

A Proposed Syllabus for the Course of:
*The Foundation of
Islamic Economics*

Prepared by:

Curriculum Committee



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FOREWORD

Modern Economics, like other social sciences, evolved in isolation from morality and religion. No wonder its introduction into the world of Islam was also indifferent to Islamic thought, which, during the last few centuries was stagnant anyway. As a result what we not teach in our universities carries many alien ideas regarding man and society not to mention some trends openly in violation of Islamic teachings. Nevertheless social sciences in general and Economics in particular have valuable insights to offer which no one can afford to ignore. There is much that is acceptable and useful and deserves being communicated to our younger generations. However there is a need to introduce relevant Islamic concepts and precepts as well as to identify unacceptable trends, before these subjects are taught.

It has been the vocation of this Centre to redesign Courses in Economics with the above purpose in mind. I am glad to introduce a course on Islamic Economic System which also incorporates appropriate reading material. Thanks are due the syllabus Committee of the Centre which prepared this outline. The Centre would welcome any suggestions in this regard from the scholars and teachers who may find the following pages useful for their work.

May Allah help us all in discharging our duties.

Dr. Mohamed A. Elgari
Director

THE FOUNDATIONS OF ISLAMIC ECONOMICS A PROPOSED SYLLABUS

	<u>SUGGESTED TOPICS</u>	<u>NO. OF LECTURE</u>	
		<u>MIN.</u>	<u>MAX.</u>
1.	INTRODUCTION	3	6
	* THE IMPORTANCE OF THE TOPIC		
	CONCEPTS OF SYSTEM, SCIENCE,		
	* SCHOOL OF THOUGHT AND		
	ECONOMIC POLICY		
	THE ISLAMIC ECONOMY AS A		
	* PART OF THE WHOLE ISLAMIC		
	SYSTEM		
	* THE ECONOMIC PROBLEM		
	ECONOMIC FREEDOM, STATE		
2.	INTERVENTION AND ECONOMIC	3	6
	POLICIES		
3.	PROPERTY	4	8
4.	DISTRIBUTION	6	12
5.	THE MONETARY AND BANKING	3	6
	SYSTEM		
6.	THE FINANCIAL SYSTEM	2	4
7.	ECONOMIC DEVELOPMENT	2	4
8.	ECONOMIC RELATIONS	2	4
		25	50

NOTES:

THIS SUBJECT IS PROPOSED FOR A SEMESTER 2-4 CLASS HOURS PER WEEK FOR A TOTAL 25-30 CLASS HOURS.

CHAPTER ONE

INTRODUCTION

1.1 THE IMPORTANCE OF STUDYING THE ECONOMIC SYSTEM

1. Mankind's present welfare in this earthy life and the everlasting happiness of the here-after is affected by the tenets of the economic system within which they live and work.
2. Social stability and avoidance of conflicts and disputes necessitate a considerable degree of cohesion and cohabitation among its members within the system they choose to govern their livelihood (the economic system).
3. Absence of the above characteristics leads societies to confront a plethora of economic problems plaguing many rich industrial societies as well as Islamic communities. A proper approach to the solution of such problems cannot rely solely upon economic analysis (which, naturally, is the subject matter of economics) but should be extended to cover objectives, priorities and *Shari'ah* laws all of which are the heart and soul of any economic system.
4. Allah has obligated the nation of Islam a defined undertaking in life; that is to live in light of Allah's teachings and to preach them. The economic system is an integral part of *Shari'ah*. *Al-Shari'ah* Al-Islamiah has embodied many teachings which define the features of what is contemporaneously called an economic system. Recognizing such a system for implementation and propagation is a divine duty.

Suggested References:

- 1- CHAPRA, Umer "Islam and the Economic Challenge", The Islamic Foundation and The International Institute Of Islamic Thought, 1992.

- 2- Khurshid Ahmad, "Nature and Significance of Islamic Economics" and Mohammad Anas Zarqa, "Methodology of Islamic Economics", "*Fiqh* and Economics of Exchange" see all these articles in *Lectures on Islamic Economics*, IRTI, 1992.

