

**Asad Zaman**

## **Crisis in Islamic Economics: Diagnosis and Prescriptions**

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It is a welcome initiative by the learned author who rightly sees in the current financial and economic crisis ‘an opportunity to lead the world out of the morass it currently is in’. His assessment of the current situation has led him to the conclusion: ‘This gives us in the Islamic world a tremendous opportunity to build an Islamic economics on new foundations’.

All of us need support the author by ideas, empirical data and historical details in this noble venture. As for myself my contribution will be confined to four points deserving consideration. They relate to the Islamic alternative spelled out by the author as regards information, incentives, cooperation, and the need for understanding before ‘transformation.’

There is no doubt Allah will help us in solving our problems provided we are sincerely obeying Him and seeking his pleasure through devotion and dedication, as the author says with reference to Qur’an 29:69.

However there are tasks human beings have themselves to do, given the faculties of reason, intuition,...etc., and the resource rich universe at their disposal. Take, for example, the information man needs in undertaking any productive enterprise. Purity of intention, *tawakkul*, *tabattul*...., etc. are not designed to meet the information deficit. This is succinctly brought out by a hadith reported in several collections. The one in *Musnad Ahmad bin Hanbal* is reproduced below:

“..... heard Musa bin Talhah reporting from his father saying that he passed through a date orchard in Madinah in the company of the Prophet, peace be upon him. There he saw some people high on the date trees pollinating them. He asked, what are they doing? (Talhah) said, they are taking (pollens) from the

male (trees) and putting these on the females, pollinating them. He (the Prophet) said, I don't think it is going to do any good. This reached those people. They stopped (pollinating) and came down. That year the trees did not bear any dates. When this (information) reached the Prophet, peace be upon him, he said, 'It was no more than a conjecture that occurred to me. If (pollination) is doing some good, continue doing it, as I am a human being like you and conjectures may be right or wrong. But whatever I communicate to you saying: Allah the Exalted said so, in that I shall never be wrong.' [Musnad Ahmad bin Hanbal, Riyadh, Bait al-Afkar al-Duwaliyah, 1998. *Musnad Abi Muhammad Talha bin Ubaidullah*. See also Hadith # 1395; Also in *Sahih Muslim* (Riyadh, 1998.), Hadith # 2316]

Economics is about incentives. It is because of incentives that the market functions. It was communism's failure to appreciate the crucial role of incentives that caused its collapse. The Quran takes a balanced comprehensive view of incentives. This is why it refers to worldly benefits of Hajj assembly (*manafi 'a lahum, ...*) and endorses profits of trade as God's gift (*fadl-Allah, ...*). Both qualify as 'material' benefits. The author gives the impression that true Muslims are motivated only by other-worldly benefits. That, I think, is wrong. To rectify this error he needs to learn from empirical evidence and historical records. There are gradations among the God fearing and the pious. There always have been. Generosity is good. Greed is bad. But how many people can get rid of greed and how far can they go insofar as generosity is concerned? Within the Islamic framework of life as a test, there can be no rigidly defined answer valid for all times to come.

The same applies to cooperation versus competition, the subject of 4.3 in the author's discourse.

Cooperation is good but competition is not an unmitigated evil. There is, in fact, a role for competition in Islamic living. Islam did not prohibit price competition so crucial for a well-functioning market, as evidenced by the famous episode involving sayyiduna Umar bin Khattab and the companion, Hatib bin Abi-Balta 'ah. On discovering that Hatib was selling dried grapes (*dhabib*) at a price lower than the price ruling in the market, Umar asked him to raise price (bringing it at par with the market price) otherwise leave the market. [Umar feared market price falling making it unprofitable for traders to bring supply from outside. Madinah did not produce grapes.] Afterwards Umar came back to Hatib and announced that Hatib was free to offer his merchandise at the price he thought fit as the caliph should not have interfered with his freedom in the first place. [For source and details, see: *al-Mawsua'ah al-Fiqhiyah*, vol. 11, page 303, Kuwait, Ministry of Awqaf; First edition]

Most of the reductions in costs, and the inventions and innovations behind them, resulted from competition rather than cooperation. Like everything else, cooperation too has limitations, especially at the microeconomic level. There are great benefits to be reaped by more and more cooperation at the international level.

Dr. Asad Zaman sees a ‘transformative’ role for Islamic economics. No dispute here. But it is unrealistic to assert that: ‘We do not seek to study the world (positive), nor do we seek to describe an ideal state of affairs (normative)’. Why not? How can we transform the world unless we understand it? And, transform into what? You need to have a vision of Islamic living given the state of the world (technology, information, expectations ... and all that) in twenty-first century for performing the ‘transformation’ function. Our greatest thinkers, like Ghazali and Ibn Khaldun, did exactly that. While Ghazali outlined the ideal, Ibn Khaldun helped us understand the world as it functions.

I do not endorse the author’s claim that the task of building a new economic order is easier for Muslims in the Islamic world, simply because: ‘In the East, we do not have heavy investment in obsolete knowledge...’. I have serious reservations regarding that line of thinking. This division of the world between West and East is rather artificial. It is an illusion. We are all in it together. I do not find the lack of ‘investment in obsolete knowledge’ idea to be very bright. One gets the impression that we do not need any ‘investment’ at all, all that is needed is to discard the baggage of old knowledge, if any. (I am not surprised, though. In the author’s system of thought all ‘knowledge’ comes from ‘struggle’!) Rejection of old knowledge has no basis in Quran, the Sunnah of the Prophet, peace be upon him, and the practice of Muslims. Islam does not denigrate the accumulated ‘knowledge’ of mankind. Instead, Islam builds on the *hikmah* found in the stock of knowledge and experience handed down by earlier generations. Realization of this truth reveals the gigantic dimensions of the task of building ‘an Islamic economics on new foundations’. To think that a demolition squad will do is not going to make the task of building Islamic economics any easier.