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TEACHING ECONOMICS IN ISLAMIC PERSPECTIVE

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FOREWORD

Literature on Islamic economics is, by now, quite voluminous. Nevertheless, very little is written on the subject of "how to teach economics from Islamic viewpoint". Despite the apparent need such an undertaking is not readily available. The present work by Prof. M.N. Siddiqi addresses that particular need.

This book is quite unique. On the one hand it is written by an author and teacher whose experience in Islamic economics is unparalleled. Prof. Siddiqi is a laureate of King Faisal Prize for his pioneering work on the subject. On the other hand, the Centre adopted a different procedure in refereeing the content of this book. Rather than sending it to two referees, as is the case with Center's other publications, we involved a large number of experts, the majority of whom are practitioners of teaching of economics. Reading all the comments and modifying the chapters in accordance with suggestions was not an easy job. We, therefore, thank Prof. Siddiqi for his patience and dedication.

Only those who attempted to teach Islamic economics in a conventional setting, or tried to introduce Islamic ideas into a standard curriculum of economics, would know the pain they have to go through to do justice to their subject. It is because of this we wanted to reap the benefit of these experts to make sure this volume addresses the needs of the students of Islamic economics. In recognition to their contribution their names are listed in this book. Certainly this is not going to be our last word on teaching economics from an Islamic perspective. But it is one step in the long road to Islamization of knowledge.

Dr. Mohamed A Elgari
Director

PREFACE

It has been an honour for the King Abdulaziz University to establish a centre for research in Islamic economics. This came in pursuance to the recommendations of the First International Conference on Islamic Economics, called upon by King Abdulaziz University and held at Makkah al Mukarramah in 1396 H. (1976). It was attended by a large number of economists, *Shari'ah* scholars and educationists from all over the world of Islam. One of the objectives of the Centre has been the promotion of teaching of Islamic economics at the Universities. Since its establishment in 1397 H. (1977) the Centre has been serving this objective through its publications and seminars. I am pleased to note that a major project of the Centre is now reaching maturity through the publication of *Teaching Economics in Islamic Perspective*. The very fact that the project has taken more than ten years and involved many distinguished scholars speaks volumes about the Centre's dedication to its task. I am sure this publication will be widely welcomed in academic circles and generate constructive discussion on the subject.

I congratulate the scholars working at the Centre for Research in Islamic Economics. As one who has had a long association with the Centre's administration I feel proud at its performance. I also appreciate the singular contribution the author, Professor Siddiqi, has made to the success of the Centre.

May Allah help us all in serving His cause and His people and accept our modest endeavours.

Dr. Ghazi O. Madani
President

Teaching Economics in Islamic Perspective

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Abstract. There is a need for introducing Islamic ideas and values in the teaching of Economics. Behavioral assumptions of conventional economics do not all apply to behaviour required of Muslims by their religion. Assuming average level of compliance with Islamic injunctions, some care for others is germane to religious attitude. This has important implications for Microeconomics. In Macroeconomics, guidelines are provided for teachers analyzing the impact on the economy of Islamic behaviour in consumption and production and of Islamic policies. Public expenditure in an Islamic economy, an Islamic evaluation of contemporary taxes and significance of *zakat* are discussed in the context of teaching Public Finance. International economic relations and issues in development economics are discussed in the Third World perspective within the framework of Islam. The issue of free trade versus protection, issues relating to financing development and potential of Islamic modes of finance are examined. Teachers are advised to provide a critique of interest based banking, and to present Islamic banking as an alternative likely to ensure greater stability, efficiency and fairness.

The book is addressed to teachers and provides a list of books on Islamic economics as well as on conventional economics for their benefit.

Introduction

Teaching of economics in Muslim countries and communities does not reflect the values and goals people cherish. Economics evolved in Europe a couple of centuries ago. It was a Europe which had distanced itself from religion for some unfortunate reasons into which we need not go here. To make the insularity doubly secure economics also distanced itself from ethics. Mainstream American and European formulations of economics continue to be dominated by this trend.

Any economics that ignores religion and morality can hardly suit the Muslim peoples. It can not correctly analyse their behaviour to the extent behaviour is influenced by religion and moral values. Nor can it come up with policy prescriptions with some chance of success as they would contain little that could motivate and move the Muslim peoples.

Efforts to introduce Islamic ideas and values into economics are now more than two decades old. The Centre for Research in Islamic Economics at King Abdulaziz University, where I am working, has played a leading role in this regard. The six essays included in this volume were written over the period 1983 to 1993. What distinguishes them from some other efforts is their coverage and approach. They take modern economics courses as they are taught in the universities, subject them to a critical review and supplement them with relevant Islamic ideas and values.

The broad methodology has been to envision economic agents

under the influence of Islam to a reasonable degree. They neither ignore all dos and do-nots of their religion nor observe all of them meticulously. Even though the total population of Muslims includes men and women at either ends of the spectrum, most of them do not belong to the extremely bad or ideally good kind. It is a universe almost normally distributed with the bell of the curve swinging left and right over time. While its shape calls for realism, its movement gives hope to reformers and social workers who would rather see it tilt to the right.

