

ISLAMIC ECONOMICS BULLETIN

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INDIAN ASSOCIATION FOR ISLAMIC ECONOMICS الجمعية الهندية للاقتصاد الإسلامي

VOLUME 10 No. 6

November - December 2000

Shaban - Ramadan 1421 AH

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IAFIE BULLETIN is published six times a year by the Indian Association for Islamic Economics. It aims to create awareness of the latest development in theory and practice of Islamic Economics.

SUBSCRIPTION:

	Overseas	India
One year	US\$ 10	Rs. 25
Two year	US\$ 20	Rs. 50
Five year	US\$ 50	Rs. 100

IAFIE MEMBERSHIP:

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The Bulletin will be offered to the Members free of charge. Subscription is payable in Bank draft, Cheques, M.O. or Cash. Cheques and drafts should be drawn in favour of Indian Association for Islamic Economics payable at Aligarh. Outstation cheques should add Rs. 15/- towards bank collection charges.

(For circulation among members only)

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SCHUMPETERIAN GREAT GAP THESIS REVISITED

It is but obvious that economic thinking has been associated with the very existence of man. But the written record available about economic thinking of man is not so old. Generally the historians of economic thought start the history of economic ideas with the Greek philosophers, Roman jurist and administrators, and Indian scripture. They also mention some of the early Christian fathers who lived in the first few centuries of Christian era. Then they just leap to the middle ages when Europe came from darkness to light and fresh thinking on different natural and social sciences started, leaving a gap of many centuries.

This has been the practice on the part of almost all writers on the history of economic thought. But Joseph Schumpeter has explicitly mentioned it. In his famous *'History of Economic Analysis'* in chapter two, part II, after discussing the Greek-Roman economics, Schumpeter begins with a discussion of the 'great gap'. He says, "So far as our subject is concerned we may safely leap over 500 years to the epoch of St. Thomas Aquinas (1225-1274) whose *Summa Theologica* is in the history of thought what the south Western spire of the Cathedral of Charters is in the history of architecture" The implication of this statement is that for a period of 5 centuries no worth mention of economic ideas were found. Such a claim of discontinuity in the evolution of human intellect in general and in the history of economic theory in particular is untenable.

The long established tradition of considering a number of centuries as blank as regard to economic thought and the idea of 'great gap' seems to be grossly absurd and a blind spot in the subject. It is a matter of heartening that this missing link in the history of economic thought is now being traced and economic ideas of hitherto neglected scholars are being established. (See page 4, of this bulletin) "Recognition to the importance of Arab - Islamic Scholars in the History of Economic thought" The period termed as 'the great gap' in the history of economic thought is the period of Muslim leadership over the world in politics, science and civilisation and it is they who contributed in the field of economics, philosophy, medicine and the natural science. While their work in other branches of knowledge is openly acknowledged their contribution in the area of economics is still ignored.

There is hardly any Islamic scholar whose economic theory is familiar in the profession, or incorporated in the relevant literature of the subject. Researches in the past few years have revealed significant works of Islamic scholars on economic thought and analysis, during the so called period of the 'great gap'. Abu Yusuf's analysis of various forms of taxation, Ibn Hazm's emphasis on removal of poverty AIGHazali's discussion of the difficulties of barter and nature and functions of money and Ibn Taimiyah's treatment of pricing mechanism and administrative fixation, to name a few, deserve their inclusion in the history of economic thought. Any work with no reference to their contributions will of course have a gap and deficiency in itself.

Dr. A.A. Islahi

IDB To Go To Market For Islamic Finance

The Islamic banking division of Gulf International Bank (GIB) and Kuwait finance house (KHF) have signed an agreement with Jeddah based Islamic Development Bank (IDB) to provide *Murabaha* facility for the IDB. The facility called a 'two steps *Murabaha*,' will allow the IDB to mobilise outside funds to finance some of its own projects and provide other financial institutions with trade finance facilities.

