

Association of Muslim Social Scientists
Outlines of Islamic Economics
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Reviewed By:

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This book which is a collection of thirteen papers presented at the first symposium on the economics of Islam in North America, is divided into three parts. The first part deals with some theoretical issues such as *zakat* and *Riba*; the second part with policy alternatives in Muslim countries with special reference to population policy and the problem of educated manpower and the third part with some aspects of the economic problems of Muslim minorities.

Since this useful collection of papers has not dealt with the different aspects of a *theme* in Islamic economics, I prefer to present a critical overview of each part with special reference to problems and issues raised.

Part one of the book consists of three articles on Islamic economics. In his paper, A.Q. Shaikh had rightly emphasized the integrated nature of temporal and spiritual aspects of *zakat* which can be used as a powerful tool for income distribution in an Islamic state. The list of properties that he has proposed for the purpose of exemption from *zakat* may have an apparent validity in the *Shari'ah*. But the limits and scope of exemption of some of the items need to be examined further in the context of present harsh socio-economic realities of many Muslim countries. In some cases, it should be possible to establish a case for Islamically justified social intervention or to derive important policy decisions. For example, if we exempt coin money from *zakat*, it logically follows that we should exempt paper money too. Furthermore, while the author has merely introduced the problem of equity and justice, it is indeed necessary to discuss the burden of secular taxes and their limits with particular reference to income and other taxes. What we need is the integrated analysis where *zakat* becomes an integral part of the fiscal system.

Amir Khalili's paper on "*Tatfeef: Dealing in Fraud Interpretation*" puts forward some interesting Islamic economic principles (i.e., one way exchange of goods) which are in contrast with the mainstream of Western economic theories stressing the two-way exchange of goods and services. It is true that "Islam treats the problem of "*Tatfeef*" at its roots, altering individual preferences and therefore economic behaviour through moral *tarbiat*. But the question of "how" to imbue people with "moral *tarbiat*" is more pressing to-day than ever before.

Syed Ahmad's paper on "Reflections on the Concept and Law of *Riba*" is indeed a controversial paper. Although it accepts the view that *Riba* is prohibited, yet the way it tried to put forward four definitions of interest and to confine the prohibition of "*Riba*" to one of them is neither convincing nor acceptable from the viewpoint of the *Shari'ah*. The fact is that "*Riba*" or interest in all its forms is prohibited in Islam, because interest is in a significant way responsible for the growth of capitalism with all its attendant evils in society; it creates the problem of unemployment; it retards the process of recovery during recession or depression; it aggravates the debt servicing problem of the poor countries. Finally, it uproots the basic principles of economic cooperation, mutual help and creates in man individualism and selfishness. The so-called allocative function claimed to be performed by the interest rate in a market economy can be done by expected rate of return (i.e., derived from opportunity cost) in an Islamic economy.

Part two of this book consists of five valuable papers, three of them dealing with problems of population and demographic transition and two papers with the problems and prospects of co-ordination of economic policies among Muslim countries. In my view, almost all papers in this part may not appropriately come under book entitled: *Outlines of Islamic Economics* due to the following reasons: (i) while these papers provide us very valuable and useful information in the context of Western secular economics having implications for Muslim countries, there is indeed a common missing link: that is, relevant Islamic economic values are not clearly delineated and properly integrated with economic analysis. This is not to suggest that we must exclude secular Western economic issues from the purview of Islamic economic analysis. In fact, I argued in my recent book that in every system of thought, there are some assumptions and ideas in common with other systems of thought. It is through emphasis or de-emphasis or rejection, that an identity is established*. Therefore Islamic economics will have its own hypothesis. In course of scientific investigation, we may reject or accept or modify or alter them irrespective of social and economic systems, based on market, command or tradition. In other words, if our scientific enquiry leads us to confirm or support any existing institution and practices of either capitalistic or socialistic system, there is nothing wrong in adopting or adapting it in an Islamic state. In any case, Islam remains as a lender rather than a borrower of ideas, for, Islam is older than either of the two existing major systems.

(ii) It is not evident whether the author's arguments have validity in the eyes of *Shari'ah*. Thus when an author argues in favor or against birth control or when the economic analysis of demographic transition for educated manpower ignores the effect of Islamic inheritance law, one becomes curious to know the position of the *Shari'ah* in such matters. Even if there is a difference of opinion in the *fiqh* population policy, it is important to make an appraisal of different positions, (if any) with proper documentation, and integrate them with the economic analysis of the relationship between economic growth and population growth in the context of Muslim countries. It is to be clearly recognized that population policy does not necessarily mean birth control policy. There are Muslim countries which want to increase their population

* See M.A. Mannan: *The Making of Islamic Economic Society: Islamic dimensions in economic analysis*, International Association of Islamic Banks and International Institute of Islamic Banking and Economics, Kibris (Turkish Cyprus,) 1984, p. 4.

deliberately (i.e., Malaysia)* or have very small population base (i.e., Saudi Arabia). Besides, the improvement in the quality of population and immigration within the Muslim countries should also constitute a major element of population policy. Thus the role of *ijtihad* in the face of these diverse population policies need to be determined. This is what is not done in these essays.

(iii) It may be noted here that Muslim countries are not necessarily Islamic countries. As such secular economic analysis, applicable to Muslim countries may not be valid in an Islamic framework. It is important to maintain this distinction or it should be stated clearly that "Muslim countries" and "Islamic countries" are used as interchangeable terms. This is not indicated.

However, Part Three of the book deals mainly with the economic problems of the Muslims in a non-Islamic social settings. In this section the major contribution is made by Monzer kahf in his paper "Economics of Muslim Minorities in a Non-Islamic Environment". In this well-organized paper, Kahf tries to present some of the economic dilemma of Muslim minorities. And in his concluding section he has prepared an operational guide for Muslims in North America in the calculation of *zakat* in the form of lists and schedules similar to those used for taxes. It is indeed a useful exercise. But it has not really solved the economic dilemma of Muslim minorities. Because a comparison with the list of social welfare activities financed by the U.S. federal taxes would have shown an overlapping zone indicating clear possibilities of double taxation: tax imposed by the government of the Muslims (a part of which is going to help the poor) and *zakat* paid by the Muslims as a religious obligation which is also going to help the poor. This raises an important question of re-assessment of *zakat* for those Muslims who pay *zakat* and are also required to pay taxes, a part of which goes clearly to the poor who are entitled to *zakat*. To me, this is an economic dilemma not only for Muslim minorities but also for some Muslim countries where *zakat* is not collected by the state, not to speak of integration with the fiscal system.

Lastly, Afzal's paper on Islamic banking in a non-Muslim society raises a number of important points including indexation. The paper supports the idea of indexation of loan. It is argued that "inflation is a regressive tax and creates inequities in the distribution of income and similarly, deflation could be inimical to the business interest. Indexing of principal amount within constraints, commensurate with inflation or deflation appears to be a logical proposition" (p-123). Despite some controversies, it is important to recognize that the outcome of indexation is essentially uncertain: while indexation of loan can be positive, negative or equal to principal in money term, not in real term, a pre-determined rate of interest on loan tends to be always positive in money term.

Taken all in all, it can be safely said that some of the papers in this volume (if not all) provide us a good reading material in Islamic economics.

* See *Arab News*: English daily, Saudi Arabia, Saturday, April 22, 1984, p.11.