

FIRST INTERNATIONAL ISLAMIC DEVELOPMENT MANAGEMENT

CONCLUDING REMARKS

Reference to be provided by Prof. Khurshid

PROF. KHURSHID AHMAD



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Bismillahirrahmanirrahim Alhamdulillah wahdah Wassalatu wassalamu ala Rasulillah

Brother Chairman, fellow panelists, my very dear brothers and sisters in Islam, alhamdulillah, we have spent these three days in a very useful exercise. The Conference is now coming to its close, and I deem it a privilege to make these few submissions of my summing up of this Conference.

Let me start with what in my view constitute the achievements of this Conference. First and foremost I regard the effort to systematically, even laboriously, rigorously address ourselves to some specifics. As I have said earlier, the journey towards Islamic economics, particularly in this century began by making expositions on economic teachings of the Qur'an and Sunnah, mostly Ulama, Fuqaha, legists, social reformers. They were the founding fathers. Last 25 years by and large, professional economists, financiers, economic managers, accepted the field. And that is how a transition began to be made from economic teaching of Islam to what is being described as Islamic economics.

Development has taken place into three directions simultaneously. At the academic level, efforts have been made to further develop this nascent discipline of Islamic economics, not as one more branch of economics but an effort to look upon the whole economic problem from a different perspective. It had to be economics. It was not to be theology or fiqh, although we had win and continue to draw upon these sources. The idea was to move towards a new paradigm with our own vision, methodology, inferences, experiments, empirical work, review and reformulation, not in a vacuum but in the real world and in the context of the economic reality and economic challenges of our times. Along with that efforts were made towards teaching of Islamic economics and in this respect also, in the Muslim countries as well as in the western countries, progress has been made in that direction.

And thirdly, at the micro level as well as in some countries, at the state level, micro level, a beginning was made to practice some of the ideas, some of the institutions of Islamic economics. So these have been three directions we have been moving during the last twenty-five years. It is still a very nascent discipline, in the process of developing. Yet significant movements have been made in all the three directions. In this context, when I look upon this Conference, I regard it as a healthy development, that from those realities, we are now beginning to address ourselves to more specifics. So we narrowed the vision and concentrated on one centered issue, that is, the issue of management of economic development.

Furthermore I find that different ramifications of the concept and practice of management have been addressed to in this conference. I also feel that the central issue that has emerged is that the role of the market and role of the state. What should be their respective positions,

complementarities, contradictions, and issue of market failure, issue of state failure? And in the light of that, Muslim economists and Muslim countries can develop balanced approach. I also find it interesting that in one of the papers, the concept of management is related to the issue of Islamic thought of *tabdir*. I think this is an innovative effort, and I hope drawing upon our own concepts and our own history would continue to throw light on other dimensions, in the same way if we reflect upon *hikmah*. Why is it that of the five functions of a prophet discussed in the Qur'an, *tilawat of ayat*, *talim of kitab*, *tazkiyah*, *ta 'Urn of hikmah*, and establishment of justice? Of these five, one is *hikmah*. And what is *hikmah*? Is it not the issue of methodology, of a strategy, of applying the Book for the achievement of justice in different time horizons and situations? Some of the thinkers have equated *hikmah* with *hadith*. I think that deserved to be reviewed. It was definitely *hadith* embodies that *hikmah* as prophet s.a.w. applied that guidance to bring about the revolution that look place under his leadership. But *hikmah* is also a methodology, which has a problem dimension. And management in my view perhaps is very important dimension of that. So I hope as the field has been developed similar effort will be made in the future.

I also welcome this effort to go towards empirical study of the Muslim economies, challenges that are coming, globally or otherwise, to the Muslim countries, and even micro experiments like microfinance, in the form of Grameen Bank. Although Grameen Bank is not an Islamic bank, it is trying to address itself to a real economic problem of the Muslim community, of a Muslim society. And if a serious effort has been made in that direction, that deserves to be critically studied and also see how we can apply Islamic instruments, how we can transform some of the operations according to Islamic lines so that we could address to real grassroots real problem of the Muslim society. So I welcome these aspects.

