

# ISLAM AND THE ECONOMIC CHALLENGE

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## FOREWORD

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The collapse of socialism and its centrally-planned economies in the former Soviet Union and Eastern Europe has raised a host of critical questions for all concerned with the ideological future of mankind. Does this represent the final demise of the socialist system and the unequivocal victory of the Western doctrine of economic and political liberalism, as is being claimed by some of the enthusiasts of Western capitalism, heralding the 'end of history', or does it constitute yet another phase in the never-ending ebb and flow of history? Does the fall of socialism of itself vindicate capitalism? If socialism has collapsed under the weight of its contradictions and inequalities does that necessarily mean that capitalism has overcome its own historical contradictions, injustices and failures? If the rise of socialism was owed, at least in part, to certain perceived failures of capitalism, how can its collapse mean that those failures (which prompted the search for alternatives) were illusory? Euphoria at the fall of a false god aside, the critical questions that still perplex the mind and conscience of man crave cogent answers.

Islam and the Economic Challenge represents a timely effort to reflect on these questions, and to suggest that the search for appropriate answers need not be confined to the Western experience, that it can profitably be widened to other religio-cultural horizons. It may open up radical new opportunities for mankind if questing minds will sincerely and objectively examine the merit of the submission of Muslim intellectuals that more satisfying and befitting answers to the economic questions of our time can be found in the Islamic approach to them.

Mankind has experimented, under the leadership of the West, with four major economic ideologies during the last three hundred years: capitalism, socialism, nationalist-fascism and the welfare state. All of them were based on the fundamentally and characteristically Western premise that religion and morality are not relevant to the solution of man's economic problems, that economic affairs are better settled by reference to the laws of economic behaviour and not in respect of any social code of moral conduct. Capitalism built its house on the principle of unfettered private enterprise, the profit motive and the mechanism of the market. Socialism sought millennium through public enterprise, social motivation, and a centrally-planned command economy. Fascism represented a distinct blend of the two resulting in a state capitalism geared to political aggrandisement and military adventurism. The welfare state is founded on a system of mixed economy, a form of capitalism blended with a measured socialist compassion. Despite noteworthy achievements in certain specific fields, these major ideologies on the economic stage have failed to resolve the major economic problems of mankind. Fascism was the first to fall into the dustbin of history. The latest fallen god is socialism. It would be the height of folly to assume that, by elimination, capitalism and the welfare state have been vindicated.

The economic crisis of our times remains as deep and distressing as ever and can be ignored only at the gravest peril. There is an urgent need for objective analysis of the entire economic landscape with a view to finding a fresh approach which seeks the objectives of efficiency and equity simultaneously and for all human beings.

Dr. Muhammad Umer Chapra's pioneering work Islam and the Economic Challenge represents one such effort. Dr. Chapra is a professional economist, educated at the universities of Karachi and Minnesota. He brings to the task wide experience of teaching and research in economics. He has

been associated with a number of prestigious academic and research institutions like the Institute of Development Economics and the Central Institute of Islamic Research, Pakistan. He has taught at the Universities of Wisconsin, Plattville and Kentucky, Lexington, U.S.A. For the past twenty-six years he has served as Senior Economic Adviser at the Saudi Arabian Monetary Agency. This has given him a unique opportunity to drink deep at the wells of both theoretical knowledge and practical application of economics. He has also had abundant exposure to the Western as well as the Islamic perspectives on economics and society.

For the last fifteen years, he has been deeply involved in the development of an Islamic approach to economics. His earlier work, *Towards a Just Monetary System* (The Islamic Foundation, Leicester, 1985), won wide acclaim in the academic community of the Muslim world, and brought its author two prestigious awards - the Islamic Development Bank Award for distinguished service to Islamic Economics (1990), and the King Faisal International Prize for Islamic Studies (1990). Dr. Chapra is thus eminently qualified to address the more fundamental issue of the economic system for our times.

*Islam and the Economic Challenge* is the result of a decade of research and reflection. In this masterly treatise he examines with sophistication and academic rigour the three major economic systems of the Western world, and comes up with a realistic balance sheet of their achievements and failures. He also spells out the Islamic approach to the economy and its problems, and puts forward concrete suggestions for restructuring the Muslim economies and pursuing new paths towards strategic developmental planning. In broad terms, his recipe for the Muslim world comprises development planning together with the application of a socially-accepted moral filter for the market mechanism, more broadly-based motivation for economic effort and fundamental structural reforms to establish a supporting framework.

Dr. Chapra has dealt with the subject as a trained social scientist and objective Islamic scholar. His grasp of the contemporary economic systems and their problems is thorough and incisive; his presentation of the Islamic economic order is precise and convincing. His balanced critique of the Western systems as well as that of the contemporary Muslim society is presented in a style that is scholarly yet simple, clear and prescriptive. *Islam and the Economic Challenge* is not merely a treatise in theory, it is of immense relevance to the policy makers, not merely in the Muslim world, but in the world as a whole.

I foresee *Islam and the Economic Challenge* becoming a standard work on contemporary economic systems, and a catalyst for promoting the Islamic approach to the solution of the economic problems of the contemporary Muslim world.

Dr. Chapra's unique contribution lies in the realism of his thought and approach. He identifies the problem with clarity; he discusses the prevalent approaches with professional distance, acknowledging the achievements of different experiments without reservation, and analysing their failures without exaggeration; at the same time he expounds the Islamic alternative with a quiet precision, without apology or affectation.

Dr. Chapra has clearly demonstrated that well-being cannot be attained through the pursuit of material possessions alone, and that efficiency and equity can become operational concepts only if they are redefined in the context of their linkage to moral values and socio-economic structures.

His is a plea for the rediscovery of man as the centre-piece of economic thinking and effort. He uses the tools of economic analysis as effectively as can be done by a good Western economist, but his real contribution lies in a highly thoughtful effort to build a new house for economics where it is not torn from its moral foundation, and where economic effort can take place within a socio-economic framework that ensures efficient allocation and equitable distribution simultaneously, and not merely for a particular segment of society, of humanity, but for all. He strives to lift economics to the next stage of its evolution when, drawing upon its moral springs as well as vast empirical experiences spread over several centuries, it may be capable of playing an effective role towards general human fulfillment and not merely material excess for the privileged. If economics is to become a real blessing for man, a tool for his well-being, the missing dimension needs to be restored. Islam and the Economic Challenge is a step towards such an economics of tomorrow.

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