It may be noted that it is the first time that the IDB has gone to the market to mobilise additional resources to benefit companies in the IDB.

Three Islamic Banks Ranks Among Top 1,000 World Banks

Three Islamic banks of the Arabian Gulf are ranked by the *Financial Times* the bankers magazine (July 2000) in its "Top 1,000" survey. The survey ranked the world's commercial banks using consolidated figures. These three Islamic banks are:

- (1) Al-Rajhi Bank (Saudi Arabia rank 220)
- (2) Kuwait Finance House (Kuwait - rank 407),
- (3) Dubai Islamic Bank (UAE rank 720).

The bank's rating are based on 'Tier one Capital' as defined by Basle's Banks International settlements (BIS) which is more stringent than simply assessing total stockholder's equity. BIS defines 'Tier one Capital' as only the core of a banks strength, as the banker explains: "share holder's equity available to cover actual or potential loses". Thus, 'Tier one Capital' includes common stock, disclosed reserves, and retained earnings, and in the case of consolidated account, minority interest in the equity of subsidiaries that are less than wholly owned. It excludes, however, cumulative preference shares, revaluation reserves, hidden reserves, subordinated and other long-term debt, which are defined as Tier Two.

(MEES).

U.G.C. Sponsered Seminar on Islamic Banking & Finance

The Faculty of Corporate Secretaryship of Islamiyah college Vaniyambadi will be holding a U.G.C. (University Grant Commission) sponsered seminar on Profit and Loss sharing banking in India in January 2001 at Vaniyambadi.

The Seminar will focus on the operational mechanism of Profit & Loss sharing (PLS) Banking, growth and present state of interest free credit societies in India. Laws related to the feasibility of PLS Banking in India, will also be discussed. Experts on the subject, Bankers and the RBI officials have been invited to participate and delebrate.

For further details contact at:

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Harvard Forum Discusses Islamic Finance

The fourth Harvard University Forum on Islamic Finance was held at the University of Cambridge, Massachusetts, USA between 30 September and 1 October 2000. The forum was organised by Harvard Islamic Finance Information Programme in conjunction with other departments at the University. This year's theme was "Islamic Finance - the Task Ahead." The topics discussed included; Islamic Economics, Islamic finance successes and failure, product development, research, case studies, shariah compliance and standardization of contract; Islamic money market & liquidity, Islamic funds and indexing; growth of secondary markets.

Shariah- Compliant Stock List in Malaysia

The *Shariah* Advisory Board of the Securities Commission of Malaysia (SCM) has published latest updated list of *shariah*-compliant stocks on the Kuala Lumpur stock exchange. The list will from this year be updated twice a year in April and October by SCM's *shariah* advisory board. Already the RHB Islamic index, the first Islamic equity index in the global Islamic investment funds market, has adjusted its universe with the inclusion of new counters approved by the latest SCM list (*Islamic Banker*).

Kerala Chapter to Organise Seminar on Islamic Economics

Calicut :

IAFIE Kerala chapter is organising a seminar on Islamic Economics on 18 Nov. 2000 at Calicut the papers to be discussed in the seminar are.

"Medieval Contributions to Economic Thought"
(By Dr. P.Ibrahim)

"Islamic Banking- An Alternative to Modern Banking" by K.M. Abdul Salam.

"Welfare Economics in Islamic Model" by Dr. Afzal Peerzade, Dr. C. Ramchandran Nair, eminent economist, will inaugurate the seminar and keynote address will be presented by Dr. F.R. Faridi.

Financial Times Survey of Islamic Banking

The Financial Times (London) published a comprehensive survey of Islamic Banking in its issue of October 26, 2000 covering various aspects of the industry. The survey was conducted by James Drummond and Farhan Bukhari. An extract of its important findings may be reproduced in the next issue of the Bulletin.

