

REVIEW ARTICLE

Islam and Economic Development

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1. Introduction

Development seems to be emerging as a dominant theme in the area of Islamic economics. Not a few local and international conferences have been held in recent years on the subject.¹ Several books and a number of journal articles illuminating the various aspects of the issue have made their appearance.² The establishment of a Development Centre at the International Islamic University in Malaysia is in the works.³

The immediate preoccupation with the idea is understandable. Muslim countries have mostly crossed the threshold of economic development, and in some cases things are really going well.⁴ At the same time, there is a discernible public concern to see the course and content of progress take the Islamic path. As such, the advent of Muhammad Umer Chapra's *Islam and Economic Development* at the present juncture is opportune and welcome. The eminence of the writer may raise expectations for the book, the more so as he intends it also to serve as a text for university students.⁵ For brevity, we may refer to it below as *IAED*.

Economic development has been the main *raison d'être* of social organisation for most of human history.⁶ Islam provided a moral anchor and purposive unity to this organisation, leading to the rise of a great civilisation, culture, and prosperity for vast tracts of the globe, until the disintegration began with the secularist onslaught on religion during the dusk of the Muslim rule over Spain.⁷ Over time, varying shades of capitalism and socialism provided paradigms for social organisation. However, the main rudiments of them both can be traced back to divergences from the basic Islamic design with extreme distortions.⁸ Of late, the two systems have tended to a remarkable convergence.⁹ Will the circle eventually be completed with Islam as the end of the sequence?

This may or may not happen, but for the sake of clarity in discussion one must realise that there may be two broad ways of looking at the issue of economic development: *between* the systems, and *within* a system. Obviously, each approach will require a different analytical frame in terms of objectives, strategy, range, and content.

For analysing a system's approach to economic development one must understand its worldview, including the end or objective it works for, examine its overall motivation scheme, look at the property relations it promotes, evaluate the role it envisages for the government, and study the institutional framework it operates in. This approach takes a rather long-run view of the matter, though situation-specific temporal problems may not entirely be ignored. It is generally used for making inter-system comparisons.

On the other hand, the "within a system" approach to economic development is designed subject to the constraints of the system's framework. Some sort of planning is invariably associated with this approach, irrespective of the system. These plans are often made for relatively short periods, although they are guided by a long-run development perspective. They fix up specific priorities, targets, trade offs, broad strategies, schemes for financing, microincentive designs, roles of the state, and performance evaluation procedures. Mainstream economics takes this approach in the literature on development.

The two approaches are immiscible. To switch from the one to the other, or to lurch between them, during the course of a discussion may prove confusing. But writings in the area, including *IAED*,¹⁰ do tend to mix up things, presumably because the Islamic economic system is still not operating in any Muslim country, with perhaps the qualified exception of Iran, while their developmental problems tend to become acute and pressing.

The present position of the Muslim countries (like others) in the matters of their cultural values, institutional structures, administrative arrangements, and economic performances is a departure from history, as they have remained dominated for centuries by non-Islamic forces. Writings characterised by the mixup of approaches usually become swayed by system considerations and tend to adopt an unrealistic all-or-none attitude towards the changes needed. Removed from the surrounding realities, they rarely inspire the reader or attract the policy maker. One often feels transported to the barren land of theoretical abstractions.¹¹

Overnight transformation of history-determined phenomena in a peaceful orderly way is rarely possible. A "within a system" approach to economic

development, looking at facts from an Islamic angle, and proposing feasible, even if partial, step-by-step reforms is perhaps the most expedient and fruitful way for the eventual establishment of the desired order.¹² However, one may look at Chapra's *IAED* within its own framework. Let us have a glance at its content and structure.

2. Content and Structure

Even though part of the material Chapra presents in *Islam and Economic Development* comes from some of his earlier writings,¹³ the work is both interesting and evocative. The presentation is lucid and well-documented.¹⁴ The text with a brief introduction and six chapters of uneven length covers 129 pages. The remaining portion contains suggestions for further reading, notes and references, a bibliography, and an index. Following the preface, Zafar Ishaq Ansari's foreword pays an eloquent tribute to the author for his contributions in the area of Islamic economics.

The scanty introduction mentions the familiar problems — unemployment, inflation, payment deficits, currency depreciation, debt burden, and distributional disparities — that continue to menace developing countries, including Muslim ones. The situation requires, the author says, a strategy for development that would accelerate growth, ensuring at the same time distributive justice and stability.¹⁵ Can the secular systems, capitalism and socialism, provide such a strategy? If not, can Islam help formulate one? And if yes, what has kept the Muslim countries away from adopting it? These are some of the key questions the introduction raises and the following chapters attempt to answer.

Chapter One (pp. 3-9) draws the contours of the kind of development that may resolve the problems developing countries are facing. It postulates that the goals to be achieved determine the proper strategy for development. But these goals, in turn, stem from the worldview of the system.¹⁶ Thus the choice of the goals and strategy together depends on the selection of an appropriate economic system. As the worldview of both capitalism and socialism is secular and thus devoid of a moral dimension, neither of them is considered conducive to a humane economic development.