1.2 THE CONCEPT OF ECONOMIC SYSTEM

- A. Some researchers lean in favor of a detailed distinction between the "economic system and the economic doctrine". For instructors willing to carry on such a distinction it is preferable to stress the following:

The Doctrine: Some scholars (e.g. M.B. AL-SADR, "OUR ECONOMY", DR. AL-FANJARI, S., "TOWARD AN ISLAMIC ECONOMY") stress that a doctrine is the set of fundamental and invariable concepts embodied in *Shari'ah* that regulate economic conduct. The similarity notwithstanding, is usually struck to a constitution where the latter is traditionally perceived as the reference par excellence in whose framework regulations are argued, adjusted and enforced.

Western scholars tend to use the "doctrine" as synonymous to what is "desirable" or "ought to be" with reference to legislations and moral norms prevailing in the society. An "economic system" is generally taken to mean the actual practiced organisation.

- B. An instructor could bypass the previous philosophical distinctions and proceed directly to the definition of an economic system. Here, emphasis should be placed on the comprehensiveness aspects of the definition as the constellation of objectives, rules and institutions, drawn from faith and *Shari'ah* that draws social acceptance and adherence in order to organize life in general and regulate economic behavior in particular.
- C. The Economic discipline: An instructor is encouraged to present his preferred definition for the Economics discipline. It is desirable, however, to emphasize that Economics concern the study of "what is"; that is, the study of economic phenomena, their *raison d'etre*, and their implications in the real world and as they could transform given certain assumptions. The economic system, however, is concerned with the way economic life and behavior "ought to be".

- D. Economic Policy: This means instruments by which the actual economic behavior is induced to approximate the desirable behavior as postulated by the economic system.

Suggested Reference for Students:

- 1- SALEH, Saud I. *The Principles of the Islamic Economic System*, Musbah Library, Jeddah, Saudi Arabia, 1408 H. (Arabic).

1.3 THE STATUS OF THE ECONOMIC SYSTEM

Islam is not, as narrowly viewed by many in non-Muslim societies, a religion that solely defines the relationship between man and God. In fact, Islam stresses a comprehensive approach to life and the universe. The economy as a part of the Islamic system, thus rests upon the following integrated bases:

- a.) *The belief base*: Affects the individual's psyche and conduct.
 - b.) *The moral base*: Affects human conduct through spiritual and moral constraints.
 - c.) *The legislative base*: Leads to the control of the behavior of the Muslim individual and the Islamic society.
- * *Shari'ah* has given considerable attention to the means of earning a living (which is the subject matter of economy) with equivalent attention to the moral and social aspects. In practice we encounter two extreme models of social systems. On one hand, some civilizations view economic activities on a collision course with life moral obligations. On the other, some have relegated economic means to the highest plateau at the expense of all other aspects of life.
- * There is an interlocking between the components of the comprehensive Islamic system. Examples are the family system, inheritance system, social solidarity, *zakat*, etc.

1.4 THE OBJECTIVES OF THE SYSTEM

- * Objectives here are taken to be those derived from the legal philosophy of Islamic Laws and not the prevailing ones at a particular place or time.
- * Objectives identification and formulation is an area that should be opened to the independent exercise of *Ijtihad*.
- * Among the objectives most agreed-upon by scholars and supported by *Shari'ah* are:
 - Securing a minimum standard of living to each individual.
 - Attaining economic independence and strength.
 - Generating a surplus of national income and wealth to fulfill other state obligations.
 - Reducing disparities of income and wealth among members of the Muslim community.

Suggested References (Arabic):

- 1- AL-ZARQA, MOHAMMAD A., "Economic Policy and Planning in the Islamic Societies" in *Financial Administration in Islam*, Vol 3, pp 1237-1245, The Royal Institute of Islamic Civilization Research: Amman, Jordan.
- 2- Kahf, Monzer. (The author includes the objective of: *Maximum Resource Utilization*).
- 3- Maududi, S.A.A. The Economic System of Islam.