New Books and Articles

Books:

1. ABDUL - GAFOOR, A.L.M. , *Islamic Banking and Finance : Another Approach*, Groningen, Netherlands: Applec Publications, 1999 28pp.
2. AHMAD, Khurshid, *Economic Development and Islamic Development Management* (the First International Conference on Islamic Development Management, 8-10 December, 1998), penang, Malaysia: University Sains Malaysia, 1998, 25pp.
3. BEWELEY, Abdahaqq, *Zakat-Raising the Fallen pillar*, Norwich, UK: Black stone press, 1999 35pp.
4. QUTB, Sayyid *Social Justice in Islam*, Oneona, NY USA: Islamic Publications International, 2000, 352pp.

Articles:

1. ABDUR-RAHMAN, Hasbullah, ' *Concept of Contract (Aqd) in Islamic law' Islam and the Modern Age* (New Delhi) , Vol. 30, No. 2, 1999, pp-138-57.
2. AHMAD Khurshid, "Islamic Finance and Banking: The Challenges and Prospects" *Review of Islamic Economics* (Leicester, UK), No. 9, 2000, pp. 57-82.
3. BILAL, Gohar "Islamic Finance : Alternatives to the Western Model" *The Fletcher Forum of World Affairs* (Medford, MA, USA), Vol. 23, No.11, 1999, pp.145-59.
4. CHAPRA, M.U. "Why has Islam Prohibited Interest? Rationale behind the prohibition of interest" *Review of Islamic Economics* (Leicester, UK), No. 9, 2000, pp.5-20.
5. HARON, Sudin and AHMAD, Nor Hayati, "Convventional Banking' Profitability Theories in Islamic Banking: Some Evidences" *Journal of Islamic Banking and finance* (Karachi, Pakistan), Vol. 17, No.1, 2000, p.7-16.
6. HOEXTER, Miriam., "Waqf Studies in the Twentieth Century: The State of the Art" *Journal of the Orient* (Leiden, Netherland), Vol. 41, No.4, 1998, pp.474-95.
7. MIKAILU, Aminu S., "Islamic Political Economy and Military Governance: The Nigerian Experience" *Hamdard Islamicus* (Karachi, Pakistan), Vol. 23, No. 2, April - June 2000, pp. 61-72.
8. SALAMON, Hussein, "Speculation in the stock Market from an Islamic Perspective" *Review of Islamic Economics* (Leicester, UK), No. 9, 2000, pp. 103-126.
9. SIDDIQI, M.N. "Islamic Banks: Concept and Prospects" *Review of Islamic Economics* (Leicester, UK), No. 9, 2000, pp. 21-35.

Book Review

Contemporary Islamic Economic Thought "A Selected Comparative Analysis"

By: Mohammed Aslam Haneef:

Published By: Ikraq11, Jalan 11/4 E 46200, Pataling, Jaya Selangor. 1995 p.p. 156

The author must be congratulated for his efforts in generally one of the avoided topics in the field of Islamic Economics. He has successfully tried to compare six different scholars' views, who not only differ in their approach towards the Islamic Economics but also differ in defining the Islamic Economics, they differ on the question of Islamic man and Economic man.

The author has chosen six contemporary Islamic Economic thinkers, Mohammad Abdul Mannan of Bangla desh, Dr. Mohammed Nejatullah Siddiqi of India, Syed Nawab Hyder Naqvi of Pakistan, Monzer Kahtf of Syria, Syed Mohammad Teleghani of Iran and Mohammad Baqir as-Sadr of Iraq. They not only come from different political regions but from different economic, educational and religious backgrounds.

The book has been divided into eight chapters the 1st chapter deals with introduction followed by one chapter devoted to each scholar. The last chapter deals with the outcome of the studies of those scholars followed by bibliography and index. In the beginning of the book author has given a glossary of the terms mostly used in the book.

