profit and Loss Account. Excessive unaccounted profits may then be eliminated as exploitation of one class of workers (through lowering the share of labour). This constitutes an additional element of social and economic justice built-in in the Islamic system of production. At the same time, no return on any loan for essential consumption is justified because it will not represent any productivity but will only cut total available productivity. And that will be permissible only as a part of distribution not as a part of the process of production. For instance, when involuntary unemployment occurs without any disability on the able-bodied man or woman in the society, social equilibrium requires transfer of subsistence income from the economically better-off to sustain the former's survival as well as sustenance of physical and mental fitness to work for the economy; and this has been made obligatory for the better-off (above the exemption limit) to discharge this responsibility in two ways: privately spending out of their income towards assistance (as compulsory *Zakat* payment and also further optional charity whenever desired) to identified individuals and groups among own families, relations, the needy, the wayfarers etc.

and also to contribute to the State Fund for similar assistance distribution along with meeting the demands of finance in the way of Allah. How much the better-off will thus transfer from their expendable wealth and income has also been specified such as "excess beyond your needs" (Baqara: 219); and those in whose wealth is a recognized right for the (needy who asks and him who is prevented from asking)..... (Maarij : 24-25). But the Islamic system of distribution is so integrally related with that of production which is founded on economic justice that socio-economic conditions of equilibrium ensure 'equity' in the social distribution of output and income; and State intervention will be only in specified institutions like *Zakat* and *Zakat* Fund distribution and other special Funds like Defence Fund and their distribution or budgeting (fi sabilillah-obligation). For normal civil standard of living based on equitable social distribution of income which is sustained by the socio-economic equilibrium, the system demands that the individual member (i.e. able-bodied man or woman) will learn by endeavour from the economy: Prophet (sm) was asked not to provide sustenance (i.e. *rizq*) because Allah has provided this in the system (Ta-Ha : 132).

Islamic General Equilibrium And Bangladesh Economy

In conclusion, we may summarize the analysis very cryptically by stating that the Islamic economic processes of production and distribution are founded on a synthesis of efficiency and equity from the point of view of human values within the framework of a coordinated socio-economic balance or overall general equilibrium which may be called Islamic General Equilibrium. In this equilibrium, social and economic forces are disciplined by Islamic ethical-spiritual forces. When the overall 'disciplinary' function is absent, the system becomes secular and materialistic with or without private rules of ethics; and within a wide range of possibilities of State ownership and control of means of production, it can not only become either capitalism or socialism/communism but even a 'mixed' system of both capitalism and

socialism/communism. Communism has now become an academic concept, since it has remained theoretical and even the two distinct secular systems of capitalism and socialism have, throughout the last few decades, inter-changed each other's selected elements of characterization. Secular mixed-economics is not necessarily of the nature of a 'synthesized' system in which one system fully absorbs and integrates elements of the other system especially in the case of the Third World developing countries. In the case of the developed countries of the West, between the American system of capitalism and the Soviet socialism, interactions of the two systems influenced a process of new evolution in which elements of one or the other have dominantly affected the 'system quality' through integration, as is evident in the many European countries. Interestingly, again the 'system quality' of the two Polar cases of Americanism and Sovietism has also undergone slow and steady changes, while polarization process of the Soviet case or Chinese case of socialism itself has significantly diversified with non-socialist elements. The diversification process, in the name of modernization, recently became substantial and rapid in China, at least in policy designing and pronouncements under Deng's swing away from Maoism. And Gorbachev's new ideas of democratization have started to let the world know and see that the present leadership of Sovietism intend to make amends for the brutalities of Stalinism and to care for some doses of humanism and efficiency (with punishment of corruption). But one need not anticipate any new trend of basic quality-change in either case. China has already begun to draw the reins of the new horse of cultural modernization to keep it running only on the 'technology co-operation' track.

In the case of African and Asian developing countries, excluding the Middle East, the aftermath of the Second World War, the Korean War, the Viet Nam War, Iranian Revolution etc. and the strategic and militaristic interests of the USA and former USSR have influenced the political solutions in favour of the one or the other Polar system or a mixed blend of the two. Religion did not play any dominant role except in the cases of Iran, Afghanistan and Pakistan. Bangladesh emerged out of the colonial misrule of