On the other hand, the Islamic worldview, conditioned by three of the faith's basic tenets — unity, vicegerency, and justice — emphasizes both the mundane and spiritual aspects of human development. It makes the well-being (*falāḥ*)¹⁷ of all human beings the principal goal of the *Shari'ah*. All this is hardly

disputable, but missing in Chapra's exposition is the vital link Islam provides between the mundane and the spiritual goals of human development.¹⁸

The basic thesis of the book, says Chapra, is that even material development with justice is not possible without moral development (p. 7). The Muslim countries are advised to adopt the strategy based on the Islamic principles for achieving the missing dimension, among other things. In this connection the concepts of efficiency and equity, as they stand in mainstream economics, are revised to meet the Islamic requirements.¹⁹

Chapter Two (pp.10-20) raises the question "can secularism foster a just development?" and answers it in the negative because the secularist stance of capitalism relies on reason, not faith, to discover the ultimate truth. After the recent collapse of socialism, so the argument goes, capitalist rationality acquired all the more legitimacy and the world witnessed the resurgence of its *laissez faire* model, though a certain allocative and distributive role for the state to realise socially desirable goals is still recognised.

The model continues to rest, it is thought, on some unrealistic assumptions: harmony between individual and social interests and priorities, equal distribution of income and wealth, prices reflecting urgency of wants, perfect markets, and survival of the fittest.²⁰ Pursuit of self-interest, love for wealth, and nonaccountability to the Supreme Power, plus these assumptions, are held responsible for economic development serving the well-entrenched interests and in the process putting the welfare state notion in crisis. Even socialism is found iniquitous. The Islamic system alone is seen to hold the potential and promise for promoting a just development. The next two chapters deliberate on this vital point.

Development economics deals with dynamic real world situations. Over time, this may demand a reordering of social priorities, review of important tradeoffs, technical choice alterations, structural readjustments, and other policy shifts in response to changes in circumstances. Modifications in thinking, even ideological shifts, are probably the imperatives, not the limitations, of developmental dynamics. Chapter Three, however, considers what is inevitable as the "inconsistency of development economics" (pp.21-58). The elucidation is interesting, in places erudite. But the ride it chooses to take through history is somewhat jerky because the change of gear is not always very smooth.

The discussion begins with the *laissez faire* capitalism of Adam Smith's era, talks of the Keynesian advocacy for public intervention in economic matters, mentions the socialist alternatives, and touches upon the neoclassical revival of the liberal tradition, thus completing the circle. The literature is found to be full of conflicting analyses, and divergent policy prescriptions testify to the "inconsistency

of development economics." Secularism is seen as the only common feature of the variations.

The pessimistic outlook of Western economists about the lack of social requisites for progress in the developing countries, condemning them to the "vicious circle of poverty" is considered biased and overblown;²¹ the emergence of a dominant role for the government in the economy because of the socialistic influences is regarded unhelpful, and the perennial neglect of the equity issue is lamented. Some sterile controversies like agriculture versus industry and import substitution versus export promotion are examined. A few unanticipated problems concerning inflation, debt burden, and planning are mentioned. It is noted that the resurgent neoclassical economics does not remain unconcerned about distributional equity or poverty. However, despite the change, the question remains: Can it provide a strategy effective for realising both growth and equity in the case of developing countries? (p. 41). Mentioning the adjustment programmes the World Bank and the IMF have sponsored in recent years, Chapra observes that Muslim countries are only likely to be hit harder than before on both counts (p. 42). Why and how, he does not explain.

Even the emergence of a just development in some of the Far Eastern countries — South Korea, Hong Kong, and Singapore — under the new forms of liberalisation and export promotion does not affect his conviction. He argues that some other factors such as role of the government, land reforms, social equality, labour-intensive techniques, new cultural values, import control and export promotion, and low defence spending (largely occasioned by the end of war) played a decisive role "in the rapid growth of these countries, particularly in reducing the conflict between growth and equity" (p. 51).

Chapra, like many other Muslim economists, is convinced that the mainstream economic systems can rarely promote growth with justice, mainly because of their secularist value-free approach to development. The solution lies in the developing countries' effort at evolving their own strategies in the light of their socioeconomic imperatives (p. 58). For the Muslims the *Shari'ah* contains all the needed elements for the purpose. Chapter Four (pp. 58-115) spells out the Islamic strategy for bringing about economic development with justice and stability. Its main elements include (i) passing the claims to resources through a moral filter, (ii) pursuit of self-interest with moderation, (iii) socioeconomic restructuring for the transformation of the human factor, and (iv) the state's role in the promotion of value internalisation, all governed by Islamic tenets.

Five policy measures are indicated to put the above integrated approach into action. First is the need to invigorate the human factor. This can be done through subjecting the pursuit of self-interest to moral discipline; promoting

socioeconomic justice; initiating labour reforms; ensuring fair treatment of small income earners, producers, exporters, and consumers; expanding education and training facilities; and improving the weaker sections' access to finance.

Second, concentration in asset ownership is to be reduced. The measures suggested are land and tenancy reforms, including incentives for sharecropping in rural development schemes, integration of small and medium enterprises with agriculture, wider equity dispersal and control of corporations, the activation of *zakah* and the Islamic inheritance system, and financial reforms.

