

# ISLAMIC APPROACH OF ECONOMICS

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DISCOURSES ON KHURSHID AHMAD'S VISION OF SOCIO-ECONOMIC  
ORDER, SELF-RELIANCE AND ECONOMIC DEVELOPMENT

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**PROF. KHURSHID AHMAD**



## ISLAMIC APPROACH OF ECONOMICS

By **Mehboob UL HASSAN\***

### **1. Introduction**

Many thoughts have been given to the economics since the beginning of Enlightenment Movement of the seventeenth and eighteenth century, but never in the history of mankind has economics assumed the importance it has today. Later on, during the second half of 19th century to the beginning of 20th century it passed through a revolutionary changing phase. Economics, hitherto a subsidiary of social sciences and fully integrated with moral norms and ethics, segregated from its main discipline and was emerged as an independent, value-neutral, scientific discipline in the West. Western economics intelligentsia, because of secular and materialistic influence, rigorously ponders maximum importance to the engineering outcomes and merely ignores the importance of social-moral paradigm. With this background, the focus of economic development was more on the engineering growth and to fulfill of basic needs and self-interest. This trend has established such firm roots that Joan Robins [1903- 1983] made a clear statement on the segregation of economics from the ethics and says that ethics and economics are strange bedfellows: there cannot be any link between the two. They can only be juxtaposed, not integrated. And now a day, the economic problem is being considered as the only problem facing by human being. Mawdudi truly observed this trend: "The human-being has become an (economic) animal in the hands of one-eyed specialists in different sciences and professions ... who examine his particular problem through their own microscopes" [1984: 9; 1992: 6]. Easterlin A. Richard in "Will raising the income of all increase the happiness of all" has therefore raises the question of whether human well-being, in its true and real sense, can be realized and sustained by mere increase in money and wealth [1995], Many moral and Philosophical experts observe that mankind is wretched and tired of bearing the burden of materialistic civilization, value-neutrality and luxury, and now a day the most crucial task needed to be performing is to find a proper strategy that could solve the problem of mankind.

On the contrary, Islam is a comprehensive system and complete code for successful life spending in this world and hereafter. In Islam social educational, political, ethical and economic aspects are described clearly and interconnected with each other. Economics is seen as a part of this framework and the ultimate objective of economic development is not only to accelerate well-being of all individual but also to establish an ideal structure for a society with a mere application of morality, ethics and social comportments. It tries to promote human brotherhood, socio-economic justice and well-being of all through an integrated role of moral and ethical values. Holy Qur'an introduces a wide range of

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ordinances on socioeconomic justice, equality, brotherhood and equal distribution of wealth and resources in an interconnected and unrelenting approach. Holy Qur'an says:

كَيْ لَا يَكُونَ دُولَةً بَيْنَ الْأَغْنِيَاءِ مِنْكُمْ

"So that it [the wealth and resources] may not circulate only between the rich among you" (59:7)

The raison d'être of the Islamic Shari'ah is to establish a society where the basic needs of are provided and individual interests are protected from all kinds of harm. Islamic economics recognize private ownership and market mechanism for efficient allocation of resources and price mechanism but does not accept perfect competition or free market to be sufficient to safeguard the social interest. Throughout Islamic history, in the exegeses of Qur'an and in the commentaries on Hadith, the primary objective (Maqsid) of Islamic economic doctrine is correlated socio-economic justice and uplift of deprived peoples. Muslim intelligentsias like Zayd ibn 'Ali (d.740), Abu Yusuf (d.798), Al Mawardi (d.1058), Ibn Hazm (d.1064), Al Sharakhasi (d.1090) Abu Hamid al-Ghazali (d.1111), Ibn Taymiyyah (d.1328), Ibn al-Qayyim (d.1350), Ibn Khaldun (d.1406) and Shah Waliyullah (d.1762) have contributed significantly in this discipline, and in recent history, the works of Abul 'Ala Mawdudi (d.1979), Anwar Iqbal Qureshi (d.n.d.), Sheikh Mahmoud Ahmed, Hafzur Rehman, Fazlur Rahman (d.1988), Nejatullah Siddiqui (b.1931) and Muhammad Umer Chapra (b.1933) are renowned and significant.

Now a day, when Islamic monotheism has spread out all over the world, as a result the problems Muslims are facing have become diverse and complicated in nature. Various intellectual approaches are emerged for solving the political, social and economic problems of Muslims during the last one or two centuries. While there seem to be no differences among the Muslim intelligentsias that the fundamental values and message of Islam are unchangeable and the primary purpose of economic development is to promote human well-being, there appears to be a difference for concerning that what constitutes real well-being and what approach and methodology should be applied. On this ground Muslim intelligentsia can be divided into the following groups:

1. The Traditionalists or Sufis; mostly located in rural and sub-urban areas, are the religious scholars ('Ulema, Peers and Sufis), who believed that they themselves were the custodians and successors of the Prophet (peace be upon him) and claimed themselves as responsible for Islamic propagation in their localities. Having the little capability of Ijtihad and legist, they attempted to justify their individual

interpretations of specific practices not on the basis of reason analysis but simply on the basis of precedent. They usually worked individually and voluntarily and could not establish in institutionalized forms; they could not form societal reforming parties or movement, however left a significant spiritual impact on society. They encouraged sinners to confess and seek forgiveness. The Sufi of Chishtiyya and Suhrawardiyya are notably regarded as vanguards of this group.

2. The Modernists; either attempted to derive inspiration from Western sciences or re-considered the orthodox Islamic views under the influence of Western thoughts. Modernists accepted a demarcation between religious and socio-political life and supported the notion of modern life [Gellner 1981]. They considered that insisting on the implementation of Qur'anic literature, while shutting one's eyes to the changing environmental issues of the ever-changing environment and ground realities, was tantamount to deliberately defeating Islam's social-political purpose and objective. They supported a liberal vision regarding the political and social affairs of state.
3. The Secularists or Westernized Muslims; were small in number but occupied key positions in the civil administration and bureaucracy. They emerged during the later nineteenth to earlier twentieth century, advocated Western style in all matters of daily life and vehemently criticized the Islamic values.
4. The Neo-Revivalists; most dominantly led by Syed Ahmed Sirhindi, Shah Waliyullah Dehelvi and Moulana Abul 'Ala Mawdudi. This group emerged by the resistance and challenging to the forcibly imposed Western disciplines, advocating the self-sufficiency inherent in Islam, and rejecting any self-esteemed pseudo reinterpretation of Qur'an and Sunnah [Muzaffar 1986: 5-8]. In comparison to the medieval traditionalists, they succeeded in establishing their own parties or groups such as Al-Ikhwān al-Muslimūn (The Muslim Brotherhood), Jamat-e-Islami (The Islamic Party) and Jamiat-e-Ulama-e-Hind (Islamic Party of Indian Scholars). Their common slogan was "Let us return to Qur'an and Sunnah. They advocated the supremacy of Islam over Western institutions and thought and proclaimed for the relevance of Islam to the contemporary society. They focused on the problematical aspects of foreign approaches, such as alleged moral decadence, capitalist greed, materialistic egoism and anomie, and atheism under communism [Saeed 1999: 6]. They attempted to present the solution of contemporary problems in the light of the Islamic teachings.

