

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

Islam Versus Economics

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Crisis in Islamic Economics

Concept of IE:

$IE = \text{Capitalism} + \text{Zakat} - \text{Interest}$

Background – Capitalism Versus Communism.

Dislike for Communism based on atheism.

Capitalist Private Property is not same as Islamic.

*Evaluation **REQUIRES** Norms*

ECONOMICS:

GOAL: Success in this world

- Human beings are utility maximizing robots – completely predictable.
- Purpose of Life: to maximize consumption

ISLAM

GOAL: Success in Akhira

- Humans are free to choose between good and evil.
UNPREDICTABLE
- Purpose of life: maximize
GOOD DEEDS.

Is Economics Positive?

- “Perfect Competition” is a normative concept.
- Idealized world of “greed” and competition. Does not exist, but we try to create one – since this leads to efficiency. Privatize Pensions, Banks, Healthcare, Education.
- Islamic Economics is not normative or positive – it is TRANSFORMATIVE – how do we change society to make it better? Not conceivable in science.

Goals of Human Beings:

ISLAMIC

- Laqad Khalaqnal Insana –
- Achieve hidden potential, which is best of creation.

ECONOMIC

- Irrational pursuit of wealth for its own sake.

Pursuit of Wealth is a MISTAKE

- Economic growth achieved by human growth
- Wealth of nations lies in human skills.
- Pursuit of wealth leads to misery, inequality.
- Long Run Happiness requires character.
- Development as Freedom. (capabilities approach)

Islamic Solutions to Economic Problems

- Wealth & Poverty are both trials.
- Distinguish between needs & wants
- Consumer Sovereignty: job of economists is to fulfill all wants, regardless of their origin.
- Fulfill needs, don't fulfill wants.
- NO SCARCITY. (arises because of wants)

Lead SIMPLE Lifestyles

- Avoid Israf & Tabzeer.
- Major problems with current rat race
- Habituation –
- Comparison
- Everybody works very hard, wealth is produced, NOBODY BENEFITS.
- Spend Excess on OTHERS in need.

Ummah Versus Nation-State

- World Wars led to deaths of 50 million.
- Young males in Europe wiped out. Led to breakdown of society.
- ISLAM: All humans are brothers. Seek unity at level of Ummah – our MACROECONOMICS is different from Western.

Waqf Versus Banks

- Social Services provided locally, by spirit of charity.
- Everyone is selfish, so government must provide.
- Everyone must accumulate for himself, cannot count on others → massive, unnecessary over-production.

Service Versus Profits

- Reverse MBA
- Indus Hospital
- Islamic Entrepreneurship.
- Islamic Businesses.
- Zuboff quote.