Third is economic restructuring. Under this come changing consumer preferences by introducing a moral filter, distinguishing needs from luxuries, and liberalising need fulfillment; reform of public finance, including priorities and principles of government spending; the issues of subsidies, public enterprises, defence, tax reforms, and deficit financing; restructuring of the investment climate by removing political uncertainties, exchange control, tariffs and import substitution, and encouraging foreign equity capital; need-based production; and a new deal for the unemployed.

The fourth measure focuses on the urgency of financial restructuring, especially for helping marginal farmers, small enterprises, and the self-employed poor who have more skills than they can use in the absence of adequate funds. Indeed, Chapra supports the view that the availability of finance should be recognised as one of the basic human rights, for it plays a critical role in the latter's attainment (p. 109). The proposal has far-reaching implications, and deserves much more thought and space than *IAED* could provide.

Fifth is the insistence on "strategic policy planning." Although there is not much elaboration of the idea, the role of such planning would be to "enable the state to take a realistic account of all the available physical and human resources and to establish a set of well-defined priorities." It would have a long-run perspective, and too-frequent policy changes have to be eschewed.

If Islam provides a workable strategy for development with justice and can motivate people to that end, why have the Muslim countries not been able to put it into operation? Chapra essentially blames it on politics. He candidly points out that just development is hardly possible unless the masses suffering from inequities can effectively participate in the political process and influence policy decisions affecting their lot. Chapter Five (pp. 117-123) briefly discusses the Islamic criteria for establishing a sound political system accountable to the people and responsive to their aspirations. It is based on *shūrā* or mutual consultation, and has no place for despotism, dictatorship, or autocracy.

The obvious implication is that the present governments in Muslim countries do not entirely meet the Islamic requirements in deriving their authority or in arriving at their decisions. The gap between the rulers and the ruled tends to widen in many cases. Masses are becoming increasingly restless for a change. "If a sound political order is not established" through peaceful constitutional means, "popular restlessness might lead to the eruption of revolution," Chapra warns. In the present times, free and fair elections, according to him, are the best way to establish the desired political order which alone can facilitate other reforms.²²

Chapter Six (pp. 125-129) in conclusion reiterates that mainstream economics cannot ensure development with justice and stability, as it is devoid of moral content. Only moral reform of the individual, and other ingredients Islam injects in the economy, can have the desired results. But Muslim governments should put Islamic strategy into action, rather than use Islam just as a slogan. Even so, Chapra feels that change will come only slowly and many problems Muslim countries are presently facing are likely to continue for a long time.

One hopes that the foregoing summary of *IAED* is a fair depiction of the thrust and content of Chapra's argument. The ideas he has thrown into the work are so numerous that this review cannot do justice to all of them. However, we may use a few of them for briefly discussing some issues tangential to his thesis. These include the performance of secular economic systems, comparative values in Islam and secularism, factor rewards, and requirements for a good textbook. The discussion is mainly intended to erect a few guideposts for further research and for preparation of material for students on development issues from an Islamic angle.

3. Secular Economic Performance

Interestingly, the discussions on economic development in the Islamic literature tend to focus on the seamy side of the secular systems' performance, largely skipping their achievements. This probably helps the argument that the imitation of secular models and methods by the Muslim countries is an exercise in futility, and that the solution to their present woes lies in the resuscitation of the Islamic social order. The concern implied in the argument is understandable, but it may backfire, resting as it does on some infirm grounds.

The positive achievements of the world in recent years cannot be ignored. Muslims have contributed to them, and can legitimately take pride in them as a common heritage of mankind. Here are a few observations to illustrate the extent of the global economic gains over a span of just fifty years since the close of the Second World War.²³ During this period, the developing countries progressed at

a pace three times faster than the industrial countries did a century ago. The global GDP increased sevenfold to more than triple the per capita income, despite a rapid growth in population. The plates on the world dining table have more than doubled, and yet are on an average better filled than ever before.

There have been dramatic developments in technology in almost every direction: agriculture, industry, energy, automation, services, medicine, and space exploration. Sometimes human institutions fail to keep pace with the advancing knowledge that doubles every five years. Speed is the essence of change. Time distances between places are one-tenth of what they were before. Today, computers turn a trillion dollars around in world's financial markets every twenty-four hours. There is a mad race among countries to get onto the information highway.

After the Seventies, things did start looking up a little for the poor of the world as well. For example, in 1960 nearly 70% of humanity survived under abysmal living conditions. The percentage had dropped to 32 by 1992. The percentage of world population enjoying fairly satisfactory human development levels increased from 25 to 60 over the same period. "Rising life expectancy, falling infant mortality, increasing educational attainments, and much improved nutrition are a few heartening indicators of this human advance"²⁴ and give hope for the poor. The twenty-first century is going to usher in the Asian Age.

This rosy picture is of course selective. A third of the developing world's population still lives in a state of abject poverty, their majority remaining hungry every night, millions not even getting safe drinking water. And there are disturbing inequalities. Where so many go hungry, so much food goes to waste. The richest billion people of the world get sixty times the income of the poorest billion. Global military expenditure, despite a welcome decline since the end of the Cold War, represents a waste of resources equivalent to the combined income of one-half of humanity each year.