## **2. Khurshid Ahmad: Early Years and Fundamental Ideas**

Khurshid is one of the pre-eminent writers of contemporary Islamic world. Indeed, the recognition he has received from Western as well as Islamic world testifies to his stature as

world intellect figure. Khurshid was born on 23rd March 1932, in Delhi to a noble and respected family. His father Nazir Ahmad Qureshi was second son of Maulvi Barkat Ali who was a leading advocate during the British period. His elder son, Abdullah Shah also followed his way after completing his Bar at Law from Lincoln Inn, UK and practiced in Indo-Pak subcontinent. Khurshid's father, Nazir Ahmad also had attended the Aligarh University for some period but chose the trade as his profession. Nazir Ahmad had a great interest in learning and had a clear leaning towards the political manifesto of Muslim League and participated actively in independent movement and other socio-political activities. Besides academia, Nazir Ahmad was a close friend of Moulana Abul 'Ala Mawdudi since his very youth.<sup>1</sup>

Khurshid's own education had been very traditional and simple; he completed his early education in Delhi until they migrated to Pakistan on 12th February 1948. First he entered in a college at Lahore then moved to Karachi where he obtained, with distinction, two Masters Degrees from University of Karachi in economics (in 1955) and Islamic Studies (1964) respectively. Khurshid succeeding his elder brother Zamir Ahmad, joined Islami Jam'iat-e-Tulaba' in 1949, the student wing of Moulana Mawdudi's party Jama'at-e-Islami, where he served at key positions soon after his joining. Islami Jam'iat-e-Tulaba' he expanded his exposure and deepened his understanding of Islam. During this period he came to know the significance of the media for the propagation of one's thoughts and ideas, he launched Student Voice, a 15 day English news paper of Islami Jam'iat-e-Tulaba' (1952-55), a weekly newspaper New Era (1955-56), a monthly The Voice of Islam (1957-64), and Chiragh-i-Rah (1957-68), all these publications, with clear Islamic orientation and reflections, show his creative capacity and ability of writing in variety of subjects and issues. Khurshid successfully applied his abilities of writing for the propagation of his ideas and perceptions; he combined the intellectual and religious aspects and strike at the roots of secularism through the platform of Islami Jam'iat-e-Tulaba' and Jama'at-e-Islami which he joined in 1959.

His meeting with Moulana Abul 'ala Mawdudi during the 1950s proved to be turning point in his life, ideologically as well as intellectually. This perhaps set a goal of his life and that was to struggle incessantly for realizing the Islamic reforms into the contemporary time an agreed upon concept among Muslim Neo-Revivalists. Later on, Khurshid proved to be a protégé and dedicated disciple of Maulana Abul 'Ala Mawdudi. Khurshid had another fateful encounter with Islam at the Crossroads; a remarkable and thought provoking endeavor of Muhammad Asad [Leopold Weiss: 1900-1992], Khurshid is also strongly convinced by the work and efforts of Muhammad Iqbal [1877-1938] and Moulana Muhammad 'Ali Jouhar [1877-1931] for the renaissance of Islamic sovereignty. These dare Muslim soles showed a coherent Islamic world view to Khurshid and brought a radical change in his very early age and helped for determining the future plan of his life. Khurshid expressed that: "My first and foremost debt

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<sup>1</sup> Notes from Interview

to Dr. Muhammad Iqbal and Mawlana Sayyid Abul A'ala Mawdudi whose thoughts and contributions changed the course of my life and inspired me to dedicate my life to the pursuit of Islamic values and ideals. They gave to me and my generations a new idealism and a clear vision of a future anchored in Islam."<sup>2</sup>

Although from his very early editorial life at "Student Voice" and other academic journals he started to explore his oriented ideas on social, political, economic and other issues, it was perhaps in the 1970s, that he began to take a serious interest in the solution to the economic, political and other problems of man from an Islamic perspective. Khurshid's lucid academic work is scattered over politics, education, philosophy, humanity and other intellectual folds, his distinguished economic thoughts stands most prominent. His ideas and opinions reflect an Islamic oriented orthodox perspective proclaiming that Islamic way is the only way for success and it is only Islam that provides a complete code of life. He is constantly disseminating the Islamic teachings on economics and its attributes; stating that in Islam, there is an ideal and practical guide for everyday living that is harmoniously balanced, nothing is superfluous and nothing lacking and the result is a structure of absolute balance and solid composure. The all-important appellation of "Muslim-Economist" is thus well deserved. Khurshid stresses the application of Islamic injunctions as a daily-life code in all aspects of life and all levels and spheres of society. Besides translating and editing many of the significant writings of Moulana Mawdudi on Islamic Faith, Economics, Politics, Social Thought, Law, History, State and Constituency, Khurshid himself produced a comprehensive work on the Islamizing of a Muslim's Life and then the whole society. In 1968 he compiled and edited "Islami Nazriya-e-Hayat (Islamic Vision of Life)" which encompasses the writings of prominent Muslim mentors of the time. The work was well arranged and provides a methodical clarification of the issues confronting modern Muslims. Khurshid makes it clear that in Islam, economic development is a secondary goal; primary goal is to achieve human well-being and justice in all aspects of life including moral and material, economic and social, spiritual and physical.<sup>3</sup> Following discourses are reflections from a wide and vigorous variety of Khurshid Ahmad's thought applied to the economic problems of less developed countries in general, and Islamic countries in particular.

### **2.1 Khurshid's Review on Western Economic Approaches**

Khurshid, as an advocate of Islamic Economics, agrees to accept what is good or beneficial in Capitalist or Socialist models, he does not call for a total rejection of the West and wants to recognize what is good and avoid what is bad. "Muslims, who number more than one billion, form a significant part of the contemporary international political and economic system, so making good relations are necessary for developing a better relationship and improved

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<sup>2</sup> Notes from Interview.