1.5 THE ECONOMIC PROBLEM

- An overview of the concept of the economic problem in a secular economy and the presentation of Muslim scholars' views.
- Views of the supporters of the problem existence and its non-contradiction with Islamic economics.
- Views of the opponents of the problem existence and its contradictions with a Muslim's true beliefs.

Suggested References (Arabic):

- 1- AL-SADR, Mohammad Baqir, "*Our Economy*" PP 346-348.
- 2- SIDDIQI, M. Nejatullah, "*Teaching Macroeconomics from an Islamic Perspective*", PP: 115-117, See also comments on the same paper PP: 159-162: King Abdulaziz University Journal: Islamic Economics, Vol. 1, 1409 H (1989).
- 3- DUNIA, Shawqi, *Lessons in Islamic Economics*, PP: 59-73.
- 4- IRTI: Lecture in Islamic Economics, Kulliyayah of Economics, IIU Malaysia: Readings in the Methodology of Islamic Economics. Reading in Islamic Economics Theory. Kahf, Monzer: The Islamic Economy.

Suggested total number of class hours for Chapter One, Minimum 3, Maximum 6.



CHAPTER TWO

ECONOMIC FREEDOM, STATE INTERVENTION AND ECONOMIC POLICIES

A. THE ECONOMIC FREEDOM

- * The freedom to contract and stipulate.
- * The freedom to own.
- * The freedom to work.
- * The freedom to produce.
- * The freedom to consume.
- * The principle of restricted freedom: non-imposition of injury upon others or upon oneself (*La Darar Wa La Dirar*).
- * Comparison with other systems.

B. STATE INTERVENTION

- * Intervention should be guided by text-evidence (*Nass*) or by public interest or merit (*Maslaha*).
- * *Shoura* should always be sought.
- * Intervention should be limited to the minimum necessary to achieve the goal(s).

C. THE ECONOMIC POLICY

The policy should aspire to achieve the economic objectives of the *Shari'ah*, extending the principle of the exercise of independent judgement (*Ijtihad*) to challenge the formulation of inexhaustible policy options, particularly in situations where traditional methods would not suffice e.g. reducing expansive unemployment through public projects.

Suggested No. of Class Hours for Chapter Two: Minimum 3 Maximum 6.

Suggested References (Arabic):

- 1- SIDDIQI, M.N., "*Economic Enterprise in Islam*" Lahore, Islamic Foundation, 1972.
- 2- AL-MUBARAK, M., "*The System of Islam: The Economy*", Dar al-Fikr, Beirut, Lebanon, 1398 H (1978).
- 3- AL-THUMALI, A., "*Economic Freedom and the State Intervention*" a Ph.D. dissertation presented to Umm Al-Qura University, Makkah, 1405 H (1985).
- 4- BIN EID, Mohammad El-Gari, "*An Introduction to The Foundations of The Islamic Economy*", DAR HAFIZ, Jeddah, Saudi Arabia, 1411 H (1991).
- 5- AL-MISRI, R.Y., "*The Foundations of Islamic Economy*", Dar Al-Qalam (Damascus), Al-Dar Al-Shamiyyah (Beirut), Dar al-Bashir (Jeddah), Saudi Arabia 1409 H (1989).



CHAPTER THREE

PROPERTY

- * The definition of property.
- * The relationship between property and freedom.
- * Limits on property.
- * The reasons on ownership (legal/illegal).
- * Private property.
- * Public property.
- * International public property.
- * Property of the state.
- * Ownership of the means of production.
- * Expropriation.
- * Limitations on property (land reform).
- * Restrictions on property and associated obligations.
- * Vicjereny.
- * Comparison with alternative systems.

Suggested No. of Class Hours for Chapter Three: Minimum 4 Maximum 8.

Suggested References:

- 1- AL-KHAFIF, A., "*Property in Islamic Legislation*" the Institute of Research and Arabic studies, Cairo, Egypt, 2 Volumes (Arabic).
- 2- ABU ZAHRA, M., "*Property and the Theory of the Social Contract*", 1, 1357H. (1939) (Arabic).
- 3- AL-ABBADI A., "*Property in Islamic Law*", Ministry of Awqaff Amman, Jordan, 1397H. (1977) 3 Vol. (Arabic)
- 4- AL-MUSLIH, A., "*The Private Property in Islamic Law*", International Union of Islamic Banks, Cairo, Egypt 1982. (Arabic).
- 5- AL-MUSLIH, A., "*The Restraints on Private Property*", Al-Risalah Publishing House, Beirut, Lebanon, 1408H. (1988), (Arabic).

