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MORAL DIMENSION: THE NEW ECONOMIC PARADIGM

The economic paradigm, which has held sway for the last two centuries, is not only showing cracks, its very theoretical foundations, its underlying assumptions and its capacity to successfully predict future modes of behaviour, are being challenged. Discussion is no longer confined to changes within the paradigm: the current debate is moving more and more towards the *need for the change of the paradigm itself*. "Challenged", writes Amitai Etzioni, "is entrenched utilitarian, rationalistic, individualistic, neo-classical paradigm which is applied not merely to the economy but also, increasingly to the full array of social relations." (Amitai Etzioni, *The Moral Dimension: Towards a New Economics*, New York, Macmillan, 1988, p.ix)

The economic paradigm is being challenged at its very core: the neo-classical paradigm does not merely ignore the moral dimension, it actually opposes its inclusion within the paradigm. The new emerging paradigm, on the other hand, visualizes assigning "a key role for moral values". Then alone it may be possible, underscores Etzioni, to "seek both what is right and what is pleasurable" (ibid., pp.ix,x). Cristovam Buarque, a well-known Brazilian economist and a former Rector of the University of Brasilia, makes a more dispassionate plea for this new approach to economics in his *The End of Economics: Ethics and the Disorder of Progress*, translated by Mark Ridd (London, Zed Books, 1993). The failure of economics, in his view, lies in ignoring social and ethical values, "Social objectives", he says, "have been subordinated and viewed as a consequence of technical progress rather than as the purpose of civilization. Ethical values, meanwhile, have been discarded" (p.xi). What is needed is a fundamental change of approach and a total reordering of priorities. He comes to the conclusion: "Just as physics stumbled upon the need for regulatory ethics the moment it became aware of its catastrophic potential, so Economics sorely needs to rediscover Ethics. The present dilemma will not be dispelled merely by re-evaluating the means and totting up new costs as one does in project assessment. Rather it is a matter of changing the core objectives of the social process, delivering it from the economic strait-jacket of the last two centuries— Without subverting the traditional notion of progress, it will be impossible to grapple with the problem of growing poverty and inequality, and impossible to incorporate ecological balance into social purposes. The issue of economic development thus demands a fresh theoretical approach founded on three pillars: an ethics for redefining the very objectives of civilization; a new definition of the object and field of study, capable of taking in the ecological dimension; and a new rationale for Economics as a discipline (ibid., p.xii). The result of this approach would be that: "Technological options must be determined by an economic rationale subordinate to social objectives formulated by ethical values/ economic rationale/ social objectives/ ethical values, would thus be reversed" (ibid., p. 164). 'Islamic Economics' represents a systematic effort by Muslim economists to take a fresh look at the entire economic problem, including the methodology of economics, with a view to coming up with fresh solutions to old and persisting problems. This approach is still in its early phases of growth. We are aware that muslim economists have a long way to go, but there is no doubt that a beginning has been made in this direction. This beginning bears great promise for the future.

Prof. Khurshid Ahmad

The Economic Society of A.M.U. organizes a Lecture on Contemporary Islamic Economics

"Although revival of Islamic economics started in the 1930s, the last quarter of the 20th century saw establishment of series of Islamic banking and financial institutions all over the world," said Prof. M. Nejatullah Siddiqi while delivering a lecture on 'Contemporary Islamic Economics', organized by the Economic Society, Department of Economics on March 28, 2001, in the faculty of Arts, Aligarh Muslim University, Aligarh. Dr. Siddiqi told the audience that the Indian scholars played the pioneering role in development of Islamic Economics. While early writings were mainly theoretical expositions, the contemporary Islamic Economics is characterized by application and implementation of Islamic economic theory and that is why it has created wide spread curiosity equally on the part of academicians and professional practitioners, irrespective of religion and nation. He revealed that 25 percent of the participants in the annual forum on Islamic Finance of the Harvard University are generally non-Muslims. Dr. Siddiqi recalled that the father of economics was moral philosopher but unfortunately the mainstream economics eliminated the moral judgement from its discussion. Unsatisfied with the outcome of such an economics, there is strong urge to incorporate ethics and morality in economics and that is for what Islamic Economics also stands. He expressed his happiness that the Delhi University has started a paper on Ethics and economics. In his opinion the Aligarh Muslim University should introduce such papers, as we should be more concerned with morality and ethics. The lecture was followed by a lively session of question – answer and useful presidential remark by Vice-chancellor Mr. Mohd. Hamid Ansari. Earlier Prof. Naseem Ahmad Zaidi, the Chairman, Department of Economics, introduced the guests and especially recalled Dr. Siddiqi's days in the university. The function came to an end at the vote of thanks by Prof. Akhtar Zaheer Rizvi.