Again, human distress is growing for rich and poor alike. Weakening social fabric, rising crime rates, spread of drug addiction, and emergence of the killer AIDS have all increased the individual's sense of isolation and insecurity. In many countries the lack of socioeconomic progress (or people's limited participation in it) tends to imperil national survival. Fast deterioration of the environment and alarming depletion of nonrenewable resources pose a constant challenge to sustainable development, and even threaten human existence on the planet.

Thus the balance sheet of global progress has its liabilities set against its assets. Still, the net worth it shows for the past fifty years certainly exceeds what humanity could manage earlier during its entire existence. What has been the contribution of the Islamic economic system to this record, one must ask before

being skeptical of the secular endowment to human progress. Islam, of course, has the potential to reduce considerably the liabilities side of the balance sheet, and improve in the process the volume, composition, and quality of the assets. But fulfillment alone can prove the claim. Until then, we must at least keep the record straight. To do otherwise may prove counterproductive: it may eventually detract from the significance of Islamic economics.

4. Value Selection: Secular Versus Islamic

Another common feature of the Islamic writings on development is to emphasize the secular worldview of the Western economic systems which, it is argued, makes them amoral or value-neutral. Chapra states that for this reason capitalism or socialism cannot promote a just and stable economic order. The argument deserves a closer look.

The claim that the secular worldview infused value-neutrality into economics is untenable. Escaping values was never the intent of secularism. In economics too, contrary to the assumption in the past, values are rarely eschewed, for it simply is not possible. Today, it is well recognised that the various concepts, assumptions, and formulations of economics purporting to be analytical or descriptive in character are in fact evaluative and prescriptive.²⁵ The demands and interests of public policy makers or private employers do influence, it is acknowledged, the questions economists ask and the solutions they choose to present for consideration.²⁶ The issue in secularism or economics is not one of neutrality towards values or ends, but of deciding on and embracing the *right* ones. How this decision is arrived at makes the real difference between secular economics and its Islamic counterpart.

The difference mainly lies in the way the two disciplines treat the role of intellect in the field of science. Although mainstream economics had its origin in religion,²⁷ a transformation of social values away from morality on the way to the making of a modern secular world had already started towards the close of the Muslim rule over Spain, and ultimately culminated in the European Enlightenment. One essential thrust of the Enlightenment was (and still is) to deny the sapiential role of the intellect and assign to its rational bearings alone a scientific function.²⁸

Pure rationalism — reason without sapience — could see the world of Nature only as a material, physical object ready for man's exploitation and use. The spiritual reality or the truth underlying it has been completely ignored.²⁹ Islam recognises the role of Nature as a source of benefit to man. But there is also a significance of Nature in Islam which is in direct opposition to the secular position. The Holy Qur'ān upholds Nature — the whole universe — as an open book to be

understood and interpreted by man. It has a cosmic relevance, and must be revered for containing the signs testifying to the existence and supremacy of God.³⁰ Thus Nature imparts among other things a moral and spiritual dimension to the Islamic worldview, making it distinct from its secular counterpart, especially in the area of economic development.³¹

However, not even mainstream economics submitted readily or completely to the secular attack on the ethical front.³² The resistance gave rise to several developments, the dominant one being the famous "is-ought" distinction.³³ The distinction ramified into the positive-normative debate, the means-ends confusion, and the social choice issues. And, just when the secularists appeared triumphant, the emergence of the philosophy of economics as a distinct subject, especially during the last decade,³⁴ unsettled the matter once again, to their discomfiture. The development has put the is-ought dichotomy and what goes with it into a state of flux. Value-based positions are increasingly becoming a part of mainstream economics, both theoretical and applied. Fulfillment of basic needs, removal of absolute poverty, mitigation of inequalities, environmental care, and social efficacy of public policies are all now the subject matter of discussions on development.

Thus the basis of secular value selection is reason and objectivity, not desire. Even modern welfare economics has rational foundations in that sense. But rational argument often can, and does, lead to controversy and dissension. In capitalism the institutions of freedom and democracy help achieve what Chapra calls the "socially agreed values." In other words, the political system provides the policy objectives for the economists. Indeed, we now have economics of constitution and public policy that takes care of the issue.³⁵

It is difficult to see why the same procedure cannot be followed in an Islamic system which honours freedom and rests on consultation or *shūrā*. Of course there will be some significant differences: Islam's moral and spiritual norms will operate as additional constraints. There will be greater emphasis on social good and cooperation, compared to individual gain and competition. The concept, objectives, priorities, and strategies of development will all undergo qualitative transformation.³⁶

The metamorphosis capitalism has been undergoing over the past century has gathered pace during recent decades, assimilating along the way many egalitarian and altruistic ideas, some of which are of Islamic import. Any comparative discussion on economic development can hardly afford to ignore the changes of the last fifty years and choose to remain steeped in the neoclassical tradition.³⁷ Chapra admits that "just development in the Far East" has taken place. But for that he gives credit to some special factors. Still, the question is what economic system the countries he mentions — Japan, South Korea, and Taiwan — are following if not the capitalism of recent vintage?