Pakistan with a bloody civil war just because Pakistan failed to be fair and constitutional, not to say anything of Islamic ideology. Old history of colonialism and oppression along with lack of stable and steady political will in the wake of past neglect, misplanning and frustration have, unfortunately, tended to make Bangladesh a sort of a case for 'trial and error' effort towards democracy through interventions by military regimes. The country started with the four pillars 'secularism, nationalism, socialism and democracy' as constitutional objectives which were indeed paradoxical for a fruitfully harmonious consolidation in national effort for a Muslim-dominated large society and within fifteen years, these proved too ineffective to the capabilities of the political leadership in power. Political assassinations, lawlessness, military takeovers and seven amendments of the Constitution of 1972 so far could not produce the foundations of dependable stability, although Islamic social justice has found room in the place of 'socialism' for which, in fact, there has been only a small sectional understanding with the lowest prospect of acceptance by the majority. It has not been possible to organize the basic logical steps, even in pursuance of the objective of 'Islamic social justice, for changing the economic and social situation with essential laws for enabling any Government so far to introduce Islamic 'norms' relevant to both efficiency and equity. These have not attracted serious attention from legislators, politicians, academicians, intelligentsia and leadership in power.

As it stands now, the Bangladesh economy does not represent any 'economic system' nor any 'ideology' to make it comparable to known models. From a superficial look it appears like a Mixed Experiment i.e. mixture of capitalism and token socialism. The semblance of capitalism is confined to the love of Keynesian 'greed and avarice' as the secret of success with no regard to efficiency nor to the minimum essential need for social security for below-poverty line unfortunates. Hence instead of a creed, it symbolizes a craze for 'greed' and opportunism which can collaborate with the misleading rationale of 'dependency' on increasing foreign aid. On the other hand, the semblance of socialism lies on the 'opportunism' of grabbing and hanging on with nationalized or Public Sector

corporations of large industries with a view to 'developing' inefficiency, to cover up loss with inequitable subsidies and to foster corruption, mismanagement, wastes, inflation etc. ultimately to justify increasing 'dependency' on foreign aid; even this semblance is in complete disregard for economic, political and legal discipline and the obligation of the State for a general policy of minimum economic security. From our analysis of the conditions of Islamic General Equilibrium, we have found that the deficiencies and gaps in the Bangladesh case of 'trial and error' 'opportunism hide-and-seek and evasion of the responsibilities of promotion of efficiency along with 'equity' can be best filled in with a planned introduction of the norms of the Islamic economic system with the framework of the relevant spiritual-ethical 'disciplines'. Even with apparent association with Western ideas of democracy and welfare-oriented modern capitalism, the economy of the country lacks both real democracy and real welfare because of lack of regard for even 'capitalistic' sense of direction. Universities and educational institutions do not provide any environment for the mental and moral training of the youth nor for equipping them with the skills and capabilities of facing the challenges of development. Political parties, earlier creating history of patriotism, have created their own problems of 'subdivision and fragmentation' like the landholdings with absurd objectives of factional opportunism. In that situation, military regimes could play 'foul games' for political corruption; and violence and supply of arms to youth along with eroding their sense of social, ethical and self-preservation value became integral parts of 'foul' politics. In fact, the basic need of social existence, which is social orderliness, is being slaughtered by multiple groups, factions and unsocial thoughtless power-lovers while the tranquilizers of memories of language movement martyrdom and liberation from colonialism with the shedding of a sea of blood still soothe the wounds of the watching mute millions and millions of the people. Clearly, the nation is passing through a tragic stage of political and national leadership crisis.¹⁵

Autocratic rule has been eventually toppled down by People's Movement and establishment of a Democratic Regime has been

possible (1990-91). But the tragic crisis still continues especially in the realm of law and order, security and stability which works against development and progress.

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15.

QUAID-I-AZAM ^{new} ^{at the} ^{end of} ^{the} ^{dark} ^{tunnel}. As it appears from the speeches of B.M. Abbas, Mainul Hossain and others delivered at the Press Club Auditorium on February, 28, 1987, Mr. Hossain is reported to have mentioned that corruption has become a common goal of politics in Bangladesh - be it opposition politics or government politics; and it has become an imperative need for the non-partisan intellectual quarters to come forward to build united resistance as there no politics based on ideology and guided by leaders. (Vide New Nation, March. 1, 1987. p. 8).

2

Dangerous leadership crisis persisted even after 1990 when People threw out Gen. Ershad and set up a democratic beginning. Mr. K.M. Sobhan commented in an end-Dec. 1994, Dhaka Courier : "It is with high hopes that people elected the ruling party to take charge of the country after the chaos left by the autocratic regime of Gen. Ershad. Bangladesh has a long history of electing representatives for running public affairs but it degenerated during the last decade and a half to an extent that people have lost faith in the institution itself..... The people of this country will be watching carefully the political acrobatics of the ruling party in the coming months." (Outlook, p. 16)

Economics - Religious
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