<sup>3</sup> Notes from Interview.

cooperation with the West".<sup>4</sup> In this context he expresses concern for the religious aspects of human life, and stands firmly by them, saying "If the only practical ground for cooperation is the assimilation of Western culture and the rejection of Islam as we understand it, then there is no ground for any meeting. But if the cooperation is to be achieved on an equal footing, then it is most welcomed."<sup>5</sup>

Khurshid is not denying the contribution and impact of Capitalism and Socialism have produced an unprecedented economic and social transformation and the change came in the world. However he make striking critic on the dominant doctrines of Self-Interest, Free-Market, and Value-Neutral in Western worldview. He condemned the resulting contrast of this dismal discipline and says: "their disregard for moral values and ethical norms, their obsession with the material and pecuniary aspects of life to the neglect of all other dimensions, and their pre-occupation with efficiency to the exclusion of justice and equity have led to a loss of focus and a distortion of priorities with disastrous consequences. The tragic result is that human society has been reduced to the 'economy' and even the 'economy' has been diminished to the 'market'. The entire domain of man has been usurped by the 'market' and this 'market' for all practical purposes reflects the interests and preferences of the moneyed classes. As profit motive is regarded as the only decisive factor, the whole matrix of the world economy is woven on self-interest and the maximization of personal gains and economic profits. This produces a lop-sided society wherein genuine needs often become irrelevant and all resources are allocated in the name of efficiency to serve the interest of the wealthy and powerful within each nation and also internationally. ...the increasingly materialistic and egocentric attitude of successive individuals, the doubling and quadrupling debt of Third World, the widening income discrimination and other curses of these disciplines. All these problems are the inevitable fallout of the attitude of 'Love of Money', money is treated as a major factor of production and a secured return 'La Saint Interest', is designated against its utilization."<sup>6</sup>

The Western models, mainly the Capitalist and Socialist, pitiably offer only two institutions for governing the distribution and allocation of resources, i.e. the market and the government, which are alternatively referred to as the private and the public sectors. In the Capitalist model, the private sector is characterized by the forces of demand and supply, price and profit motive, and the public sector, i.e., government or state, acts as a corrective mechanism and as a supplement to protect the motives of the private sector. The Socialist economic model reverses these roles, i.e., public sector or state is the prime allocative and distributive mechanism while the private sector acts as a minor partner. Both economic models suffer from serious flaws and consequently fail to solve the fundamental economic problems of mankind. Another sad aspect of Capitalism is that the overall global movement

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<sup>4</sup> Notes from Interview.

<sup>5</sup> Notes from Interview.

<sup>6</sup> Notes from Interview.

in the present phase of capitalism is from physical economy to financial economic expansion, with the result that in last 20 years by and large, there has been an enormous expansion in financial assets not commensurate with the physical expansion of the economy. The whole business of dealing and derivatives is not in value-added or the creation of real assets, but trading in claim of the financial nomenclatures. This trading is taking place at everywhere; a financial expansion is taking place as its result which is leading towards greater financial instability all over the world, making rich a few and poor in abundance. How can one investor make hundred billion dollars at the cost of shaking the economy...What type of distribution of wealth and power is taking place through this process? [Ahmad 1997: 23].

### 3. Foundation of Islamic Economics

Modern Islamic economists such as Khurshid have developed a multidisciplinary and multidimensional approach that forms the conceptual foundation of Islamic economics where ethical and moral standard of Islam are firmly integrated with economic motive. Opposing to conventional economics, this modern Islamic approach presents a socio-ethical vision of economics for solving the economic problems of human. Modern Islamic economics aims to developing a new system based on the following features:

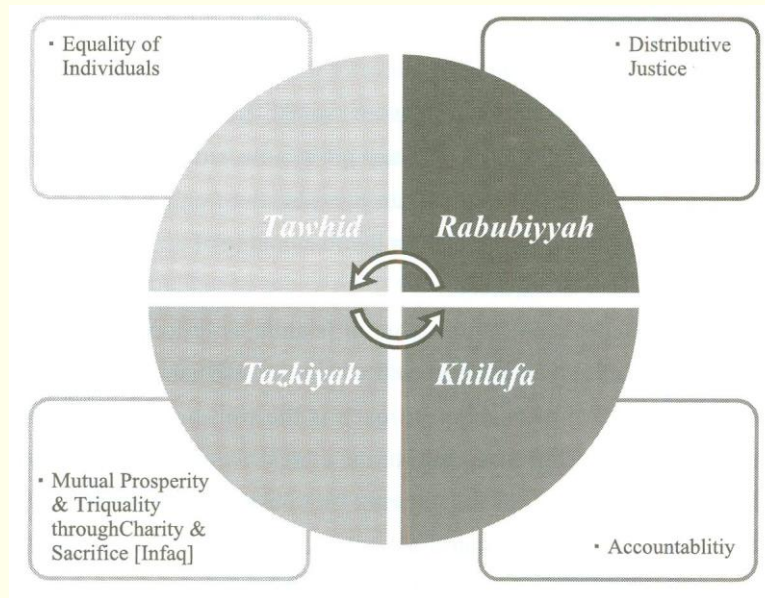
- (i) Islamic economics is a sub-system of a larger domain of religion of Islam, hence its sources are derived from the fundamental sources of Islam;
- (ii) It deals with all economic matters and activities as in the case of prevailing economic systems; and
- (iii) It obliges individuals to constrain their choices within the Islamic ethical limits.

Khurshid defines: "Islamic Economics deals with the economic problems of man from a new perspective, spelling out an approach for solving the society's problems that draws upon the sources of Islamic faith, culture and tradition, while availing itself of the whole experience of humanity in the field, past and present. The uniqueness of the Islamic approach lies in the integration of moral and material, spiritual and mundane, ethical and socio-physical aspects of life. Islam stresses the development of humanity with social values, instead of only materialistic development" [1986: 339-40].

Khurshid's assertion of Islamic economics is founded on the following conceptual axioms, which is entirely different than Capitalism and Socialism:

- (i) **Tawhid** (unity and sovereignty of Allah);
- (ii) **Rububiyah** (that Allah is the provider and sustainer of creation);
- (iii) **Khilafah** (man as vicegerent of Allah and is accountable in front of Allah); and
- (iv) **Tazkiyah** (the purification, sacrifice, charity i.e., Infaq).