5. Factor Rewards

Perfect competition is unrealistic and self-liquidating.³⁸ Yet secular economics continues to retain that assumption as the linchpin of its basic formulations. In its absence, capitalism can hardly be shown to be virtuous, efficient, or equitable. The fundamental welfare theorem cannot stand erect.

Here, the notion of equity is concerned only with the functional distribution of incomes, that is with the division of the firms' net value product into individual factor rewards.³⁹ Taking the contribution to total output as the basis for a "just" reward, it is claimed that the celebrated marginal productivity theory accomplishes the task in an elegant way as demonstrated by Euler's Theorem.

There are endless arguments in the literature, especially in labour economics, about the assumptions that underlie the theory, let alone what the theory actually predicts and how well it has fared.⁴⁰ That the theory is misleading on its own terms has not been in focus. Payments based on marginal productivity may not be "just" on the basis of contributions. For it is not the contribution of a factor to output, but its scarcity relative to other factors that determines both its marginal product and reward.⁴¹ To demonstrate that under perfect competition each factor is paid the same amount as the value of its marginal product does not mean that marginal product *determines* the factor income.⁴²

The equality of the marginal revenue product and income of the factor at a given point in time is not of much interest. What is important is how factor incomes change in response to altered circumstances and how "just" they remain in the process. In a real dynamic situation, there is no single unequivocal price system at which the various contributions or the rewards of the factors are valued. The marginal revenue product does not unambiguously equal, much less determine, either the contribution or the reward of the factor.⁴³ In modern mass production the results of the market arbitration in the matter are likely to be chaotic.⁴⁴ It is time to stop worshipping the "partial derivative idols" of Euler's Theorem.

However, the marginal productivity theory continues to influence writings in the area of Islamic economics, presumably because Islam also regards contribution as the criterion for "just" factor rewards.⁴⁵ An interesting illustration occurs in Sadeq's work. He criticises the marginal productivity theory as unrealistic and inadequate for factor pricing, but uses the same marginal tools later for explaining wage determination in an Islamic setting. In his effort to integrate the two sorts of incompatible elements in the argument he only lands in confusion.⁴⁶

This reviewer has been arguing over the past two decades that, compared to market arbitration in the area of income distribution, a scheme of sharing profit with labour in modern mass production firms subject to a minimum wage

constraint is logically sound and has in practice a better chance of bringing factor rewards in a reasonable relationship with the contribution each factor makes to the total net value product.⁴⁷ The scheme seeks to modify, not cripple, the free play of market forces and is now operative in not a few secular economies in varying forms.⁴⁸ Governed by Islamic values and injunctions, including the replacement of interest finance by participatory arrangements, the scheme imparts a flexibility to the wage system which can be shown to promote growth, equity and stability of a higher order in developing economies.⁴⁹ Of course, the scheme may not entirely be free of pitfalls.

The scheme met with resistance when introduced during the eighties in Islamic economics.⁵⁰ Scepticism remains, but today there is a better appreciation of the tenability and appropriateness of the proposal.⁵¹ Acceptance of minimum wages is increasing, though confusion about the content and role of the term continues. In fact there is a consensus on the objective of achieving a "living wage" for all, whatever that term may mean.⁵² Opinions differ only on the question of whether the minimum wage instrument can achieve the agreed end. It depends on the impact one believes the measure would have on the poverty situation. Proponents predict it will reduce poverty; opponents say it will only increase the deprivation.⁵³ Both rely on *a priori* reasoning and there is no way of verifying either of the claims. Even if there could be agreement about the economic consequences of the measure, it might not produce complete agreement about its desirability, for differences might still remain about its political and social consequences.

Despite controversy, the fact is that the legal minimum wage is all-pervading in the West and is finding more and more acceptance in Third World countries. There is even talk of enforcing a *uniform* minimum wage at the global level, though on the face of it the idea is naive, to say the least.⁵⁴

Be that as it may, fixation and enforcement of a minimum wage is not essential for the proposed sharing of profit between labour and capital. The workers may continue to receive the market wage, but a notional minimum wage may help adjust the *ex post facto* shares at the end of an accounting period.⁵⁵ It is well to note that *IAED* provides an unflinching support to the principle of sharing profit with labour and enumerates its numerous advantages (pp. 67-68).

6. Textbook Requirements

Islamic economics is fast emerging as an independent academic discipline. The subject is now being taught at no less than thirty universities around the Muslim world, and has even attracted the attention of some secular institutions in the West.⁵⁶ Interestingly, the school facilities tend to expand at a faster rate than

the availability of suitable reading material for the students studying the subject. The shortage of textbooks is indeed acute.

At present the students have to rely on articles, monographs, and books which are not always suitable for the purpose. Much of the material needs revision, improvement, and updating. Edited works emanating from a limited literature base seem to proliferate,⁵⁷ while the need for original contributions is far greater. So the mere fact that Chapra, Sadeq, and Pramanik have recently produced books in the area of economic development may seem promising.⁵⁸ However, before commenting on their efficacy for the use of students, it may be helpful to spell out the broad requirements a good textbook must meet.

