Seminar on MONETARY AND FISCAL ECONOMICS OF ISLAM

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00083 INAUGURAL ADDRESS

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**Some Challenges before Muslim Economists**

I am extremely happy to be with you this morning. It was in 1973, on the occasion of an international conference organized by the World Assembly of Muslim Youth in Riyed, that some of us broached the idea of organizing a professional conference on Islamic Economics. We have been fully conscious of the valuable work that has been done in expounding some of the basic ideas of Islamic Economics, Nonetheless we realized that one of the pressing needs is to develop this subject as an academic description and to do so with professional rigor, The contribution of the Ulema in this field has been immense, Although they were not writing as professional economists they realized the challenge that came from modern economic thought and practice to the values and principle of Islam and tried to make the Muslim world conscious of its own unique approach to the problems of economy. Their pioneering contribution blazed a new trial and persuade many a writer to respond to this challenge. Nevertheless the debate lacked a certain dimension that could be added only by professional economists.

It was in response to this challenge that some Muslim economists who met in that Conference in 1973 resolved to make a systematic effort to seek the development of Islamic Economics as an academic discipline and as a tool-kit for policy operations. They were conscious that the task ahead was difficult and challenging yet they realized that a serious effort deserves to be made in this direction, albeit in all humility. By the grace of Allah those efforts were crowned with success and the First International Conference on Islamic Economic was organized in early 1976 under the active leadership of Dr. Omer Zubeir, President, King Abdul-Aziz University, Jeddah, Over 150 professional economists from all over the world participated in the Conference and discussed major themes relating to Islamic economics. It was an elementary effort, nonetheless, a path-breaking one. From that conference emerged the idea of a permanent International Centre for Research in Islamic Economics. The Centre is, by the Grace of Allah, now in operation for sometime and we are meeting today to participate in its First Research Seminar on the theme of Monetary and Fiscal Economics of Islam, Our effort, in this Seminar, is to seek for some widening of our horizon of knowledge in the field of Islamic monetary economics, We are proud of the valuable contributions that have been made in this field over the last fifty years. Now it would be our humble effort to research and spell out those areas which have not been fully covered in the debate s0 far. We have also to find solutions to the difficult problems that wo face in order to evolve a systematic course of action for the implementation of the Shariah in our socio-economic life.

A Committee was formed to work out research themes on the subject which were circulated amongst prominent economists of the Muslim world. On the basis of their response to this agenda for research, a Plan for the Seminar was drawn. Now by the grace of Allah we are meeting in witness to partial fulfilment of the dream ion we had in 1973. I am sure useful results would accrue from our deliberations,

There are at least two basic pre-requisites for making any real contribution in the field of Islamic Economies: commitment to Islam and academic vigor, First and foremost is our commitment to Islam and its values, to its principles and to the guidance that the Quran and the Sunnah have given to us. Our starting point is not that we are club of economists with certain now and novel ideas. Instead, our distinctive characteristic is that we are Muslims and we want to look upon the world with the eyes of a Muslim and are eager to remake the world in accordance with the vision of man and society given by Islam, One of the delusions perpetrated in the name of science in the contemporary world is that value judgements are offered in the name of science and positivism, Economists know. that there is an area of technical relationships which could be value-free but these technical relationships take place within the framework of value-relationships, And it is very difficult to disengage one from the other, Nonetheless, instead of clearly stating the value framework in which the Western economic thought has been couched an effort was made to simply ignore this reality and to assume as if those value assumptions were not there,

As Muslim economists we are not shy in articulating our value premises in clear terms. We have nothing to cancel, Professionally it is more honest and more rewarding to start with an exposition of one's value-framework, of the socio- economic objective one wants to pursue and then to show how economic relationships would be developed to fulfil those objectives. As Muslim economists are eager to undertake these tasks with care and rigor. We do not want to play with words, or hoodwink to real issue or to make slogans and louche as our stock-in-trade. We want to approach the problem in a calm and calculated way. We want to put in hard research, original thinking and careful experimentation. We are not starting with the smug feeling that we have ready-made answers to all the questions. In fact, we are trying to begin from whore beginnings should be made to find out what the right questions. are oven before we move towards finding solutions.