Summing up, I welcome the idea of addressing to specific issue like management. I welcome new initiatives in the field of empirical work, and adding the empirical dimension to thinking and research on Islamic economics. I also welcome the younger participation in this conference. I deem it a blessing from Allah SWT, to have-given me the opportunity to be in this field for the last forty years. We are not immortals. We need continuity and it really gives me hope and light that, Alhamdulillah, second generation and third generation of economists, sociologists are coming up presenting papers and that ensures continuity and future development of the disciplines. So these are all aspects that I welcome and regard to be positive achievements of this Conference. I am also reasonably satisfied with the level of papers, presentations and discussions, although you must never be complacent. There have been some repetitions. There have been some rehashes over what have been written so far. Yet, I think systematic, rigorous effort is being made, and that gives me hope.

I am also very happy that Islamic Development Management Project has been given the form of a platform in an institution, and I hope through this and similar efforts, in other parts of the world we would be able to continue this work.

Now, coming to some of the discussions we have had during these three days, I could not cover the whole area, but I thought it may be worthwhile to reflect collectively with you on some of the ideas that have come up again and again in the discussions. I have been struck by the discussion about Islamic development, Islamic economic development, and management of Islamic economic development. And finally on Islamic management of Islamic economic development. These four have been terms, which have been most profusely used during these three days.

May I very humbly submit that while identity and distinctness are very dear to us, but in our enthusiasm, we should not ignore that Islam, Islamic economics, Islamic economic development, Islamic management, all would take place in the context of the ordinary human society, and they are and have to be very close similarities along with dissimilarities with the rest. I invite you to think after all what is the difference between a Muslim and a non-Muslim? Both are human. Both see through their eyes. The physical similarity is very much there. The functional similarity is very much there. Muslims have to breathe as non-Muslims have to. Without breathing they cannot live. They have to take food. They have to survive on the material condition of existence in the same way as anyone else. It is not that the Muslims have some wings and non-Muslims do not have them. But then of course there are also some differences - differences from value framework, from ethical laws which they adopt, the halal and haram which they respect or they do not respect, the type of society they want to build, the vision of man, the vision of society, respective role in history. So when we are talking about economic development, even the Islamic framework, there would be many similarities. It would deal with economic development; it would deal with factors of production. It has to address the problem of creation of wealth, of technology, of distribution of wealth. But along with that, there is a moral and ethical dimension, the purposes would be different, and that would make a difference in the whole ethos of Islamic development. Yet it would not become something merely abstract or the spiritual. The spiritual expresses yourself through the material, and the physical. So that has to be kept in mind.

Similarly management has certain general principles and values. They would be an integral part of Islamic management. But Islamic management could be something more than that. Again because of the ethical and the ideological, the moral, the spiritual dimension which is integrated with it. I am trying to point this out because sometime the human enthusiasm we forget that we all have to be physical. This is how Allah has created the world and our role; our contribution has to be within this framework. And Allah has made this world for all. He feeds even those who refused to accept his existence and sovereignty. They are also tolerated. They are also given opportunities. They compete. Sometimes they win, excel. So, while the identity, the moral dimension, the uniqueness and the distinctness are important, the similarity, the commonality, the physical reality should be kept in mind.

Next, I found in some of the presentations, as if there is only one model of Islamic economy, the Islamic economy. With great humility, I would submit that while in the Qur'an, the nusus makes things, values and principles very clear, but as Qur'an is guidance for all times to come, for all

peoples, for all cultural contexts, for all physical situations, along with this absolute element, there is also a built in mechanism for variety, for change, for evolution, for diversity. So it is unity with diversity, oneness with variety, and it is not expected that everything must be similar. Unity, yes, but similarity is not the law of nature. Variety is the law of nature. But variety with unity so, while in respect of certain values they are absolute, unchanging, and unchangeable. But along with that there has to be a variety. In the same way as there can be good Muslims, very good Muslims, and bad Muslims, similarly we have a point of reference which is invariable. Yet I would humbly submit, that we must not think of having one prototype of "the Islamic economy" for all times, clients and places. I would submit, there would be many forms and manifestations of Islamic economy. Not only "an Islamic economy", but many Islamic economies, with variations and that also ensure the capacity of Islam to meet the challenges of changing times and. new situations. I would add one more rider to it. And that is while I am suggesting of a series - a number of Islamic economies we also have to realize that we have to differentiate between an "Islamic" economy and an "Islamizing" economy. At the moment we are at the stage of economies of Muslim countries. From these economies of Muslim countries we have to move towards Islamizing Muslim economies. And then we hope to reach towards an Islamic economy. The Islamic economy, if there is any, is only in the heavens, as point of reference. But as far as we mortals are concerned, we have to accept the reality, variety, many roads and many ups and downs. As they have taken place in history, this is a process that will continue in the future also. We should be preparing for that. This is not a compromise in my view. In fact, that is a realistic appreciation of the reality, and then only we would be able to influence the reality. Otherwise, we can make abstractions - beautiful theoretical contributions - but real changing of history is possible only through adopting this elastic approach.

