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BOOK REVIEW

STUDIES IN ISLAMIC ECONOMICS

by Faisal Ansari, Koros Press Limited, Revised Edition 2014,268 pp., US$87.26 (hardcover), ISBN 978-1-78163-371-7

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No unanimity exists among *Islāmic* Economics scholars on developing an ideal *Islāmic* Economy within the current dynamic of today's world. *Islāmic* movements and authors have generally defined an *Islāmic* economic system as neither socialist nor capitalist, but as a "third way", which stands for an ideal mean with none of the drawbacks of the other two systems. Proponents of *Islāmic* economics make two basic claims. First, the prevailing capitalist system has failed, and second, Islam offers the remedy. *Islāmic* economics refers to the economic system that conforms to *Islāmic* values and traditions, and the central features of an *Islāmic* economy are summarized as the following: "behavioural norms and moral foundations" that are derived from the Quran and Sunnah, *zakāt* tax as the foundation of *Islāmic* fiscal policy, and the prohibition of interest (Ansari, 2014). The book written by Faisal Ansari titled "Studies in *Islāmic* Economics" covers various aspects of *Islāmic* economic central features. Faisal Ansari is a great scholar in *Islāmic* Banking and Finance, who received his Ph.D. from Delhi University and Master's degree from the University of Kanpur. His works have been acknowledged by various social organizations in Asia.

This book is divided into eleven chapters. In the first chapter, the author introduces the types of interest in general. He argues that the theory of interest is flawed, where perhaps it is the least clear part of the entire economic theory because efforts have been made to explain something that is difficult to justify. In the second chapter, he discusses the basics of *Islāmic* economics by deliberating on the issues in the current practice of *Islāmic* banking and finance, and the revival of the *Islāmic* Gift Economy (IGE) by rethinking on the concept of money, finance and economics. It is argued that one fundamental problem with the current *Islāmic* banking and finance is its adherence to the Fractional Reserve Banking (FRB) model that is also adopted by conventional banks.

Moving forward, in Chapter 3, the author elaborates on interest as well as profit by giving illustrations on the usury practices in Great Britain and agriculture-based countries, and the evil effects of interest~~s~~ on economic development. Islam allows profits but prohibits interest because the effects of fixed interest-bearing loans are very detrimental to business, trade and industry. The author argues that interest will hinder economic development. In the fourth chapter, the author links the interest with deposit in the banking system.

In Chapter 5, the author then discusses the main elements of the *Islāmic* Tax System, which include *zakāt*, *kharaj*, *jizya* and *ushur*. *Zakāt* is defined as the share of those who have not from those who have, where its rate, assets, and beneficiaries are already specified in the Quran. *Kharaj* is a type of individual *Islāmic* tax imposed on agricultural land and its yield, while *jizya* is a fixed sum of money levied on non-Muslims living in the *Islāmic* state, and lastly, *ushur* is a tax imposed on foreign traders crossing Muslims borders. In Chapter 6, 7 and 8, the author focuses on the fiscal concept, where he begins with the general concept of fiscal policy in Chapter 6. The author explains that Muslim scholars have emphasized that justice in collecting taxes will lead to revenue increase and consequently, economic growth. He also argues that taxation gives more significant impacts on countries as compared to interest because it can reduce income inequalities, hence achieving social harmony in the Muslim states.

Then, the author discusses *Islāmic* fiscal perceptions in Chapter 7, which generally illustrate that taxes in the *Islāmic* economy can cure unemployment, and therefore accelerate economic growth. The author explains that Muslim authorities cannot manipulate *zakāt* proceeds in response to economic conditions because *zakāt* is a religious tax. The author also describes that the use of dues on idle assets in *Islāmic* economies to solve unemployment problems during severe depression~~s~~ is more effective than using expansionary fiscal policy in non-*Islāmic* free market economies. Moreover, Chapter 8 focuses on the Muslim finance theory by generally describing the structure of banking business. The author explains briefly the deposits of various categories in a commercial bank under any system to see how things stand in an interest-free banking system.