A few things immediately come to mind. Clearly, a textbook must adequately cover all the essential aspects of the subject it deals with. The material provided should be appropriate for the level and duration of the course. Simple language and a lucid style are obvious advantages. Arguments should be unemotional and logical. Facts should be checked for their accuracy and should be as recent as possible. Concepts should be clear and diagrams error-free. The use of mathematics should not be overdone. The work must exhibit awareness of recent developments in the literature on the subject, more so in the applied areas. It must have a judicious blend of the Islamic and mainstream views where relevant and compatible.⁵⁹ Provision of appropriate questions and exercises at the end of each chapter may greatly help recapitulation and evaluation. Providing literature reviews and lists of further readings enhances the utility of the work. Finally, there is a need to have a system of formal evaluation of the books before they can be recommended to the students.

The books referred to above fall far short of these requirements because the material they put together was not initially meant to serve the students. They are largely collections or expansions of the authors' earlier writings contributed to journals or conferences.⁶⁰ In addition, Pramanik's *Development and Distribution in Islam* tends to sacrifice depth for coverage, and fails to take notice of some important literature on the subject.⁶¹ Sadeq's *Economic Development in Islam* looks sound on the *fiqh* side, but leaves much to be desired in terms of conceptual clarity. It uses, at times, the static micro concepts to explain the macro dynamics of development.⁶² And Chapra's *Islam and Economic Development* is still no more than a paper, albeit enlarged, with some long digressions from the theme under discussion. Each of these books can at best be recommended in part as one of the readings in a full semester undergraduate course. It is advisable that Islamic institutions of higher learning set up an international experts' committee to promote and oversee the writings on Islamic economics meant for students' use.

Economic development has peculiarities that demand special care in preparing course material on the subject. Development is a dynamic process and can rarely claim to be a self-contained discipline. Here, the relevance or significance of concepts, techniques, and policies is contextual and may change quickly over time and space. Probably "we need a kind of course book that will bring some order to the diffused subject of economic development without sacrificing a variety of viewpoints and different perspectives."⁶³ A more sensible introduction to the subject would be not through the usual type of textbook but through a study of several leading issues in the area that are at any time a major occupation of the economists and the policy makers.

7. Conclusion

This review had set out to comment on Chapra's *Islam and Economic Development*, but spread out in the process to examine some issues collateral to his argument. For example, there is need to keep distinct a systems approach to economic development from its "within a system" counterpart for having a clear perception of the sort of questions one is really interested in. Some conceptual confusion and pitfalls in the argument can thus be avoided.

Again, one serious difficulty with Islamic economists, more so in the area of development, is that they are prone to comparing the faultless, purely theoretical system of Islam with the actual system (capitalism) of the West, warts and all, which they reject. The tendency should be avoided mainly for two reasons. First, to compare the ideal with the actual is no better than comparing apples with oranges. Second, the lapse often makes one myopic to the achievements of the system in operation, thus providing only a lopsided view of the situation.

Also, the view that secular economics is value-neutral is not valid. The issue between the mainstream and Islamic economic disciplines is not which is value-neutral and which is not. They differ in what each discipline treats as the "right" values and how it selects them. Mainstream economics denies the sapiential role of intellect, relying only on its rationalistic aspect to arrive at values. Islamic economics does not dichotomise intellect for the purpose, thus insisting on the role of spirituality in value selection.

Furthermore, resistance to minimum wage legislation is waning. Economics apart, the issue has a sociopolitical angle. Wage flexibility allowed by profit sharing schemes, subject to a minimum wage constraint to which Islam is not averse, tends to promote growth, stability, and equity in the economy. The concept of a *uniform* global minimum wage is, however, untenable.

Lastly, the available material on economic development is deficient in many ways regarding the students' needs. A formal evaluation of the material at the local and international levels before inclusion in course readings is recommended. However, Chapra's *Islam and Economic Development* remains in general readable despite weaknesses.⁶⁴

End Notes

1. There have been many local conferences in various countries on economic development in the Islamic perspective, but several have been held at the international level too. For example, the Second International Conference on Islamic Economics held at Islamabad in 1983 had aspects of development, especially income distribution, among the main areas of discussion. In 1986 an international seminar at the same venue devoted exclusive attention to the theme, focusing mainly on the strategy for development planning. The Third International Conference held in 1992 at Kuala Lumpur again had development issues as the centre of attention. Also, the 1994 International Conference on Comprehensive Development of Muslim Countries held at the same place was exclusively devoted to the subject.
2. Recently, a number of bibliographies on Islamic economics literature have been produced. See Khan, n. 1 ch. 2, p. 123. These bibliographies include classified entries on economic development. Some major contributions in the Islamic literature are also included in the notes and references provided in Sadeq, Chapra, Pramanik, and Hasan (1995).
3. The announcement of the establishment of the Centre was made by the rector of the university toward the close of the International Conference on Comprehensive Development of Muslim Countries in August 1994, and the work on the project is in progress.
4. Malaysia has, for example, registered spectacular rates of growth in GNP in recent years, as high as over 9% per annum.
5. See the preface, first paragraph, p. ix.
6. There are reasons why interest in economic development and growth has burgeoned during the last several decades, but "No school of economic thought has a monopoly over economic development and growth: adherents of several schools and eclectics alike have occupied themselves with these matters." - Oser, p. 449.
7. Hasan (1995); see pp. 94-95 and notes 31 and 32.
8. For example, capitalism ignored the all-important *amānah* aspect of private ownership of property, held unrestrained pursuit of self-interest supreme, and slighted benevolence. It relied on competition to ensure equity to the exclusion of altruism, and ignored the moral and spiritual aspects of human development to promote only the mundane achievements. Socialism, apart from having other ills, abolished private ownership and throttled individual freedom, so dear to Islam, only to see its own collapse.
9. "Thus, there has been a movement in both theoretical and actual socialism toward