My next submission would be the central issue in management of economy and economic development, in my view, relates to market economy and role of the state. Here we find that human experience present extremes. There have been oscillations from one extreme to the other extreme. And I am one of those who do not deny the usefulness of even extremes, because extreme laws also have a lot to teach. And lessons can be drawn only because there had been extremes. But I would repeat what I said earlier in my inaugural presentation, whatever little I have read of history and economics, I think market economy does not begin with capitalism and the post-industrial revolution era of economy. Markets have existed before; markets have been playing increasing roles at the local level, at the national level, even at the international level in the pre-industrial revolution era. What is unique, at least at the theoretical level, about capitalism and post industrial revolution economy is that formally market economy was operating in the context of a number of other institutional and attitudinal contexts. It was not regarded as "the" arbiter of decision making. It was not regarded as the sovereign decision-maker. What capitalism and capitalist thinkers tried to do was that they tried to assign to the market this sovereign light of decision making by assuming that the economic agents in the form of consumers or firms, they are motivated by self-interest, expressed in profit maximization for the individual and the firm, prices are the signals which signal out scarcities, and through that the producers and the consumers make

their final choice. So the whole of the system operates, simply and solely, on the basis of this indicator of this mechanism. They even ignored the fact of clash of interests in the society, disparities of income and power in the society, institutional framework in which the signals and decisions are made. They also ignored the fact of external influences, different kinds of externalities and diseconomies that are produced in this process and what are the consequences for individuals and society. And they even ignored the manipulative role of the wealthy through their demonstration effect, through advertisement, through a number of other instruments, with the result that the myth of market as the sole arbiter for allocation of resources was very much there but it was not a real presentation of the real world situation. And that is why the whole theory of imperfect competition, socialism, communism which challenged the very role of the market, the centrality of the market, all of them emerged because of different reasons.

I cannot go into all that history because of time constraint, but I want to invite you to think that the transformation that was made was that market moved from one of the many, to the centerpiece of the sole arbiter and allocator of resources, and leading to, in their view the best possible optimal allocation of resources.

Welfare economics tries to make certain modifications, mixed economy challenged these assumptions, and socialism and communism represent the other extreme, where they tried to write-off the role of the market and introduce the whole idea of-planning and command economy, and central allocation of resources according to the central plan.

Definitely we are operating in the context of this global situation, and I would very humbly submit that while market, in my View, is essential is important, is crucial and whatever I have studied and reflected on Islamic economics in an Islamic economy, I market would play an extremely central important role in the allocation of resources. But market has to be supplemented at different levels, that of the individual, through his motivation, halal and haram, moral filter, through institutions - institutions at different levels from family to the whole socio-economic infrastructure, state government has to play a positive role in Islamic framework not to supplant the market, but to supplement and correct it where it goes wrong.

So we have to avoid both the extremes, and this what I am seeing, with the fall of communism, there was euphoria. And thinkers like Francis Fukuyama has come out with the absurd assertion that now capitalist liberalism has become victories, that is the end of history and the final system has come. And you find liberalization and privatization with gusto. But within ten years, we find how rethinking has started. If you look into at least three recent reports of the World Bank, the 6894 report of the infrastructure, the 96 report on from state market and the 97 report on the role of the state, you find how again they are rediscovering the field.

