

Muhammad Anas Zarqa,
Capital Allocation, Efficiency and Growth in an
Interest-Free Islamic Economy,

The Journal of Economics and Administration, No.16, November 1982, pp.43-58.

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Dr. Zarqa has tried to show in his article that "eliminating interest from the economy, which forms an integral part of the Islamic order, is not a romantic economic idea but a feasible and plausible proposition".

Dr. Zarqa's approach in handling this challenge is to show that:

1. An interest-free Islamic economy is prone to growth, and eliminating interest-rate creates an environment that is conducive to saving, investment and technical progress.

2. Efficiency is not hampered by eliminating the interest-rate-static. Efficiency conditions are still satisfied in the Islamic economic system. Dr. Zarqa has summarized evidence to the effect that a positive interest-rate leads to inefficient allocation of resources.

3. The market can still allocate capital among different users and uses even in the absence of the institution of interest. The rate of return is the proper price of capital and can do the job efficiently.

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