

ISLAM HAS BETTER FISCAL SYSTEM

PRESS CONFERENCE REPORT

Dawn News

17 February 1981

PROF. KHURSHID AHMAD



PINDI SEMINAR'S REPORT

Islam has better fiscal system

ISLAMABAD, Feb. 16: Prof Khurshid Ahmad, Chairman of the Institute of Policy Studies, said here today that the Muslim economists and financial experts have a consensus on the fact that Islam certainly has an alternative monetary and fiscal system which is viable and economically better than the existing system.

At a Press conference here today he circulated his report based on monetary and fiscal economics of Islam, on which a seminar was held here in early January at Islamabad. He said most of the Islamic economists and financial experts were of the view that an effort to establish the Islamic economic order, however, would require restructuring of the entire society and transforming the whole social milieu.

There is near unanimity that the objectives of socio-economic justice and greater stability in the value of money are fundamental to the structure of Islamic economy. Growth objective, though important, had to be constrained by the norms of social justice and a regard for future generation. The emphasis will shift from the rate and volume of growth to its composition and justice orientation.

red sale and leasing, which the Council itself accepted only reluctantly, could be utilised to meet certain partial needs, but cannot provide a comprehensive alternative.

Prof Khurshid said that Islamic economic system stands for total change, although it would have to be achieved through properly planned and phased reforms, each piece fitting into the overall scheme, each part supplementing the other and finally completing the mosaic.

OTHER ISSUES

The seminar also discussed a number of other issues which include questions like project evaluation, non-interest pricing of capital, general equilibrium and stability condition, provision of consumer loans, various instruments of monetary policy, so on and so forth. In this respect the seminar explored some new vistas and enhanced the horizon of knowledge in these fields. It also brought to sharp focus some areas where new work is needed which include operational and institutional aspects of profit-sharing, and the problems of indexation and credit creation.

Unanimity existed on the type of the institutional framework required for the Islamisation of the economy. The participants emphasised the need for substantial structural changes in the economic institutions of the country in order to make the new system effective and successful. There is almost near consensus on the suggestion that profit-sharing has the potential to be the centre of the new system with some peripheral measures to supplement it.

He said, as regards strategy, it was maintained that the approach should be gradual but not over-cautious. The view that Riba cannot be eliminated without the abolition of private ownership and control over the means of production was rejected. A lot of appreciation was expressed for the report of the Council of Islamic Ideology on the elimination of interest. However, some important qualifications and extension were added. The general feeling was that the profit-loss-sharing system can be viable alternative to the present system. Certain other alternatives, for example, investment auctioning, defer-

The most challenging aspect of the contemporary Islamic resurgence is to develop various aspects of Islamic economic system. Muslim economists and bankers are trying to grapple with this challenge. So far one conference and two seminars have been organised. The most recent of these was the seminar on monetary and fiscal economics of Islam held in Islamabad during January 6-10, 1981. It was attended by around eighty prominent economists and bankers from twelve countries. Ten papers dealing with various aspects of monetary and fiscal economics of Islam and three reports about the theory and practice of interest-free banking were presented and discussed. An effort is being made in this report to recapture the major points of discussion to share its insights with those who could not participate in it.

Prof Khurshid Ahmad recalled that in his inaugural address President Mohammad Zia-ul-Haq had raised quite a few questions which are pertinent to the subject.