The Second Book File of Islamic Economics Bulletin

On completion of 10 years of this Bulletin, the Association is bringing a book file of its past issues from volume 6 to volume 10 in limited numbers, for the benefit of scholars and record of libraries. The volume is appended with an index enhancing its usefulness. The collection of five volumes H.B costs Rs. 300 (overseas U.S \$ 100) and P.P. Rs.200 (overseas U.S.\$ 50) inclusive of packing and postal charges. A few copies of first book file of the Bulletin (vols. 1-5) are also available at the above rates. Interested scholars, libraries must order at once. IAFIE, 4/1212, S.S.Nagar, Aligarh 202002 India.

Barkat group maintains it did not misuse resources

Barkat Group, one of India's oldest and best known Islamic non banking financial companies which was forced into liquidation recently, maintains its innocence amid allegations of fraud brought against it by investors who claimed they did not receive returns on their investments.

There has been no fraud or scam in Barkat, reiterated the managing director Mohammad Hussain Khatkhatey in a recent interview with Shariq Nisar, Joint Editor of *Islamic Economics Bulletin*. "whatever has happened was due to a concentration of unfavourable business circumstances", said Mr. Khatkhatey.

Mr. Khatkhatey, who is also the founding executive director of the Al-Baraka Finance House, said Barkat may have made some investment mistakes, but it certainly did not misuse its resources. He pointed out that from its very inception, Barkat had been managed by a professional board, whose members were also motivated to serve the community.

"In the wake of the stock market crash and the real estate depreciation, Barkat had very limited avenues from which it could raise funds to meet its investors' needs until such time that its assets could be liquidated", said Mr. Khatkhatey. In India, short term funds are raised by taking out loans against assets and repaying them with interest, but since Barkat did not deal in *riba*, it could not take such loans.

The National Bank of Sharjah Turns Islamic

The national bank of Sharjah has been transformed into an Islamic bank with interest-free transaction from April 2001. It was announced at the bank's annual meeting in Sharjah.

Shaikh Sultan Mohammad Al-Qasbi, the chairman of the bank's board of directors, said the transformation is in keeping with the wishes of a large number of share holders who prefer to deal in the Islamic Shariah as also to attract more share holders and customers looking for Islamic portfolios and transactions. However, he clarified that it would not be easy to bring 100% change at once. It would take approximately 15-18 months for complete transformation.

Barclays Capital Appoints Director to Head its new Islamic Banking Unit

Barclays Capital, the investment banking division of Barclays PLC (UK), has announced the appointment of Saleha Lahiani-Dao as Director of its newly-created Islamic Banking Unit.

Mrs. Lahiani-Dao will be responsible for setting up an Islamic Banking Unit within Barclays Capital and will develop relationships with Islamic institutions. She will work closely with product areas to give Barclays access to a new investor base through a range of innovative products.

NEW BOOKS AND ARTICLES

BOOK REVIEW

BOOKS:

1. Fleet, Kate, *European and Islamic Trade in the Early Ottoman State: The Merchant of Geneva and Turkey*, New York, NY: Cambridge University Press, 1999, 204pp.
2. Hennigan, Peters Charles, *The Birth of a Legal Institution: The Formation of Waqf in the Third Century A.H. Hanafi legal discourse*. (Ph.D.Thesis), Cornell University, 1999, 317pp.
3. Pamuk, Sevket, *A Monetary History of the Ottoman Empire*, Cambridge, UK: Cambridge University Press, 2000, 302pp.

ARTICLES:

1. Alexander, Christopher, 'Opportunities, Organizations, and Ideas: Islamists and Workers in Tunisia and Algeria', *International Journal of Middle East Studies* (Cambridge), Vol.32, No.4, November 2000, pp.465-490.
2. Boroujerdi, Alireza Rahim, 'The Philosophy of Islamic Economics', *New Horizon* (London), No. 106, February 2001, pp. 6-7,12.
3. Obaidullah, Mohammad, "Financial Options In Islamic contracts: Potential Tools Risk Management" *Journal of King Abdul Aziz University: Islamic Economics*, (Jeddah), Vol.11, 1999, pp.27.
4. Khan, Tariqullah, 'Islamic Quasi Equity (Debt), Instruments and the Challenges of Balance Sheet Hedging: An Exploratory Analysis', *Islamic Economic Studies* (Jeddah, Saudi Arabia), Vol.7, Nos 1&2, October 1999 & April 2000, pp.1-32.
5. Peerzada, S. Afzal, "Place for an Expenditure Tax in the Islamic Fiscal System", *Journal of King Abdul Aziz University: Islamic Economics*, (Jeddah), Vol.11, 1999, pp.27.
6. Al-Suwaillem, Sami, "Towards an Objective Measures of *Gharar* in Exchange", *Islamic Economic Studies* (Jeddah, Saudi Arabia), Vol.7, Nos.1&2, pp.61-101.
7. Tag el-Din, S. Ibrahim, "Characterizing the Stock Exchange from an Islamic Perspective", *Journal of King Abdul Aziz University: Islamic Economics*, (Jeddah), Vol.11 1999, pp.63-65.
8. Wilson, Rodney, "Challenges and Opportunities for Islamic banking and finance in the West: The UK Experience", *Islamic Economic Studies* (Jeddah, Saudi Arabia), Vol.7, Nos.1&2, pp.35-59.
9. "Report of the Coordination Committee of Teaching and Research Institutions in Islamic Economics", *Islamic Economic Studies* (Jeddah, Saudi Arabia), Vol.7, Nos.1&2, pp.111-119.