- 6- ALBAR, A., *"The Ownership of Natural Resources in Islam and the Impact on Economic Activities"*, a Ph.D. dissertation presented to Ummal Qura University, Makkah, Saudi Arabia, 1404H. (1984) (unpublished) (Arabic).
- 7- M.N. SIDDIQI, *"Some Aspects of Islamic Economy"*, Lahore, The Islamic Publications, 1972.
- 8- ELGARI, M.A. *"An Introduction to the Foundations of Islamic Economics"*, (Arabic).
- 9- AL-MASRI, R., *"Vicjevency"*, Review of Islamic Economics, International Association for Islamic Economics, Vol. 2, No. 1, 1412H (1992). (Arabic)
- 10- AL-MASRI, R., *"Foundations of Islamic Economics"*, (Arabic).



CHAPTER FOUR

DISTRIBUTION

* **An Introduction**

- The distinction between distributive justice and legal justice.
- Vicjerency.
- Income and wealth distribution.
- Functional and personal distribution.

* **Factors' of Production Income Distribution**

- Rent and returns of fixed assets.
- The wage of labor.
- Capital return: the prohibition of usury.
- Entrepreneurs' profit.

* **Obligatory Redistribution: Wealth Redistribution**

- *Zakat*
- Expenses for family and relatives.
- Inheritances and their economic impact.
- Expiations.
- Atonements.
- Social commitment for the sustenance of a minimum standard of living.
- Obstacles confronting obligatory redistribution and means of alleviation in *Shari'ah*.

* **Voluntary Redistribution**

- Charity.
- Loans. (*Qard Hasan*)

- Free of charge loanables (Al-Ariya'ah).
- Endowments.
- Wills.

* **Comparisons with alternative systems**

Suggested No. of Class Hours for Chapter Four: Minimum 6 Maximum 12.

Suggested References:

- 1- AL-ZARQA, M.A., "*Islamic Systems of Distribution*". Journal of Research in Islamic Economics, King Abdulaziz University, Centre for Research in Islamic Economics, No. 1, Vol. 2, Summer 1404H (1984) (Arabic).
- 2- EL-GARI, M., "*An Introduction to the Foundations of Islamic Economics*", (Arabic).
- 3- AL-MASRI, R.Y., "*The Foundations of the Islamic Economics*". (Arabic).
- 4- YUSRI A., "*Studies in the Science of Islamic Economics*", Dar al-Jami'at al-Misriyah, Alexandria, 1988, (Arabic).
- 5- ZARQA, M.A., "*The Islamic Distribution Schemes*", in Munwar Iqbal (ed.): *Distributive Justice and Need Fulfillment in an Islamic Economy*, Leicester, The Islamic Foundation, 1988.

CHAPTER FIVE

THE MONEY AND BANKING SYSTEM

- * **Objectives of the Islamic Banking and Monetary System**
- * **Means of payments within an Islamic monetary system:**
 - Coins and paper money (Currency).
 - Credit and ledger money.
 - Credit Cards.
- * **The Functions of the Banking System**
 - Financial intermediation.
 - Attracting savings: acceptance of current, time and savings deposits.
 - Utilizing financial resources such as profit-sharing partnership.
 - (*Musharakah* and *Mudarabah*), cost plus financing (*Murabaha*), leasing, direct investment.
 - Banking services.
 - Violation of Islamic *Shari'ah* laws concerning financial intermediation and services offered by conventional banks.

Suggested No. of Class Hours for Chapter Five: Minimum 3 Maximum 6.

Suggested References (Arabic):

- 1- SIDDIQI, M.N., "*The Non-interest Banking System*", Research Council, King Abdulaziz University, Jeddah, Saudi Arabia, 1405H (1985).
- 2- SIDDIQI, M.N., "*The Non-usury Banking Systems*", The Scientific Council, King Abdulaziz University, Jeddah, Saudi Arabia, 1405H (1985).