The innovative aspect of this book is that at the end of each chapter the author has beautifully summarized the major issues in diagrammatic ways, which is very effective to understand and compare. The author has honestly admitted his reliance on secondary sources of the information. To me the book would have been more comprehensive, had the author given a detailed life sketch of these economist. He could also have enriched his work by including some more contemporary thinkers like Shaikh Mahmood etc.

The author has chosen following areas for the analysis.

- A:** Basic approach or views on economics as a whole, which includes definition, scope and objectives of Islamic Economics.
- B:** Underlying assumptions including views on economic agents involved, rationality, role of the state and individuality.
- C:** Institutional Framework includes property relations and ownership, decision making and resource allocation mechanism as well as views on *Riba and Zakat*.
- D:** Distribution including pre and post-production.
- E:** Production especially concentrated on the subjective aspect on what to produce.

(Continued on page 4...)

Recognition to the importance of Arab Islamic Scholars in the History of Economic Thought

(Following are extracts from the letters of two authors of the history of economic thought, addressed to Dr. S.M.Ghazanfar, expressing their readiness to include chapters in their works on contribution of Islamic scholar to the subject. Dr. Ghazanfar is professor of economics at the University of Idaho, USA, and has published several papers in various professional journals of Europ and America, some of them in joint authorship of Dr. A.A.Islahi, to make the western readership acquainted with the Arab-Islamic contribution to economic thought. Editor).

"I wanted to let you know that the sixth edition of Development of Economic Analysis has tried to give better recognition to the importance of Arab-Islamic scholars. Thanks for your papers, which I am happy to reference, a small contribution toward closing the gap."

Ingrid Rima

"I have read your papers and agree with your conclusion that Schumpeter erred and that modern historians of economic thought have followed Schumpeter in failing to appreciate the Arab-Islamic writings in the approximately 500 years before Aquinas. I have talked with my wife about this a lot, she is a medievalist, with a speciality in literature, and she suggests the failure of economists on this issue is part of a broader failure of Western Scholars to fully underst and the important contributions of Arab-Islamic scholars.

"I have a first draft of a rewrite of our Chapter 2 and have added a new section entitled Arab-Islamic thought, have added Ghazali and Khaldun to improtant writers at the beginning of the chapter, and added your 1995 paper, the paper you did with Islahi (1990)* and the Spengler paper on Khaldun***"

Harry Landreth

* Economic thought of ArabScholarstic : AbuHamid al Ghazali History political economy 1990, 22 No.2 pp.381-403.

**Economic thought of Islam: IbnKhaldun", Comparative studies in society and history, 1963-64, vol.6 No2, pp.268-306.

(continue from page 3...)

In the introductory chapter author has rightly given a brief description of the evolution of Islamic Economics as a full fledge discipline during the postcolonial era. Starting from 1930s, when economic issues were generally discussed as a branch of jurisprudence mainly concentrating on the topic such as *Riba*, *Zakat* and Banking.

Then came the second phase of the development of the Islamic Economics starting from the second half of the 20th century which witnesses the interpretation of the Islamic jurisprudence to adjust them to contemporary science.

Third phase started from 1970s also called as the period of oil boom. Islamic Economics developed as a major discipline with more and more economic approach using mathematics and other economic tools of analysis with the influx of western educated economists reflecting their conventional mainstream. Chapter four on Syed Nawab Hyder Naqvi would be especially beneficial for the student of Islamic Economics. His approach towards the economic problems through Islamic Economic system is beautifully expressed.

(Shriq Nisar)

ISLAMIC FINANCE WEBSITE

Mr. Abdul Kader Thomas has established a new internet company which aims to develop a comprehensive Islamic portal that will provide a number of services in Islamic finance. This new company is Muslim e- financials (MEF), Inc. Which is based in Melean in North Virginia and is largely owned by the muslim telemarketing company. Mail: abdulkadar...thomas@hotmail.com or visit website : www.mefweb.com.

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Islamic Economics Bulletin

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