There is much more to religion than dos and do-nots. *Tawheed*, the Islamic world view, or vision, is prior to and higher than the injunctions to be followed. Life as a test, accountability to God, the life after death . . . these ideas set a perspective for behaviour and policy. From *Tawheed* follows what is required of the individuals in their relationship with God, the environment and with all other human beings. A translation of the vision into specifics in concrete situations is always problematic. But it is, nevertheless, destined to exercise a deeper influence than particular injunctions. The injunctions are finite. The vision is capable of infinite extensions.

The injunctions of Islam related to economics belong to three different categories. There are specific rules e.g. prohibition of interest, obligation to pay *Zakat*, etc. There are ethical teachings related to truthfulness, honesty, fairness, caring for others, not doing harm to others, etc. These two are primarily addressed to the individuals. The third category comprises goals to be achieved or states of the world to be arranged which by their very nature require social action. Among these goals are removal of poverty, lessening of disparities, administration of justice, etc.

All three are part of the religion of Islam. They influence behaviour and policy. Most of them most of the times require some

interpretation and designing. This introduces plurality. Islam as understood by men and women at different times and places accommodates a variety of interpretations and designing, at the conceptual and social policy level respectively.

Our basic point of departure from conventional (neoclassical) analysis relates to the maximization hypothesis: that every economic agent seeks to maximize his or her economic gain (utility, satisfaction, monetary profits). As extended by Public Choice School the same applies to men and women in politics. Every one, every where, all the time seeks to maximize private benefit in a cool calculated manner. Emotions, tradition, morality, religion . . . all are forsaken. Self-interest reigns supreme.

There is a sizeable literature on the scientific limitations of such a hypothesis. The maximization hypothesis is not very helpful in understanding the economy, any economy. But it is entirely unacceptable as an aid to the understanding of an Islamic economy, any Islamic economy. Even some understanding of Islam and some compliance with its teachings is sufficient to create a society which defies the maximization hypothesis. Some thing else is needed.

The other significant departure relates to the economic role of the state. Of course there is nothing original about asserting that the state has a role in the economy. The important thing is its rationale and scope. I think the Islamic position is unique. It emphasises ethical conduct and social concern on behalf of economic agents as the way to minimizing state intervention in the economy. This insight is not shared by any school of conventional economics.

By the courtesy of the Centre I have had the privilege of getting comments from a good number of scholars. Their names are given in the alphabetically arranged list following this introduction. I am

gratefull to all of them. The essays as they appear in this volume bear many imprints of their comments. But many may still find statements to which they would not subscribe. So I alone bear the responsibility of opinions expressed in this volume.

A list of books and articles appears as an Appendix. This is *not* a bibliography of works I consulted in writing these essays. That is hardly relevant to the users of this book. The list comprises references which can help the user to understand the text or get the details on theories and policies mentioned in these essays. For the sake of convenience Islamic economic literature is listed separately (in A) from modern economic literature (in B).

The volume is primarily addressed to teachers. It is neither a source book on economic teachings of Islam nor a work on contemporary Islamic economic practices. It is intended to assist those teachers who, convinced of the relevance of religion and morality to economic behaviour and policy, wish to handle their subject matter in Islamic perspective.

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CONTENTS

| | Page No. |
|---|-----------------|
| Foreword | v |
| Preface | vii |
| Abstract | ix |
| Introduction | xi |
| Acknowledgements | xv |
| Chapter One Microeconomics | 1 |
| Chapter Two Macroeconomics | 41 |
| Chapter Three Public Finance | 73 |
| Chapter Four International Economics | 125 |
| Chapter Five Development Economics | 159 |
| Chapter Six Money and Banking | 195 |
| References | 217 |
| Appendix | 219 |
| A. Reading List of Islamic Economics | 221 |
| B. Reading List of Economics | 231 |
| Arabic Abstract | 244 |

New Course in Islamic Economics (Feb 2019) at IIIE, IIUI. I now have a YOU-TUBE Channel with talks on Islamic Economics: Conference Talks. Another page which lists lectures/course in Islamic Economics is [HERE](#). Videos of Five Lectures on Islamic Economics delivered at Imam Sadiq University in Oct 16-18, 2010 are available from my website: <http://asadzaman.net>. Videotaped Lectures (links given below) are collected on my website: CIIE 2012 --Another version of these lectures is available from my Google Drive Folder: Islamic Economics: IIIE 2012. Audio lectures given to students at IIIE in fall 2 Economic Doctrines of Islam 1. What is Islamic economics and how does it differ from secular? Introduction to Islamic economic theory 1. Consumer behavior in Islamic perspective and its effect on demand. 2. Behavior of firms in the Islamic framework and its effect on. Thus issues in Islamic economics education and its teaching methodology are to be understood and evaluated within the framework of integrated social science without splitting them into normative and positive components. Viewed from these perspectives, teaching methodology implies the necessity for religious consciousness on the part of the teacher and a metaphysics that interrelates with different subjects and method of teaching them, so that the religious consciousness may be utilized to the full, thus the integration of all discipline becomes possible, and the individual and specialist treat