- 3- SIDDIQI, M.N., "*Why Islamic Banks*", in: *Readings in Islamic Economic*, The Research Council, 1407H (1987).
- 4- AL-MASRI, R.Y., "*Islam and Money*". The Research Council, 2nd ed., Jeddah, King Abdulaziz University, 1410H (1990).
- 5- CHAPRA, M.O., "*Toward a Just Monetary System*" , The World Institute for Islamic Writings, 2nd ed., Washington D.C., U.S.A., 1410H (1990).
- 6- CHAPRA, M.O., "*Reading in Islamic Economics*".
- 7- HAMMOUD, Sami "*Developing Banking Operations According to Al-Shari'ah, Al-Islamiah*", Dar Al-Fikr, 2nd ed. Amman, Jordan, 1402 (1982).
- 8- MAJDOUB, A. "*Monetary Policy in Islamic Economics*", Dar Al-Liwaa, Riyadh, Saudi Arabia, 1409H (1989).
- 9- AL-HASANI, A. "*An Islamic Perspective into the Development of Money with Special Attention to Paper Money*", Dar Al-Madani, Jeddah, Saudi Arabia, 1410H (1989).

Suggested References for Students:

- 1- "*Readings in Islamic Economics*" op. cit.
- 2- AL-KARADAWI, Y., "*Banks Interest is _____*", The Arab Islamic Bank, Bahrain.
- 3- EL-GARI, M.A., "*An Objective Dialogue on Banks Interest from Al Shari'ah Al Islamiah Perspective*", Dar Hafiz for Publication, 1408H.
- 4- Wilson, Rodney, *Islamic Financial Markets*, London, Routledge, 1990.
- 5- CHAPRA, M.U., *Towards a Just Monetary System*, 1988.
- 6- AHMED, Ausaf, *Development and Problems of Islamic Banks*, Jeddah, IRTI, 1987.

- 7- KHAN, Mohsin, and Abbas Mirakhor, *Theoretical Studies in Islamic Banking*, Texas, The Institute for Research and Islamic Studies, 1987.
- 8- IRTI Publications:
- a) Comparative Economics of Some Islamic Financing Techniques.
 - b) Principles of Islamic Financing.
 - c) Contemporary Practices of Some Islamic Financing Techniques.



CHAPTER SIX

THE FINANCIAL SYSTEM

Suggested Topics

- * The functions of the state that necessitate funds collection.
- * Bait al-Mal (Treasury functions).
- * Public Revenues (past & present).
- * Public Expenditure (past & present)
- * *Zakat*
- * *Al-Kharaj* and revenues from state properties.
- * Custom Duties.
- * Tax revenues.
- * Seigniorage.
- * Public Lending.
- * Loans and Foreign Aid.
- * The Fiscal Policy.

Suggested No. of Class Hours for Chapter Six: Minimum 2 Maximum 3.

Suggested References (Arabic):

- 1- BAYOUMI, Zakaria, "*Public Finance in Islam*", Dar Al-Nahdah al-Arabiah, Cairo, Egypt, 1979.
- 2- BARAKAT & Kafrawi, "*Financial Economics in Islam*", Shaba Al-Jamiaah Est. Alexandria, Egypt.
- 3- SULTAN, Salah, "*The Muslim Governor Legal Authority in the Imposition of Taxes*", Hajar Est, Cairo, Egypt, 1409H (1988).
- 4- AL-QARADAWI Y., "*Fiqh Al-Zaka*",

- 5- Financial Resources of the State in Contemporary Society; an Islamic Perspective, the Islamic Institute Research and Training, Islamic Development Bank, Jeddah, Saudi Arabia, 1408H (1988).
- 6- SIDDIQI, Mohammad N., "*The Concept of Public Expenditure in a Modern Islamic State*". (To be Published in the Forthcoming Issue of the Journal of King Abdulaziz University: Islamic Economic, King Abdulaziz University, Jeddah, Saudi Arabia.
- 7- SIDDIQI, M.N., Public Expenditure in an Islamic State.
8. MIRAKHOR, Abbas, "Theory of an Islamic Financial System" in *Financing Economic Development. Islamic and Mainstream Approaches*, edited by Abul Hasan M. Sadeq, Kuala Lumpur, Longman, Malaysia, 1992, pp. 142-166.