### Philosophical Foundation of Islamic Economic Approach

Islamic worldview is based on Tawhidic axiom: the absolute monotheism is the essence of Islam; the belief that Allah is omnipotent, omnipresent Lord of the universe, creator and sustainer of the world. This axiom correlated to next axiom of equality; all humans are His creation and are equal by inherent. The next axiom of Rububiyyah refers to "divine arrangements for nourishment, sustenance and directing things toward their perfection" [Ahmad 1979: 12]. Khilafah explains that human is the vicegerent and trustee of the bounties of Allah in the creation, and holds the central position on this Earth. All humans are equal in their essence and man is responsible for establishing peace, justice, prosperity and tranquility on earth, he is accountable for his deed before God. Khilafah include the conception of universal solidarity, best possible application of resources and having freedom to conduct his private life. The axiom of Tazkiyah is concerned with and growth towards perfection through purification, sacrifice, charity i.e., Infaq. This axiom directs the individual towards self-development, which leads to prosperity in economic and social dimension in a harmonized way. "The result of Tazkiyah is Falah, prosperity in this world and hereafter" [Ahmad 1994: 20].

Khurshid further express that: "economics in its materialistic meaning is a discipline for living in society. Man needs the following two elements for the proper development of human life:

- a. The economic resources to maintain life and to fulfill the material needs of the individual as well as society; and
- b. Knowledge of human doctrine to maintain, peace, justice and tranquility in society.<sup>7</sup>

<sup>7</sup> Notes from Interview.

Islam provides the said human doctrine, where social, educational political, economic, and culture aspects are described clearly and are interconnected with each other and also to the central philosophy of Islam. Hence, Islam provides the framework incorporating the principles, value-judgments and ethical limits for the functioning of economy, where the usual economic and financial decisions are made.

Development of human is the central issue in Islamic assertion. Islam considers that well-being and prosperity of human is connected with moral, social, political and economic factors. The ultimate objective of Islamic approach is the well-being of mankind through a mere interaction and integration of social norms, ethical values, economic and political factors and demographic standards of the society. This objective is in stark contrast to the neoclassical economic theory where humans are solely motivated by self-interest and greed, while the Islamic economic approach is based on the philosophy of mutual-cooperation with shared responsibilities and common objectives. This view is based on the belief that man is the vicegerent of Allah and will be held responsible for all his worldly deeds on the Day of Judgment.

Khurshid is not agreeing with the prevailing assertion that Islamic economics would unite the strengths of capitalism with those of socialism; overcoming their weaknesses. In his opinion the aim of Islamic Economics is not to find some space within the paradigm of conventional economics, or to become part of its matrix or simply to add one more feather in its cap. It represents a revolutionary departure from the dominant paradigm aiming not for a shift within the existing paradigm but seeking the development of a new prototype to resolve the economic problems of man from a different value perspective. Khurshid emphasizes that "Islamic economy is not capitalism minus interest plus Zakat. Nor does it resemble a socialistic system after making a few corrections here and there. Islam does not aim at the abolition of private property and enterprise. Instead, it has changed the system by transforming the rights of ownership into the revolutionary concept of trusteeship, making the individual and the society conform to the norms of moral behaviour laid down by God and His Prophet (peace be upon him) and by developing a system of social regulation and accountability"! 1983: 248].

Khurshid characterized Islamic economic as a 'three-sector economy' where these three sectors will be entrusted to work together: (i) The Private Sector, motivated by profit, "the Market", (ii) The Altruistic Sector, motivated by moral values and social welfare of the people, without any profit motive, i.e., "the Volunteer", and (iii) The Public Sector, or "the Government or State". All these sectors will work in mutual accordance and within the limits; private ownership rights will assure with the caveat of social responsibilities, price mechanism and the law of market will work within the coherent boundaries. Where serving of self-interest will emphasized with the moral obligation of moral restraints and brotherhood. "There is nothing wrong in private firms attempting to seek profit, under a

perfect competition, because that does not necessarily lead to exorbitant profit or exploitation, but if there is a monopoly or oligopoly then the firm may get an abnormal profit. This implies that under an Islamic system private monopolies would not be tolerated" [1997: 13-15].

#### **4. Socio-Economic Order: Khurshid's Response to the Western Worldview**

Khurshid regards Islamic economics as an integral part of the Islamic socio-economic order and any effort to establish the Islamic socio-economic order calls for uniform changes in all spheres of society on the principles of justice, equality and mutual prosperity; the whole milieu of society; economic policy, development planning, instruments of taxation, fiscal & monetary management, parameters of incomes & wages and investment, housing policy, education policy and patterns of consumption, need to be re-fabricated into Islamic domains. Khurshid emphasizes that the objective of the Islamic socio-economic order is to eliminate poverty and deprivation, exploitation and injustice from society rather than to create substantial materialistic growth. In Khurshid's view, if all countries were to mutually implement the Islamic injunctions within their societies, it would work as an affective device for transcending economic disparity, political divisions, and religious disputes, and lead to the development of economic co-operation between them.

##### **4.1 Significance and Importance of Socio-Economic Order**

The philosophy of Islam is based on the principles of justice, equality, brotherhood, mutual prosperity and collective development; it enjoins justice in all areas of human interaction including economic, political, cultural, educational, and social spheres. All the prophetic efforts were to enable each individual to appreciate the significance and importance of the rest of mankind, to establish justice and to hold the promise of eliminating all forms of exploitation, oppression and injustice from society. According to Islam, all the rights and obligations relating to human beings are based on the principle of 'mutual good'; hence distributive justice through materialistic means and resources is a key component of Islamic socio-economic order. The Islamic socio-economic order has the following noteworthy features, the establishment of which is the responsibility of the governing body:

1. The moral aspect that individual and collective economic motives are constrained by the moral bounds demarked by Islam.
2. Fulfillment of the basic needs of all the inhabitants of the state, which implies the complete eradication of absolute poverty from society. The Islamic view in this regard is very clear and is directly associated with the Islamic concept of economic ownership, i.e., Allah alone is the Creator, the Planner and Provider of all the needs of all the beings He has created. The human being's role is only that of vicegerent and

trustee of the blessings of Almighty Allah. Allah has placed on Earth all the necessary resources to provide every human being's basic needs. It is man's duty to optimize these resources in a just way that will supply the basic needs of life to each and every individual on the planet.