**Ibn Taimiyah on:
*Fundamentals of Islamic Economics (Arabic)***

The present work is a selection and compilation of Ibn Taimiyah's economic views scattered in his numerous works. It has been prepared and presented by Dr. Abdul Azim Islahi, an expert of Ibn Taimiyah's economic ideas.

The work under review, entitled '*Mabadi al Iqtisad al Islami: al Nusus al Iqtisadiyah al Mukhtarah min Kalam Shaikh al Islam Ibn Taimiyah*', is characterised by the fact that one has direct access to Ibn Taimiyah's economic views, while the earlier researches bear lump sum amount of subjective opinions of authors, their analysis and evaluation, comments and comparisons. The aim from this comprehensive selection of economic ideas of Ibn Taimiyah is to enable the readers to interact directly with his ideas without any difficulty and gauge himself its importance and effectiveness, relevance and application.

The collection is divided into seven chapters, each chapter consisting sections and subsections. Chapter one provides the ideological foundations and framework and some important guiding principles and values of Islamic economics. The other six chapter, deal with market mechanism, pricing and some related concepts, ownership and property right in Islam, interest, money and monetary policy, business and economic contracts, Role of the state in economic life, and public finance. All the seven chapters have been divided into more than fifty sections and over 500 subsections which show the variety and comprehensiveness of the contents. The arrangement of topics is so nice and coherent that it gives an impression of continuous and systematic writing so much so that it may suitably be considered a book by Ibn Taimiyah himself written in the present form.

At present there is an urge on the part of Muslim countries to Islamize their economies. For this purpose it is quite natural to turn to some of the best brains of the past for inspiration and guidance. The present collection is undoubtedly a very useful source in this context as pointed out by Dr. Muqtada Hasan Azhari in his valuable introduction. Verification of the authenticity of Ibn Taimiyah's views has been facilitated by the brief notes of Mawiana Ahmad Mujtaba al Salafi and his references to verses of the Quran and works on Hadith in the foot notes. Printing and paper of the book is fine but it suffers from a large number of typographical errors.

The book is published by Idarat al Buhuth al Islamiyah of al Jamia al Salafiyah and available from its

**Book Depot B 18/1, G, Jamia Salfiah Marg
Reori Talab, Varanasi 221010 (INDIA)
Fax: 00 91 542 452243 Tel. 452241.**

Fifth Harvard University Forum on Islamic Finance

CALL FOR PAPERS

The Harvard Islamic Finance Information Program (HIFIP) has been organizing the annual Harvard University Forum on Islamic Finance since 1997. With its unique blend of academic scholarship and industry experience, the Forum has become a leading event on the Islamic finance calendar.

The Fifth Forum is to be held on October 6th and 7th, 2001 on the Harvard University campus in Cambridge, Massachusetts, USA. As in previous years, leading academics, shariha' a scholars, economists, and financiers are expected to participate, as well as students and individuals interested in Islamic finance. The Forum will take a holistic approach to exploring issues involving the ideals, ideas, practice, and prospects of Islamic finance. The Forum will critically examine the state of Islamic finance in the light of its past development and achievements, its present participants and scope, and its potential for improvement and growth. Islamic finance has shown remarkable dynamism. The industry continues to move toward new goals and sees innovations emerging in fields ranging from internet commerce to international financial engineering, from main street service to mega-deal structuring. These developments demand careful dialogue between theory and practice, ethics and enterprise.

Topics: The Harvard Islamic Finance Information Program invites papers in the following areas:

Shari'a Perspectives:

- Legal Entities and Financial Instruments
- Property, Patent, and Copyright Law
- Shari'a Advisory and Shari'a Audits
- Options, Futures, Convertibles, and Derivatives

Economics, Finance & Development:

- Theories of Islamic Finance and Economics
- Country Case Studies
- Research Models
- Accounting and Auditing Standards

Investments & Financial Products

- Ethical/ Faith-based Investments
- Islamic Equities
- Consumer Perspectives
- Islamic Money Market and Liquidity Management

New Opportunities & Directions

- *Takaful* and Insurance
- Microcredit Opportunities
- Product Innovation
- Islamic Finance and the Internet

Guidelines

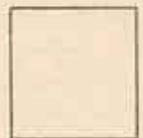
- Potential presenters are requested to e-mail the following to as an attached file:
- Curriculum Vitae
- List of related publications,
- 150-word abstract of the proposed paper
- Papers must be original and written exclusively for presentation at the Fifth Harvard University Forum on Islamic Finance; papers substantially similar to those already presented elsewhere will not be accepted.
- All papers, abstracts, and supporting material accepted become the copyright property of Harvard University and may not be reproduced in any form or submitted elsewhere without the prior written permission of FHIFIP / Harvard University.

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