

Zubair Hasan and Habibah Lehar

Macroeconomics

Oxford University Press, 2009 Kuala Lumpur

Review by: Ausaf Ahmad

Former Hear Special Assignments

Islamic Research and Training Institute, IDB., Jeddah.

ausafahmad2007@gmail.com

Teaching economics, or for that matter, any social science, has been a perennial problem in most of developing countries, or more specifically in most of the Eastern countries. The main reason for this difficulty lies in the nature of social sciences. This difficulty is not faced by the teacher of physical or natural sciences. The Physical world is the same all over. Oxygen remains Oxygen and Hydrogen remain Hydrogen. When the two molecules of hydrogen join one molecule of Oxygen, water is formed. This remains true whether the teacher is teaching it in Mozambique or in California. Not so in Social Sciences. When a teacher is teaching Monetary Policy in India, or In Iran, the students do not and cannot observe the same phenomenon that is taught to him in the class room. He is taught in the classroom that commercial banks, like all other economic agents, are profit maximizers, are owned by the private interests etc. When he looks around he finds either there are no commercial banks or a few that are there are controlled by the governments. He does not understand how minimal changes in the bank rate or open market operation could influence the whole economy. The real social world is so different from the world found in the text books.

It is not that the assumptions on which these text books are based are incorrect. They are correct and relevant to the societies which are the reference point for those books. I may give a personal example at this stage. When I was a graduate student in the United States in early seventies, most of the economic models we were taught, assumed a close economy. When some of

the students questioned the relevance of this assumption, the teacher said: More than 96 percent of GNP in the United States is generated in the domestic sector. Therefore, the assumption of a closed economy is very relevant to our economy. That is exactly the point. The closed economy assumption may be relevant and realistic to American economy but it may not be relevant to many economies in the developing countries where the ratio is just reverse.

So, the point is that theory developed at Oxford, Cambridge, Harvard, MIT, Yale and a dozen other Ivy League universities may not be very relevant to the reality prevailing in the developing countries. Generations of economists from the days of JK Mehta to Amartya Sen, Sukhmoy Chakra borty, and many others have felt uncomfortable about it. But, they have done very little , if anything at all, to alter the situation. So, we keep on teaching Western theories developed by the Western writers, through Western Text books producing graduates and experts who know more Western economy and markets more than their own countries. There are reasons behind this too.

The hegemony of West rules in academics also as it does on the eastern markets. No university teacher, researcher, economist or social scientist worth the name can get recognition in his own country unless either he publishes in the Western journals or his works are published in the West, by the publishers in London, New York, Paris and Stockholm. The Western journals like Quarterly Journal of Economics, Journal of Political Economy, Review of Economics and Statistics, Economic Journal, etc. to name a few, give priority to those issues which are prominent issues of their societies. These trends are prevailing not only in social sciences but also in other natural sciences. Once I attended a meeting in which a Nobel Prize winner physicist explained how western medical journals gave preferences to those research articles which are devoted to investigations of high blood pressure and heart diseases in comparison to Malaria, Cholera, Diarrhea and plague which are described as tropical diseases. Same biased pattern could be observed in the allocation of research funds. The evidence of subtle bias in favour of issues of importance to developed countries and against the issues of importance to developing countries comes from a personal experience. In early seventies, when I was teaching at Aligarh Muslim University in India, a senior colleague wrote a paper on how to conduct central banking operation in an interest free environment. He gave me first draft to read and also sought advice on where to send it for publication. I suggested the name of a famous research journal published from an equally famous university. The suggestion was accepted by the author who informed me couple of months later that editor of the journal had regretted publication of the article saying it was not relevant to the society although he conceded that it was a good piece of serious research.

The significance of this text book by Hasan and Lehar must be seen within this overall general backdrop. It is not that authors are unaware of this significance. They are fully aware of it, although they have put it somewhat mildly:

There are many books in the market on macroeconomics and many are added to the stock every year. The present work, while being presented in the same pattern as other modern text books in general, has been specifically written for students studying macroeconomics at undergraduate level in the developing countries. It aims at placing the students in a geo-economic environment they are familiar with in terms of names, goods, fruits, crops, institutions, problems, issues, society and politics.

I have no qualms in accepting that authors have, to a large extent, achieved their stated aim. In particular, the senior author Prof. Hasan brings with him his decades of experience of teaching economics both at the undergraduate and graduate levels in Indian and Malaysian Universities. In general, the book follows the pattern of modern text books. Each chapter begins with an Introduction and ends with the summary of each chapter, glossary giving the concepts and meanings of the terms introduced in the chapter and test questions. The book has liberal supply of charts, diagrams, tables, numerical examples and other useful supplementary material.

The Oxford University Press have done a good job in designing and printing making it as much easy and interesting for the students to master a subject that is commonly believed to be a tough subject.

The chief merit of the book is its size. A vast subject like macroeconomics encompassing its all dimensions has been covered in 280 pages, with text up to only 265 pages. The rest of space is occupied by a bibliography and an index. The first few pages, containing preface, acknowledgement Table of contents etc have been left un-numbered. This should help to minimize the intimidation felt by the students about over- sized economics books running into several thousand pages.