3. The human dimension is the main aspect of economic enterprise in Islam. Islam wants to establish a 'Balanced and Just Distribution of Income' which implies that: for achieving the basic needs of all human beings, Islam enunciates the principle of the poor having the 'right to share' in the excess wealth of the rich by means of Zakat. According to Islam, all humans are equal in respect of their origin; they were all generated from Adam and Eve and there is no discrimination on the basis of race, color and pedigree. Hence, each one has an equal right to acquire their sustenance from Allah's bounty. However, if someone, for whatever reason, fails or loses his ability to acquire sufficient provisions, he has a right to share in the earnings of others.
4. Along with private and public sectors, where Islam permits the right of private ownership to individuals and government plays its role a moderator, Islam stresses voluntary activities to maximize the moral and social welfare of people, with no individual economic motives. In this regard, Zakat and Waqf are major institutions with far reaching economic repercussions on the society.

Islamic provides both legal measures and moral exhortation to the Islamic administration for achieving the objectives of its socio-economic order in order to ensure the basic needs of life to its inhabitants and to eliminate absolute poverty and deprivation from society. The philosophy behind the insertion of Islamic ethical and moral considerations in the economic domain of an Islamic community is to develop a sense of social responsibility in order to build the essence of accountability among its inhabitants. This implies that individuals who own property should regard their material success as both a blessing and a test from God, view their ownership status as that of a trustee only, and not hesitate to share their hard-earned wealth with the needy and poor of their community on an ethical and social basis. However in reality, moral checks and ethical values are not good enough to prevent individuals from misconduct, and they are likely to succumb to the human vices of excessive greed and selfishness. In this case, Islam entrusts the government to play its role to counter this problem and take the excessive wealth from the rich and redistribute it among the less fortunate. Hence Islam protects the right of private ownership on the one side and demands the owner to pay his dues in the cause of humanity and ethics on the other. The state's position is in the middle, upholding justice. It is neither laissez-faire as in the capitalist model nor totalitarian like the Socialist model.

#### 4.2 Prerequisites for Realizing the Socio-Economic Order

Recent outcomes of global economy shows that market fundamentalism with virtual withdrawal of the state from the economic affairs failed to achieve what was so confidently and loudly proclaimed by the Washington Consensus, embodying neo-liberal principles. Now a new sense of awareness has emerged which support the active role of state, and demand the state to come with stimulus package to pull up the economy from its systemic crisis. Khurshid considers the needs to re-fabricate the whole framework of the economy and society for realizing the Socio-Economic Order and establishing an Islamic society. If one segment of society, e.g. the political sector, or education has been Islamized, while the judiciary and legislation are remained unchanged, the overall result will be void. For this purpose the change should come from the top to down and the state legislature should take a bold initiative by inducting Islamic provisions into the constitution and judiciary and eliminating un-Islamic elements from the judiciary and legislative codes of the country. Khurshid opines that political authorities exercise a tremendous influence on the individual, directly or indirectly. Thus, he argued that it was the foremost duty of the parliament to Islamize the existing financial system of the country. He stated that the state lacked the political will and was neglecting the work that had already been done for the transformation of the existing banking structure into an interest-free system. He appreciated the work of the Council of Islamic Ideology and suggested Profit and Loss Sharing (P&L S) system as an ideal method for ensuring economic development and growth and the distribution of justice and stability, while the interest- based economic system had only encouraged exploitation. "We would have to tolerate some kind of a co-existence of the two systems. It would be a policy objective to introduce the new system so as to replace the old one, as far as Muslim countries are concerned. A modus vivendi would be worked out for dealing with the outside world" [Ahmad 1981: 14-15]. In Khurshid's assertion state has to come with stimulus package of measures to implement the said model. A forceful policy package with gradual but multidimensional approach is need for the implementation of this order.<sup>8</sup>

Khurshid states that the contemporary socio-political milieu of the society to be imperfect for establishing a true Islamic Order and calls for the complete re-fabrication of prevailing societal norms and suggests the implementation of religious injunctions. This, he believes, requires a clear recognition of the impact of the sociopolitical environment in which Islamic principles are to be articulate. He considers the Islamic economic system as an integral part of the Islamic Socio-Economic Order and considers that any effort to establish the Islamic order or any aspect of it without aiming at the restructuring of the whole prevailing sociopolitical setting is not going to deliver the goods. He desires to reconstruct Islamic society in the image of Madinah, established by the Prophet (peace be upon him). Khurshid wants to develop a new paradigm in which individual gain should take place in the context of

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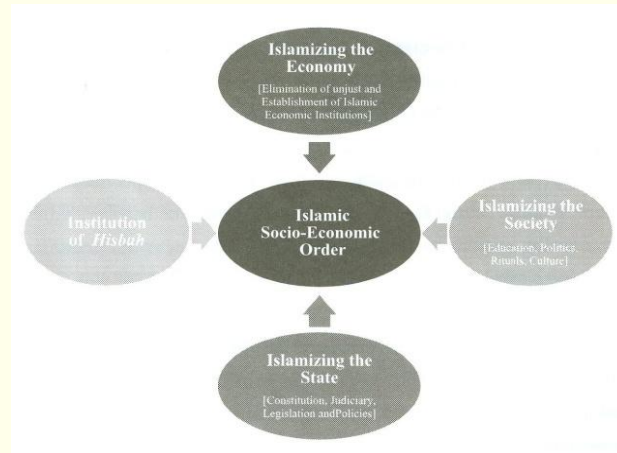
<sup>8</sup> Notes from Interview.

collective well-being; freedom must be coupled with responsibility, profit should be tempered with equity, competition must be supplemented by cooperation and there should be a happy balance between the operations of private enterprise, voluntary civil society actors and institutions and the public sector [2006: 10].

Khurshid asserts that almost all economies have to face the following four economic problems on a larger or smaller scale while confronting the economic problems: (i) Scarcity of Resources (ii) Allocation of Resources (iii) Distribution of Output and (iv) Economic Development. In his proposal, the government would apply fiscal and monetary measures in such a way as to achieve economic growth, financial stability and societal prosperity at same time. Islamic fiscal policy is unique and distinguished from the norm on the basis of its objectives and function. On the application side, it would ensure a strict prohibition on interest, gambling, uncertain incomes and speculation. At the same time it would ensure that each and every individual in the society could acquire the basic needs of his life and that the circulation of wealth would be in a wider domain. For this purpose not only taxes but also Zakat, 'Ushr, Khums and other levies would be applied. "It will be the objective of governments to apply all the flexible and elastic revenue and expenditure systems, i.e., progressive taxes on income and expenditure as well as social security payments to ensure the provision of basic needs to all citizens, equitable income and wealth distribution in the society, and the stabilization of the economy collectively and at an individual level" [Salama 1986].