greater use of the institutions of capitalism, and a shift in both theoretical and actual capitalism toward greater use of the institutions of socialism. These observations have led some to speculate that the two systems are converging, each shedding the faults of its pure form and moving toward a common denominator." - Landreth and Colander, p. 359.

10. For example, in Chapters One and Two Chapra clearly adopts a systems approach to specify the goals, strategy, and worldview of Islam to indicate the kind of just development it envisages and to evaluate whether the secular systems of capitalism and socialism can foster the same. However, in the following chapters he largely switches over to a "within a system" approach in his critique of the secular development record and elucidation of strategy for the present-day Muslim countries. This makes the link between the two parts of his argument infirm, if not missing.
11. Sadeq's *Economic Development in Islam* is a vivid example of such an exercise.
12. Hasan (1995) provides an approximation to such attempt, though the work is not entirely devoid of the systems approach.
13. The book contains many ideas from some of the author's earlier works, especially *Islam and the Economic Challenge*. At places, even the language and structure remains the same. Since these writings are steeped in a systems approach to development, he could rarely take a different route in *IAED*.
14. The documentation in *IAED* is impressive; it cites over 200 references. However, many of the works quoted are rather old, almost half the list belonging to the pre-Eighties era. Thus, the work relies on several ideas that are not of much relevance to the recent development situation.
15. Notice that these problems imply a capitalistic, i.e., a "within a system" approach to development, while in the following two chapters the author moves to a systems approach.
16. True, the *Maqāṣid al-Sharī'ah* (the long-run goals of Islamic Law) stem from Islam's worldview. But can we do without identifying the sub-goals of the system that would condition short-run development policies to achieve the ultimate? Such identification is very indirect and hazy in *IAED*.
17. For an excellent elucidation of the notion of *ḥalāl* see Khan, pp. 34-44.
18. The missing link is that Islam treats mundane achievements as a *means* for spiritual development, the ultimate object of human existence (for elaboration see Hasan, 1995, pp. 84-85 and 95-96).
19. There are a few difficulties with Chapra's version of the terms. According to him, in allocating resources optimum efficiency is achieved if the maximum feasible quantity of need - satisfying goods and services is produced with a reasonable degree of stability and sustainable rate of growth (p. 7). "Optimum," "reasonable," and "sustainable" are qualifications which he does not clarify. Who will determine them and how? The tests he mentions for efficiency (p. 8) are too wide and indeterminate. Again, the concept of equity is invariably associated with the distribution of product, but Chapra talks of (optimum?) equity for the distribution of *resources* (p. 8). What the difference is between the efficient allocation of resources and their equitable distribution is not clear.

20. Most of these ideas are no longer a part of the stock in trade of development economics. Social Darwinism has long since run into disrepute. For the history of the evolution and eventual abandonment of it in the mainstream economics see Oser, pp. 496-497.
21. Vicious circles are sometimes indicated in economics for analytical purposes. Hawtrey, for example, talked of the vicious circle of inflation, while Nurkse, Myrdal, and Meier discussed vicious circles of poverty to indicate the mutual relationship between low capital formation and low productivity in developing economies for considering policies to break the same (see Oser, pp. 291, 460-466 except for Meier). It is difficult to see any sort of bias in the notion.
22. The observation raises the question: Are free and fair elections as in modern democracies, compatible with the Islamic notion of establishing state authority? If not, what modifications are needed?
23. See the *Human Development Report* (1994), pp. 1-2 for these achievements.
24. *Ibid.*, p. 1. In fact, this entire section draws heavily on the first two pages of the *Report*.
25. For illustrations see Hausman, pp. 142-144 and pp. 251-253.
26. *Ibid.*, p. 28.
27. "It has been forgotten that economics in both England and the United States grew out of religion." — Redman, p. 176. See the following n. 11 for elaboration.
28. Al-Attas, pp. 18 and 35.
29. *Ibid.*
30. *Ibid.*, p. 38.
31. Man being the vicegerent of God on earth "must treat nature justly...there must be harmony between him and nature...He must look after it and make legitimate use of it, and not ruin and spread chaos over it (in the process of economic development)." *Ibid.*, p. 39.
32. Indeed, the advocacy for retaining ethical values has rarely faded in the history of economic thought, the latest wave emerging with the rise of some environmental and managerial issues in development economics.
33. See Redman, Appendix I: "A Short History of the Is-Ought Problem," pp. 181-183; Hausman, pp. 210-211, and Roy, pp. 18-21, 66-67, 107-108, and 110-111. These pages also throw light on the positive-normative and the means-ends controversies.
34. "...few disciplines have more fully claimed the attention of philosophers over the last two decades than economics." — Rosenberg, p. 1. Over twenty scholarly works on the philosophy of economics have appeared since 1985 alone.
35. *Ibid.*, p. 221.
36. For a brief illustrative elaboration of such transformation in some areas, see Hasan (1995).
37. Mainstream economics has grown much beyond the neoclassical tradition. Old ideas are being modified or giving place to newer ones. See Landreth and Colander, pp. 415-418. Part V of the book discusses the recent developments in economic thinking and is quite instructive on the point.
38. See Hasan (1992), p. 241 and Hausman, pp. 378-379.
39. The relationship between the personal and functional distributions of incomes comes