In the ninth chapter, the author further discusses questions arising from the practices of current accounts. Three questions are: 1) Will sufficient capital be forthcoming for investment through these interest-less banks? 2) How will the banks make themselves popular to attract sufficient business? 3) Will the interest-less bank run as a whole under loss? Moving forward, Chapter 10 of the book covers the general concept of social security from the *Islāmic* perspectives. Broadly speaking, social security embraces social assistance, provision of basic necessities of life, social insurance against hazard risks and so on. According to the Quran and the Sunnah, the basic human needs are food, clothes and shelter. All persons living in the *Islāmic* state are entitled to these basic needs, but if they are unable to acquire them for any reason, then the *Islāmic* states are duty-bound to provide such needs. In case of lack of resources, the state must make arrangements to help its needy citizens, and there comes the role of taxes.

Lastly, in Chapter 11, the author investigates the general concept of partnership, equity-financing and *Islāmic* finance. It is argued that there is a severe problem with the partnership framework, in which equity financing is considered. According to the survey by Statistical Abstract of the United States (2005), partnership is a bad way to run a business because personal conflicts between the partners outweigh the benefits, partners never live up to one another's expectations, and companies function better with one clear leader. The problem lies with the very nature of partnership as a legal form of business organization.

In my opinion, this book has several strengths. First, the author has written the book very systematically in a simple and effective style for those concerned with philosophy and theology, and particularly *Islāmic* studies. Second, the author also provides numerous proofs from the Quran, Hadith and *Sirah* (narration from previous *Islāmic* rulers) in describing every chapter in the book. Third, the author also adds several charts and figures in explaining certain concepts, which is very important in maintaining reader interest. Fourth, he also complements his work with empirical research findings in several chapters to support his arguments. He raises important questions on the vital issues especially in *Islāmic* banking and finance, and provides answers justified by the Quran and Sunnah.

On the other hand, the book also has several weaknesses. First, the author does not provide an in-depth meaning of *Islāmic* economics. The meaning of *Islāmic* economics is provided briefly in the preface, but in my opinion, there must be a chapter on the definition of *Islāmic* economics to give a full understanding on the concept. For instance, Alvi and Al-Roubaie (2014) in their book titled "*Islāmic* Economics; Critical Concepts in Economics" have provided a good and thorough explanation on the meaning of *Islāmic* economics, supported with charts and figures and focused mainly on the theory and philosophical aspects, which are the most vital aspects in understanding *Islāmic* economics.

Second, while it is important to visit *Islāmic* history to get examples of the economic practices, it is also important to examine and understand the current economic practices and situations. Therefore, in my opinion, although it is good for the author to provide numerous examples from the Quran, Hadith and *Sirah*, he also needs to add the current practices of economics all around the world because history manages them differently from today's time. For instance, the *zakāt* that is practiced during the time of Prophet is different from the current practices, and presently, there is no *Jizya* as explained in Chapter 5.

Third, in Chapter 10 of the book; while it is right that the *Islāmic* state is duty-bound to provide the necessity needs (*daruriyyah*) to the people as argued by the author, in my opinion it is better to provide the people with training, skills and projects to uplift their wellbeing, as I do believe that giving money or benefits to the people will not solve the poverty problem, but it will raise other problems such as discouraging them from working. One Chinese proverb states that "Give a man a fish, and you will feed him for a day, teach the man to fish, and you will feed him for a lifetime". This means that teaching is more important than giving because it will make people resolve their difficulties better.

To conclude, the author is focusing more on the *Islāmic* banking and financial system rather than *Islāmic* economic system as a whole. This book has given a lot of attention to *Islāmic* finance rather than *Islāmic* economics; as suggested by Choudhury (2012) *Islāmic* economics should not be equated with *Islāmic* finance. While it is important to discuss economics together with finance as they have a symbiotic relationship, numerous areas are to be covered in *Islāmic* economics, for instance, *Islāmic* economic methodology, philosophy, thought, and theories, as well as commerce and trade from *Islāmic* perspectives and so on. Overall, this book is written with very clear explanations, and it is interesting to read especially for those who are interested in *Islāmic* banking and finance.

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