Zakat is regarded as the most significant tool in the Islamic economy for equal income distribution and the elimination of poverty and economic exploitation from society. It creates awareness in the individual of his responsibility towards the upholding of, justice and the welfare of his fellow men. Zakat is a broad term of which Zakat al-Mal is one component. Ushr, Khums, Kharaj and other levies are also an integral part of this Islamic fiscal tool. Islam fully recognizes private ownership of property and the government is not permitted to forcibly confiscate one's property. Khurshid opines that the state should be empowered to levy additional taxes or even can take the idle money of rich by force or can ask the people for contribution if there are chronic disparities of income and wealth, in order to establish social equity and a more dynamic equilibrium [Ahmad 1981: 14—15], The role of the state should be as a caretaker and safeguard of the system and it should use its power only when absolutely necessary. In conformity with the broad concepts of a stable economy, prosperity, and the redistribution of income and wealth, Khurshid favored giving broader powers of taxation to the government. However this latter point should not be misunderstood, and in this regard the state should not exceed the limits set by the Shari 'ah.

## The Proposed Structure of the Society for realizing the Socio-Economic Order



### 5. Self-Reliance: Khurshid's Approach for Economic Sovereignty

Khurshid condemned the resulting contrast between wealth and poverty and says that the humanity has been plunged into number of dire problems as a result of the forcible imposition of the Judeo-Christian economic and political framework, where, for the interests of skillful riches, keeping the poor nations remains in a number of problems becomes a cliché or policy per se. He strongly advocates the self-sufficiency and confidence in Islam as a role model and rejects the capitalist and socialist models because of their exploitative nature, value-neutrality and unjust outcomes. "Muslims are fed up with all the models of imitation; they want to have something that is their own, something that is unique; something that represents their own historical and cultural flowering. That is why establishment of the Islamic social order, revival of the Shari 'ah and unity and solidarity of the Ummah constitute the rallying points in all the parts of the Muslim World."<sup>9</sup>

The world has become a global village and all countries and territories are its elements. No country can be self-sufficient in all matters, nor can it be isolated. But for the sake of a nation's sovereignty and honour, Khurshid demands freedom to control the disposal of its own resources and output and set its own economic and political priorities. He states that "Self-reliance signifies the capacity and capability of the country to face any crisis on the basis of internal strength. It implies self-confidence and the capacity for autonomous goal-setting and decision-making, rejecting all forms of dependence, invited or imposed" [1995: 182-183].

Khurshid observed that foreign development assistance and aid-based development efforts over many decades had not been able to produce the expected results in Pakistan. As foreign aid by developed countries is being utilized as a means to direct policy in developing countries, hence it is being recognized as a misnomer. In fact there is only a small part which

<sup>9</sup> Notes from Interview.

comes in the nature of a justifiable grant, and the rest is tied to specific instructions from the donor countries as to its use. Once the instructions, costs and barriers tied with the 'aid' are taken into account, one discovers that the net contribution of an aid grant is minimal and the net aid is a mere trickle of the entire contribution. In December 1990, with this fact in mind, Khurshid was appointed as chairman of a committee with the objective of developing a strategic report for self-reliance in economic as well as other sectors. The committee made a serious and systematic effort to draw up an alternative framework for economic development and policy-making, and made a second supplication for the elimination of Riba. The committee concluded that the suspension of foreign (especially US) aid could be a blessing in disguise, and urged for the evaluation of the net contribution of what the Third World countries in general and Pakistan in particular had been receiving in the name of aid and in return what they were suffering as a result of that aid. Khurshid asserts that "Doubtless we should have friendly relationships with all countries, yet we must not remain dependent on aid....Islam is very sensitive about independence, sovereignty, honour and self-respect. Islamic community is a witness on mankind, and if you are dependent on them economically, intellectually, technologically, scientifically and financially, self-reliance seems the only way (out)" [1995: 183].

### **5.1 Methodology and Approach for Self-Reliance**

Khurshid critically assesses the past efforts and plans for economic development and self-reliance and not only points out the cause of illness but also suggests the true cure. He asserts that "when we look at the five-year plans, even the first five-year plan said that within 25 years Pakistan would be self-financing; self-sustained,...But after 40 years we are more dependent than (we were when) we started. This type of gradualism is not going to work... the nation should adopt self-reliance as a national covenant, the fundamental principle of the socioeconomic policy and the basis for individual life in the national context. ...Debt based development and interest-based loans are not the only means of economic cooperation between individuals, enterprises, corporations and governments". In this respect, Khurshid, as chairperson of the government committee, criticized the gigantic size of the ruling government body and demanded a significant reduction in the number of civil servants and more control over spending. He further suggested the restructuring of existing development plans and proposed the decentralization of a number of functions from the federal administration to regional offices. He asserted that the government should take a positive role and should take measures to safeguard fair play in the private sector, which has an important function in the industrialization of the country. The committee proposed recommendations for a more powerful tariff commission, and a long-term tariff policy. The committee also stressed the need for a thorough revamping of the taxation system.

Khurshid is realistic enough to accept that the state plays the central role in the welfare of individuals and has various administrative responsibilities, such as collecting income taxes as



necessary. He stressed the need for better resource mobilization, and a fundamental change in the taxation system. He considered the elimination of Riba to be an essential requirement for the Islamic economy and an integral attribute of self-reliance. However, he stress that the mere elimination of Riba is not going to either achieve the objectives or even produce a just system; the elimination of Riba should take place in the context of a movement towards a different economic model having clear socio-economic and moral objectives, i.e. to maintain social welfare, to establish a just society and to ensure fair-play for all. He suggested a gradual approach for the induction of Islamic injunctions into the society. However, having a fundamentalist Muslim view on the prohibition of Riba, he considered it to be unacceptable in any form and kind, unlike a number of modernists who considered that only the charging of interest should be prohibited.

Khurshid suggested a strategy of "radical-changing" or "economy-shocking" course of action for eliminating interest from the economy instead of a long term amnesty period, and he took an unwavering fundamentalist attitude wherever the rule of necessity had no place. He strongly criticized the past measures to eliminate Riba as devices to avoid any serious and sustained efforts to bring the system into conformity with Islam. He claimed that they were used as a cloak for inactivity and inaction, and stressed the need for a radical departure from the practices of the past. "In my submission while the domestic economy may be cleansed of all forms of Riba within a period of one year or so, international transactions may take longer ...in the past such time-based transitional paths have been misused and even abused...some kind of shock treatment to the economy is required" [1995: 184]. He suggested eliminating interest in two stages, first from the domestic economy and then from the external economy, where individuals and governments were to be treated differently. He suggested that a mutual fund for "Debt Liquidation" should be created, and deadline should be fixed for the elimination of individual interest. For foreign debts, he suggested the idea of renegotiating and restructuring loans. He was confident of the success of this objective as these countries also realized that interest-based loans were becoming an unbearable burden for the Third World countries [1995:188]. Khurshid proposed that the government, if necessary, should appeal to the public to make a charitable contribution towards the costs of eliminating Riba, and a "National Self-Reliance Fund" should be created for the collection of donations from people within the country and particularly from Pakistani expatriates. For collecting donations from Pakistani expatriates the export of manpower was suggested. The proposal was successfully adopted and applied in the country, but the political overturn in the country wiped out all their efforts.