So I think we have to avoid these extremes; centrality of market is not denied, but market alone will not be able to deliver. Market failure and state failure (beaurocratic failure), both have to be kept in

view and a middle road has to be explored. And I would submit that Islam's beauty lies in not only advising us towards this balance and centerpiece, the golden balance, but also constraining everyone within the framework of the Syariah; the individual, the firm, the producer, the consumer, and the state (the government), is subject to the same Syariah. That is why if you follow the Syariah, the Islamic path, then the political dichotomy that we find in European political thought and practice between the individual and the state, a qualitative change has taken place in that because the state is not absolute, the individual is not absolute. Both are subject to the Shari'ah. And both are subject to a law that is higher than both of them are. And the value framework comes for both within the constraints of which they have to operate, So that is how the balance approach has to be avoided. In this level I would also like to suggest that in this conference also Shura has come up again and again. And shura, in my view, is not merely a political institution. Yes, it is political institution political decisions have to be made in shura and the Qur'an does not merely say;

Wa shabir hum fil amri faiza azaqta fatawkkal alaLlah

The Qur'an also says

Amruhum shura bainahum

Amruhum shura bainahum means that the way of life, the conduct of affairs at all levels takes place through shura. So shura is obligatory, shura is binding. And shura presupposes freedom of opinion; freedom of action, freedom of association, freedom of dissent. If these are not there, there cannot be shura. Shura assumes that those who are being consulted, they enjoy the confidence of the people. And Shura becomes meaningless if anyone has a veto power over the shura: So that is why either it has to be consensus, ijma' or the majority. It can be changed if it relates to expediency issues but it has to be through the shura. And Shura begins with the family. Islamic family is neither patriarchal nor matriarchal. Islamic family is based on a contract. It is based on shura. Qur'an says that even about feeding the child for more than two years consult each other the husband and wife. Shura is prescribed there. The affairs of family are to be done by shura. And for other economic dealings also has to be done through the formal shura. So in my view, shura is the way of life, which affects all aspects. So from that we find, I think, the major weakness of the contemporary Muslim society is ' that we have lost the institution of shura. And that is why we have not been able to bring out the best from ourselves. And if other countries have learnt from that and developed their own form of shura they are reaping the benefits of that. So this I think was very important to clarify.

Now very quickly I would say in my view what are now the challenges which this forum and other Islamic forums have to address themselves to, which in my view is, the agenda for the future, and which should be the follow-up activity of this group and others. Very quickly, I cannot elaborate because of time constraints, but the first major challenge that we are going to face in the 21st century is the question of justice, expansion of production, globalization, communication revolution, technology - all of them, have brought us to a point where justice becomes the central

issue both domestically and globally. And it is not merely distributive justice, Distributive justice is important - it is the heart of it, but it is more than that - political justice, social justice, justice at the regional level, all these dimensions have to be taken into view.

Secondly, I think the change particularly in the cybernetics and information technology, the knowledge revolution, has focused towards human. So human centeredness would be the challenge of the 21st century. Last four centuries, despite all the lip service to humanism we have seen a kind of a marginalization of human beings. The future would have to be the rehabilitation of the humans in the center of the world.

Third, in my View, it is my personal view, but whatever I have studied have reflected, I am sure if world economy is to survive and grow in the future, it will have to rediscover the centrality of physical economy, as against financial, bubble, speculative, fiduciary economy. The reenter income and crusts is going to become another focal and central issue in the coming years indicates. This barrier between financial economy and physical economy has reached a stage where crash and collapse have become a real possibility, although for political reasons, economists try to call it "correction." It is not correction - it is crash. If that is to be avoided, physical economy has to rediscovered its importance and here the equity based financial institutions can play a much more important role in recreating the world in the next century.

Next, I feel that we have to rediscover the value of regulations, management, and good governance, at domestic and global level. Globalization is a reality. We cannot change it. But globalization without rule of conduct, without a new financial and economic architecture for the world, without taking into view the grassroots realities of disparity and different levels of development of the countries, ignoring the inequitable distribution of wealth and power, presently is going to be havoc.

So we have to rediscover both the rules and regulations, norms and values, rule of law, at the domestic and international level, and the institution which can ensure these duplication. Bretton Woods created a certain situation in the Second World War. After the Second World War, it is becoming irrelevant. A new international political economic financial architecture is needed.