CHAPTER SEVEN

THE PROCESS OF DEVELOPMENT

Suggested Topics:

- * Development from an Islamic as well as Conventional Perspective.
- * Objectives of development in an Islamic Economy.
- * Islamic acceptance of the measure of progress / backwardness.
- * Financing development in an Islamic economy (with particular emphasis on long term financing).
- * Reasons of failure of conventional development approaches in solving the economic problems of Islamic countries.

Suggested No. of Class Hours for Chapter Seven: Minimum 2 Maximum 4.

Suggested References (Arabic):

- 1- YUSRI, Abdulrahman, "*Economic and Social Development in Islam*", Shabab Al-Jamiaa Est., Alexandria, Egypt.
- 2- DUNIA, Shouqi, "*Islam and Economic Development*", Dar Al-Fikr, Al-Arabi, Cairo, Egypt, 1979.
- 3- YOUSUF, Ibrahim Y., "*Strategy and Technique of Economic Development in Islam*" International Federation for Islamic Banks, Cairo, Egypt, 1401H.
- 4- KHURSHID, Ahmad, "*Economic Development in an Islamic Reference Frame*". in *Reading in Islamic Economics*. The Research Council, King Abdulaziz University, Jeddah, Saudi Arabia 1407H (1987).
- 5- AFAR, Abdulmoneim, "*Planning and Development in Islam*", Dar al-Bayan al-Arabi, Jeddah, Saudi Arabia, 1405H (1985).

- 6- BEN NABIYE, Malek, "*The Muslim in the World of Economics*, Dar Al-Shuruq, Beirut, 1394H (1974).
- 7- CHAPRA, M.U., *Islam and Economic Development*, Islamabad, IIIT, 1993.



CHAPTER EIGHT

INTERNATIONAL ECONOMIC RELATIONS

Suggested Topics:

- * Cooperation among Islamic States: Every economic state endeavors at reinforcing economic relations with other Muslim states. This comes in response to almighty's call: "The Believers are but a single brotherhood".
- * Highlighting the role effectuated by the Islamic Bank of Development and other Islamic international agencies and institutions in augmenting mutual cooperation.
- * Asserting international agreements and covenants among Muslim states and with other members of the international community for the purpose of attaining world peace, food security, economic welfare, securing a socially acceptable minimum standard of living for each individual within each state, the strive toward strengthening the nation of Islam, the spread of the word of the Almighty to mankind etc.
- * Free trade vs. Protectionism: The over-riding principle in foreign trade is the unrestricted flow of benefits as is the case in domestic commerce. But protectionism, as a trade policy, could be resorted to whenever public interest calls for.

Suggested No. of Class Hours for Chapter Eight: Minimum 2 Maximum 3.

Suggested References:

- 1- SIDDIQI, Mohammad N., "*Principles of International Economic Relations in Islam*" in Seminar on Islamic Perspectives on International Economics Relations, Tubingen, 1988.
- 2- YUSRI, Abdulrahman, "*The International Economy*", Dar Al-Jamiat Al-Misryiah, pp. 285-330 (Arabic).

- 3- MAHMASANI, Subhi "*Internal Law and International Relations in Islam*", Dar al-Elm, Filip-Malyeen, Beir 1392H (1972) (Arabic).
- 4- AL-ZUHAILI, Wahbah, "*The Position of International Relations in Islam in Comparison with Contemporary International Law*", Al-Risalah Est., Beirut, Lebanon, 1401H (1981) (Arabic).
5. IRTI, Contractual Forms of International Investments and Their Relevance for Islamic Economics.
6. IPS: Elimination of *Riba* from the Economy, 1993. (Islamabad), Contains a paper by Syed Taher on "*Riba-Free Financing of International Transactions*".