Although, the policy to transform the financial and banking sectors at once could not bring about the desired results, most of the measures adopted either supported the birth of new Islamic banks or accelerated the Islamic Banking Industry in Pakistan, and the Islamization of the banking and financial sector in Pakistan encouraged other countries in the world to make advances in this process.

## 6. Economic Development: an Imperative issue of State Policy

"Economic growth (development) is a necessity. Without enlarging the cake, we cannot have better distribution." [Ahmad 1995: 88].

Islam is deeply concerned with economic matters, but it deals with these matters within the human development paradigm; it covers all aspects of economic development within the framework of total human development and never in a form divorced from this perspective. Khurshid asserts that "Islam is deeply concerned with the problem of economic development but treat this as an important part of a wider problem, that of human development... The first premise which we want to establish is that economic development is a goal-oriented and value-realizing activity, involving the confident and all-pervading participation of man and directed towards the maximization of human well-being in all its aspects" [1978: 178-179]

Khurshid's economic development model encompasses all aspects of human life, intertwining individuals and the society in an eternal way, and he considers total social reconstruction within an Islamic set of assumptions as an essential prerequisite for economic development. To achieve this objective, he proclaims that prevailing social fundamentals are to be replaced and that constitutional, political as well educational paradigms are subjected to restructuring in a gradual democratic framework. His economic development model is inter-connected with the moral, spiritual and social aspects of man and has no similarity to capitalist and socialist models. "Development would mean the moral, spiritual and material development of individuals and society leading to maximum socio-economic welfare and the ultimate good of mankind". Since the Islamic concept of economics is founded on moral and ethical values with an overwhelming emphasis on humanity, brotherhood, equality, justice and the improvement of the individual, it is entirely different from the concepts of both capitalism and socialism. Thus, neither of these concepts can help Muslims actualize the Islamic visualization of economic development. Instead, Khurshid advocates the idea of economic development in a way that would ensure material prosperity on the one hand and spiritual development, on the other. Islam creates a divine relationship between individuals, and from whatever angle we look at Islam its final thrust is on human development and welfare. All the five pillars of Islam generate the spiritual strength to achieve human well-being through social, economic, political and spiritual aspects. "Islam does not admit any separation between 'material' and 'moral,' 'mundane' and 'spiritual' life, and enjoins man to devote all his energies to the reconstruction of life on healthy foundations. It teaches him that moral and material powers must be welded together and that spiritual salvation can be achieved by using material resources for the good of man, and not by living a life of asceticism" [Ahmad 1960: 8].

### **Khurshid's Model of Economic Development**

#### **The Objective of Economic Development**

Reconstruction of an economy commensurate with the developed world, with a rapid growth rate in economics productions, faster reduction in poverty, and helping to bridge the divides of different dimension (classes) in the society

#### **Prevailing Economic Development Approaches in many Developing Countries (Trickle-down theories)**

1. Harrod-Domar Approach: Industrialization-Import Substitute
2. Kalecki-Lange Approach: Investment in Development Projects

Both theories have failed to achieve distributive justice, created disparities and distortions of various dimensions in the society and accentuated the sense of insecurity in the individuals.

#### **Alternative Approach to Economic Development (suggestion) Inclination and Sympathy (Politico-Economic dependence) = Beggar and Rich Relation**

(Donor and Recipient Relationship: where poor nations always ask the developed nations for AIDS for being able to live in the world and never become self-sufficient in any aspect of life.)

OR

#### **Khurshid Ahmad's Proposal**

**Economic Development<sup>^</sup> Human Development + Social Justice + Equality + Mutual Prosperity Human Development Self-Recognition as Khalifa and Tazkiyah**

*"Economic Development is an integral and indivisible part of Human Development within the norms and values of Social Justice, Equality and Mutual Prosperity. Islam does not allow any form of development which harms the norms and values of humanity. "*

Khurshid's concept of development is based on the notion of *Tazkiyah*, which directs man to *Falah* success in this world and the Hereafter. Therefore development means development of the physical and socio-cultural environment. For achieving this objective the optimum use of all human and material resources, with the best application of justice, fairness and equal opportunities for all members of society becomes mandatory. A person becomes an active agent in society only after being inspired by certain values and ideals derived from the Divine Will, after which he seeks not only his own welfare and prosperity but also the welfare and tranquility of his community. It is through this multi-pronged approach that it would be possible to change the entire face of society and established a civilization which could be just and about which once again the historians might record that people were searching for someone to give charity to but could not find anyone in need. Islam on the one hand

mobilizes and motivates the individual and on the other hand, emphasizes the administrative institutions responsibility to uphold the Divine Will. He suggests applying his strategy in step by step, in a continuous but not overcautious manner because, since the 18th century, the Western approach has permeated to the grass roots of society and people are used to this system, so a sudden and substantial change would harm the whole societal and economic structure.

### **Conclusion**

Khurshid is advocating the Islamic reforms as a remedy for all the human problems since his very early academic career lectures, editorial work, speeches, dialogues and seminars which have recognized beyond boundaries. Though he has not written as extensively as many others, contemporary Islamic and conventional economist did, whatever he produced is convincing and reflects his intellectual capability. Unlike others legists and thinkers of contemporary Islamic economics, those merely attempted to justify the specific cases on the basis of precedent and their works are only theoretical and have never been recognized for practical implications or could not brought significant movement in the Islamic world, Khurshid had developed a systematic attempt for developing Islamic economics as an applied discipline. Khurshid is actively involved in the establishment of Islamic Economics as an independent and distinct, discipline both at the domestic and international level. He earnestly undertook the responsibility of serving as the vice-president of First International Conference on Islamic Economics (held at Makkah on 21-26 Feb. 1976), and there he presented his approach to economic development from an Islamic perspective. This conference later became the landmark for the emergence of Islamic banking and financial institutions worldwide. And when in 1979, the Islamic Council of Europe organized the "International Economic Conference: The Muslim World and the Future Economic Order", Khurshid advocated the Islamic approach and perspective of life. Khurshid served as chairman of the International Institute of Islamic Research (IIIR) at the International Islamic University, Islamabad (established in 1980). IIIR developed a strategic plan for eliminating riba (interest) from the economy of Pakistan, together with the Islamization of the financial system. Khurshid established a distinct thinktank; Institute of Policy Studies, Islamabad, dedicated to research in the Islamic discipline. IPS succeeded in organizing the second International Conference on Islamic Economics (6-10 Jan. 1981). The conference revealed a comprehensive and viable approach for establishing an Islamic Financial and Monetary system. Khurshid rendered valuable assistance and patronage towards introducing an Islamic economic system to this and other forums. Khurshid is serving as member of executive and advisory boards to many national and international Islamic research centers and serving as president of the International Association for Islamic Economics.