After this submission about our approach, I want to very briefly touch upon some of the problems that the Muslim economists have to squarely face.

First, we have to develop a new conceptual framework for the study of economic problems. Economics as it has been developed over the last two hundred years, has concerned itself mainly to an analysis of certain sets of behavioral relationships. Are we going to regard those relationships as constant and then try to fiddle with this or that aspect of economic life to see if it conforms or deviates from the norm given by the Quran and the Sunnah? Can we attack economic problems at the micro-level without going into the question of the overall framework, institutional as well as attitudinal. I submit that our primary problem is to develop a new conceptual framework a framework which would enable us to study man's economic problems in a different perspective and then to come up with analysis of human behavior as it is and as it can be induced to be. As we are not content with the framework that we have inherited from the capitalist or socialist economies we want to develop a new framework for economic analysis and policy-making. The challenge that we face is more complex than the one faced by other economists,

I would like to emphasize that the Islamic economic system is a part of the Islamic way of life which goes to make an organic whole. Islamic economic schemes cover all the major areas of economic activity. If the Islamic system is equated simply with the abolition of interest and institution of Zakah this would amount to some kind of a simplification. I agree that abolition of interest and the institution of Zakah are the most important pillars on which we have to base the new structure of society but they do not go to make up the whole structure, They constitute pillars for this structure. They symbolize a very different approach to mans economic problems:

an approach free from exploitation of man by man; an approach leading towards the establishment of just and sharing society where the well-being of each is tied to the well-being of all. Abolition of interest is one of our primary targets, Establishment of Zakah is a priority objective in our scheme. But they do not constitute the be all and the modal of the Islamic economics, So my submission would be that however limited be the area of our enquiry in this Seminar we must keep the total perspective in view. We have to be very clear that our target is a fundamental change in the economy and society: a change that affects peoples' attitudes and motives, their consumption and production relationships, the society's institutions and structures and individual life style and collective policies at all levels.

Secondly, we should try to differentiate between an Islamic economy and an Islamizing economy. The ideal should always remain before us but to achieve that ideal we have to travel a long way. There has to be a period of transition and the problems of transition would, by definition, be somewhat different from the problems we would face in an Islamic economy. I would invite my fellow economists to carefully differentiate between these phases and to develop a transition path so that we systematically and vigorously move from the present Islam-neutral status quo of the contemporary Muslim world towards the ideal of an Islamic society and economy. Here we have to be careful about two things: First, never to allow our idealism to damp down because of the difficulties that have to be surmounted and secondly never to allow the transition period to turn into a permanent phenomenon, To ignore the realities of the transition phase would be futile, but to let it become a permanent state could be fatal.

We have to pursue the middle path, wedding idealism with realism. I would also like to avail this opportunity to invite my colleagues to realize the importance of experimentation in the field of applied Islamic Economics, At the theoretical level we have to develop workable models and spell out policy alternatives that would lead towards the realization of our socio-economic objectives. We have to help Muslim institutions and Governments in their efforts to implement Islamic Economic Scheme. We should be prepared to entertain honest differences of opinion and to learn from experience and experimentation so as to sharpen our tools of analysis and refine our policy prescriptions, Looking into the vista of Muslim history, one finds that the Muslims have made a number of experiments with countless achievements to their credit but there are also a few failures in the balance sheet. Islam is free from all error, but Muslims are human beings. We have to make every effort to reach our ideal but we should be prepared to face all eventualities. It is only through sincere and concerted experimentation, with critical appraisal of our own performance, with ceaseless dialogue and discussion amongst ourselves and above all with ideological integrity, professional honesty, intellectual openness, and sincere humility that we would be able to face the odds that confront us. The challenge we have resolved to meet is great; but the potential of Islam is still greater. I have no doubt that with faith in Allah and with rigorous effort and sacrifice we would be able to establish the Islamic socio-economic order and to show to the world a now path that leads to the establishment Just human order.