from the fact that in a market economy the processes of production of output and its apportionment among individual functionaries take place simultaneously. Thus an improvement in functional equity tends to improve personal income distribution as well.

40. Hausman, pp. 375-376.
41. *Ibid.* See also Hasan (1992), p. 246.
42. This follows from the Marshallian dictum that marginal uses and costs do not govern value, but are themselves governed together with value by the general forces of demand and supply.
43. Hasan (1988), p. 51.
44. Arrow and Hahn, pp. vi-vii.
45. Hasan (1988), p. 51.
46. The explanation for wage determination (pp. 45-52), especially figures 3.2 and 3.3, exemplify the confusion. Here, the upward sloping supply curve for labour (S_L) is aggregative in character. For compatibility, should this not have been combined with an aggregate demand curve given by the horizontal summation of the downward sloping "value of the marginal contribution of labour" (VMCL) curves of all the firms? Instead, the VMCL and the VACL (value of average contribution of labour) curves of a firm have been used. Are then the diagrams, and what follows from them, tenable? Incidentally, what relevance has the stated assumption of constant returns (p. 46) — or should have — for these diagrams? (See also Fig. 1.1, and Table 2.1 for interesting use of marginal concepts.)
47. Hasan (1975), pp. 130-144; (1983), pp. 13-14; (1988), pp. 46-51; and (1992), pp. 246-247.
48. In Japan, for example, one-third of the wage bill is said to vary with profits. In the United States profit sharing is being encouraged to win employees' commitment and loyalty to the firm. In Malaysia bonus payments keep wages flexible.
49. On this see Hasan (1992), pp. 248-251.
50. The idea in Islamic economics was introduced in 1983: Hasan (1983), pp. 15-16.
51. The idea became widely acceptable even in mainstream economics after the publication of *The Share Economy* by Weitzman in 1984. In Islamic economics the unqualified endorsement came for the first time from Chapra (*IAED*, pp. 67-68).
52. Milton Friedman, quoted in Hausman, p. 212.
53. *Ibid.*
54. Minimum wages should be commensurate with the stage of economic development of an economy and may be revised upward with improvement in its overall paying capacity over time. Because of enormous differences among the economies in terms of their GNP per capita, the idea of a *uniform* wage for all is simply illogical.
55. This is implied in the sharing models indicated in n. 47 above.
56. Khan, p. 29.
57. In some cases, the editors do not even contribute an introduction to comment on the material for highlighting its merits and limitations, or provide a cohesive arrangement of the selected articles.
58. Sadeq (1990) and Pramanik (1993).

59. Students have to be kept informed of development issues as discussed in mainstream literature for both intellectual and practical reasons. But the present way of teaching tends to keep these issues separate from the elucidation of the Islamic approach to development, thus encouraging a dualism in learning with unnecessary discussion overlaps and waste of time. Integrated writings can provide a clearer understanding of the subject with a purposive impact on the students.
60. "The materials contained" in Sadeq "have previously been presented at different international and national seminars, and/or published in journals" (Preface, p. i). Pramanik admits "that since most of the chapters in this book are actually seminar papers presented at international forums during the last decade there might be unevenness of quality and tone" (Preface, p. ii). The authors do not mention where and when their works were presented or published. Chapra's book "is the expanded version of a paper presented...at a seminar on Islamic economics held in Cairo in September, 1988..." (Preface, p. ix).
61. "Although the work is well referenced, it would be interesting to see Pramanik contrasting his own positions with those of other Islamic economists, both ancient and modern...If Islamic economics is to move forward, greater recognition of the different schools of thinking within the discipline itself would be helpful" (Wilson, p. 115). Pramanik does not mention some of the well-recognised contributions in the area. Especially, some major discussions in the book edited by Munawar Iqbal and *Iqtisādunā* of Muḥammad Bāqir al-Ṣadr have been ignored.
62. To be fair, only an exclusive review can do justice to Sadeq's work. However, one feels that unless a revision gives it a measure of conceptual vividness and figural tenability, the book may be of little help to the students (see also n. 46 above).
63. Meier (Preface, p. viii).
64. One significant source of these weaknesses is the inevitable generality of Chapra's argument. This did not permit him to make intercountry distinctions from an applicability viewpoint. Thus several of his observations would appear valid or invalid, depending on which country one has in mind. Some inconsistency problems also arise for the same reason.

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