Finally I think that globalization; its threats and opportunities must be seized. Its compulsion cannot be ignored. But its challenges have to be met, at the global level, by developing a system of rules and regulations, the norms, an institutional structure to give a new financial and economic architecture. But along with that, in my view, it would be regional groupings, through which the challenges of globalization can be met. And Muslim Ummah must think in terms of, if not one region, but three or four regional integrated groupings within the Muslim Ummah to face the challenges of globalization.

I also suggest, and I am very grateful to one of my very dear colleagues for bringing this thing to sharp focus, that our work needs rediscovery of the historical dimension, because study of economic history, of history generally, and adopting historical tools of analysis for the study of

society and economy, are in a way, very weak dimension, ' in our work. So that deserves to be promoted."

I also agree that critical study of Muslim contemporary society is very much needed. But when you say that Islamic economic agenda has not influenced the Muslim economies, I have strong reservations by view of the fact that Islamic economic agenda and Islamic economic thinking is very recent. Muslims have just come out of two hundred years of colonial rule. We are trying to set our house in order. And the fact is that the political system of the Muslim countries is only free in name. The Western interests, the linkages, the way in which the ruling elite and the interests of the Western powers, somehow, there are collusion. And in that situation the scenario is not really set yet for full application of these ideas. But that should not in any way be excuse for our weaknesses and I have always been saying that for these, three things are necessary. First vision it should be clear; it should be developed, refined, made more and more sophisticated. Second preparations this preparation we have not done properly. This preparation includes manpower development, which we are trying to address. This preparation includes preparation of the education of the people^ information to the people. The problem with the Muslim Ummah is that Muslims are prepared to die for Islam. But they are not prepared to live according to Islam. We have to teach them and we have to give them that motivation. They need information. So, preparation of the people, on the industrialist, of the trader, of the borrower, that is the problem that we have been easily achieving, Islamization of liabilities in Islamic Banking, but the real challenge comes from Islamisation of assets, and for that, no preparation is there. Institutions that are needed, laws that are needed government policies that are needed research that are needed, so these preparations are not there

And finally, in my view, lack of political will and the credibility of the political leadership, credibility of academic leadership, credibility of economic leadership. So unless we have all of these, we would not be able to really Islamize the economies. But do not blame merely the poor Muslim economies that have been working for the last twenty-five years only. Last fifty years that we have invested in trying to develop according the western models by help from the western intellectuals and consultants. What have been achieved? How many success stories?

So this historical empirical approach I think is going to help a lot. I would also like to emphasize that in our future research, role of education, of human capital, of Islamic human capital, of technology, because in economic development, technology also plays a very important part, and not mere transfer of technology but adaptation of technology and development of technology. Unless these are there, we would not be able to achieve the objective. I also feel that the issue of corruption is important. And because of corruption I do feel that the resources of the Muslim Ummah are not being used for the benefit of the Islamic Ummah. And in this corruption, our own people are at the top guilty, but there is in my view global collaboration. And as I was telling some friends in French Law, in German Law, there is provision that multinational corporations, in their traditional operations is that the bribes that they pay to get contracts is accepted as a valued expenditures adjusted against income tax. So collaboration to that level is there, and now there is a cry in Europe,

pertaining to transparency in international as quoted by Ausaf, has raised this issue that we must change our laws and we must make corruption in all its forms a convictable offense.

Finally I want to say that while zakat and riba elimination are two major pillars of Islamic economy, please never think that, that is the all an all of Islamic economics. Islamic guidance relates to all aspects of economic life as it relates to all aspects of human life. So these two should be given the importance they deserve but along with them, all other areas must address too. And also I would very humbly submit that while fiqh is the major source and great guide in our effort toward developing Islamic-economics, Qur'an and Sunnah should be the real source. Shari'ah in its wholeness should be before us^ and along with that maqasid al-Shari'ah must be kept in view because they give us the real priorities in life. So Lam not against fiqh, I tried to live according to it and avail from it, but along with fiqh, Qur'an and Sunnah - the vision of man and society -t-economy that emerges from Qur'an and Suimah and which is in keeping with the maqasid al-Shari'ah, that is our target, and that is our effort fiqh would help us immensely, but that context must be there.

And just a last word, in this conference, I was very happy that we have participation from our young economists, young thinkers, both my younger brothers and sisters, but I did not find any paper from a sister contributor, I hope in your future planning you will keep this in view that they should be involved in writing the paper and discussions also.

Thank you very much.