The language used by the authors, is simple and their style is lucid. Poor lingual ability of students in present times is another stumbling block that prevents them from profitably using the text books written for native English speakers. As it turns out, most of developing countries, located in Asia, Africa and Latin America are not native speaker of English. Hence, the books written by native speakers for native speakers do not appear to be very relevant for them. Their lingual handicaps do not enable them to make use of these books.

The authors of the book themselves being non-native speakers of English appreciate this problem of students. Hence, they have deliberately kept the language simple and straightforward. Besides simple language and lucid style, present text enjoys several distinguishing features, which have been enumerated by the authors as follows:

- The book is “punctuated with illustrations and neat diagrams to help the learning process and promote the understanding of the issues involved.
- Learning objectives are given at the start of each chapter...
- Marginal notes are inserted to provide a bird’s eye view of the Chapter contents.
- Each chapter provides a summary of the main points in the text...
- Each chapter contains at least one case study followed by questions to test students’ understanding...”.
- A glossary explains the important concepts.

Needless to say that all these distinguishing feature have not only added to the usefulness of the book, but make it unique.

The whole book consists of only eleven chapters, but it covers the whole gamut of macroeconomics in modern economics. It is a fitting proof of the competence and command of authors over the subject.

Another important and distinguishing feature of the book is adding of Islamic dimension. The emergence of a new branch of knowledge in any discipline is an exciting event. Surfacing of Islamic economics as a distinct branch of economics should not have been any exception. However, due to religious nature of various concepts of Islamic economics, it is regarded as an effort of some zealous and over enthusiastic Muslims. Although this attitude is now changing, as publication of various books on Islamic economics and finance by some very reputed publishers suggests, but the fact remains that it is still there. The book by Hasan and Lehar is, probably, the first text book that takes note of the emergence of Islamic economics and discusses certain issues, wherever relevant, in the light of Islamic economics. Special mention may be made of the chapters dealing with fiscal policy (chapter 8) and income distribution (chapter 9). The non-inclusion of a chapter on money and banking seems to be an important omission. The authors may defend their position saying that they intend to write a separate book on the subject where it will be treated more exhaustively. But this is no defense at all. It is a usual and standard practice in most of university text books that monetary and fiscal issues are

given almost equal importance. There are courses on monetary and fiscal economics. If a chapter on fiscal policy could be included besides availability of scores of books on Public finance, there doesn't seem to be any justification whatsoever of skipping money and banking issues. The presence of books on money and banking, even written by authors which may become available at a future date, could not possibly be an acceptable reason for not including it in the scheme of the book.

The omission becomes all the more conspicuous if we also take into account the establishment of a number of Islamic banks and Islamic financial institution in several Muslim and non-Muslim countries. These institutions have been successful in carving out a niche for themselves in the financial markets which are not only over crowded but also have cut throat competition. Islamic banking and finance represent one of those ideas which have been born the developing countries. It is rather surprising that a book on macroeconomics, that claims to be specifically written for the students in the developing countries, focusing on the issues they have to face in their everyday life, is devoid of any mention of Islamic banking which is the most important idea coming from the developing countries.

In the Chapter dealing with fiscal policy, the authors have included two sections on revenue and expenditure of an Islamic State. While, it is a welcome addition to a standard text book, there are some minor lapses towards which attention may be drawn.

First of all, at least one of the authors belongs to the Indian subcontinent. The sub continental bias in pronunciation is reflected in the pronunciation of some Islamic terms. For example, Zakah is written as Zakat which may be comprehensible for people of the Indian sub-continent but may not be as expressive for the people from other areas. Another Arabic word has been used wrongly. The correct word is *Waqf* and not *Waqaf* as it has been mentioned on p.199. Some other conceptual errors may also be pointed out:

1. Zakah on agricultural produce is known in the literature as *Ushr*. The name is derived from the rate 10%.

2. The authors should have clearly mentioned that Zakah is levied only on adult (children are exempted.) and sane, (insane are exempted) Muslims (There is no Zakah on non-Muslims, although they have to pay other taxes levied by the State).

3. The revenues of Islamic State are often classified into Fay and non-Fay incomes. The book by Hasan and Lehar does not make any such distinction.

4. There is a little confusion about the term Sadaqah. In fact, Sadaqah is of two types: Sadaqat-e-Wajibah (compulsory levies) and Sadaqat-e-Nafilah (voluntary levies). Zakah is Sadaqat-e-Wajibah, while all other spending in the way of God, is voluntary.

5. The octagonal expenses prescribed in Quran and mentioned by Hasan and Lehar on p. 200 of their book, relate only to expenditure of Zakah incomes. The expenditure of other (Fay) incomes is left to the discretion of the State. Otherwise “eight permanent heads of government expenditure of an Islamic State” are by no means exhaustive. The Islamic State may find other avenues of government expenditure and it must have revenue to spend on items which have not been specified. The provision of Fay incomes is for this purpose.

In short, it may be said that Hasan and Lehar have succeeded in producing a text book that can safely be put in the hands of students and can successfully be used for class room instruction.