Khurshid along with his associate activists, has been successful in combining his theories, based on the Islamic standard derived from the Qur'an and Hadith, into recognition and developed a worldwide Islamic economic movement. The role of Islam in Pakistan in late

1970s, having been eclipsed during the Ayub K. and Z.A. Bhutto era, had once again become a vital issue in the economic, social, political and legislative spheres of the country.<sup>10</sup> Perhaps, this was one of the reasons that when Zia-ul-Haq proclaimed himself as Chief Martial Law Administrator and later on president of Pakistan, and vowed to bring in a new state apparatus based on Islamic law, Mawdudi and his companion rallied around him; applauded the military's intervention and soon joined the government as cabinet advisors, four members of Jama'at-e-Islami in 1978 became members of the Government and Khurshid was appointed Federal Minister and Deputy Chairman for the planning commission. He was actively involved in Pakistan's experiment to introduce a more Islamically-oriented system of government [Esposito, and J. Voll 1999: 43]. He was again on the vanguard position for advocating the Islamic economy and with the collaboration of Islamic researchers, among whom Muhammad Umer Chapra, Nejatullah Siddiqui, Ziauddin Ahmed, Ausaf Ahmed, A. Rahman Yusuri, and Naqvi are prominent, started an Islamic economic movement at both intellectual and practical levels for its realization. The later decades showed that their endeavor was not only viable but also received appreciation all over the world. Khurshid is of one of the original proponents for the successful establishment of Islamic banking. During his administrative post in Zia regime, being an Advisory Member, Federal Minister and Deputy Chairman for the Planning Commission. During this period Pakistan attempted the experiment for establishing the Islamic banking and financial system and a comprehensive "Islamization Program" was successfully launched. Pakistan was considered as one of the pioneer countries trying to establish an Islamic economic system at the national level until the sudden overturning of the political sphere retarded the process. The experiment was however successful in that a wave of Islamic Banking and Financial institutions emerged worldwide after this attempt. Today a strong ground swell exists in many Muslim countries to reassert Islamic injunctions in the social, economic, and political spheres of life. At present there are more than 400 Islamic banking and financial institutions working worldwide. Khurshid is of the view that the success of Islamic banks should not be evaluated only by the profits they have earned. The emphasis should be on judging the extent to which their presence has contributed to the realization of the Islamic goal of social justice. In recognition of his sincere efforts for such goal, he is rightly being regarded among the "Fathers of Contemporary Islamic Economics" and was awarded the prestigious King Faisal award for service to Islam in 1990.

Khurshid Ahmad, with others, has played an important role in resurrection of Islamic economic thought in contemporary world. He succeeded in arousing a sense of awareness

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<sup>10</sup> For more discussions on this topic, please see, Parveen Shaukat Ali, (1997) *Politics of Conviction: The Life and Times of Muhammad Zia-ul-Haq* (The London Centre for Pakistan Studies); Hassan Mir Zohair, (1985). "The Politics of Islamic Revivalism: A Case Study of Pakistan under Z.A. Bhutto", Ph.D. Dissertation Presented to University of Pennsylvania; Mumtaz Ahmad, "Parliament, Parties, Polls and Islam: Issues in the Current Debate on Religion and Politics in Pakistan", *American Journal of Islamic Social Sciences*, Vol. 2, No.1 (July 1985); Anwar Hussain S., (1982). *Pakistan: Islam, Politics and National Solidarity* (New York: Random House).

and solidarity among Muslims under the banner of Islamic economics in response to the existing, forcibly imposed Capitalist and Socialist systems. Contemporary Muslim economists succeeded in convincing the world that Islamic economic system is not only a viable and scalable proposition but an improvement on the capitalist and socialist models. In results, many countries of the world are proceeding towards a new horizon through robust interactions with the Islamic world in an atmosphere of mutual consideration and equal respect, which just a few decades ago would have been unimaginable.

Khurshid considers economic development to be an integral and indivisible part of human development within the norms and values of the Islamic framework. He does not accept any modification that would damage the norms and values of humanity, and considers all human beings to have equal status in society; hence he emphasizes the need of distributive- justice and equality as imperative prerequisite for development.

On the contrary, a fundamental question can be raised as to why, in spite of producing volumes of influential scholarly work, having a powerful and convincing voice at national and international forums, and having key positions in the ruling administrations in Pakistan, Khurshid could not succeed in bringing about any significant restructuring in the economy and society of Pakistan, thus solving the economic as well the social problems of its citizens? In order to answer this question, one must take into account the years of prevailing problems the country is facing since its independence. Pakistan was came into being on the name of Islam as well as it was thought that the Muslim of India had a different identity and want to establish their own ideal place where they can perform their lives according to Islamic teachings, yet the reality of this notion is still far. Illegitimate and corrupt governments have taken advantage for their own benefit, leading Pakistan into dire economic as well as political problems and driving the nation farther and farther away from its destination, i.e., an ideal Islamic country. In more than 60 years of history, Islam was used as a tool or an appliance to grab and maintain power and to suppress the people of Pakistan. Besides this, Pakistan has been plagued in the crisis of all sorts: it includes illiteracy and lack of awareness, absence of democracy at grassroots on the one hand and moral laxity, political illegitimacy, anomie, and the absence of a sense of accountability on the other. The struggle to realize socio-economic reform without changing the socio-political framework of the society, where a number of dreadful problems have prevailed over decades of degeneration and stagnation, is nothing less than a Utopian dream. As pointed out by Mawdudi, some sixty years ago, "Calling to Truth and working for an Islamic Revival are time-consuming job, and a true believer should work not only with great passion, but also constantly and patiently, just as a farmer does ...then after the years of waiting the tree will bear fruit" [Mawdudi 1950].

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