



# Introduction to Islamic Economics

---

by Mr. Hafiz Mujeeb Baig

# Islamic Versus Western Economics



- The Biblical statement that “money is the root of all evil” might be closer to Islam than the western idea as discussed by Shaw that “Lack of money is the root of all evil”
- Mufti Shafee Usmani very eloquently explains: “ There is no doubt that Islam is opposed to monasticism and considers economic activities to be permissible, desirable, and even necessary and required at times.

# Islamic Versus Western Economics



---

- . Economic progress is desirable for men, and the earning of Halal livelihood is required after the religious requirements. At the same time it is equally self evident that the fundamental problem of man is not economic , and economic progress is not a goal or objective of life for humans "

<http://www.LearnIslamicFinance.com>

# Foundations of Western Economics



---

- The classical economists argued the real purpose of our existence is maximization of utility and the utility can only be maximized by consuming things.
- Nobel Laureate Milton Friedman (2005) argues that the responsibility of the firm is to pursue wealth and not social goals.

# Consumer Side of Banking: a Western Perspective

---

- Since the goal of the consumer is to maximize consumption, bank loans offer an attractive prospect to convert ones future wealth into present by a price called interest.
- By providing easy access to loans bank has become a channel to create artificial demand in the economy.



# The Supply Side of Banking

---

- From the supply the reason ones needs an institute such as a bank to channel idle which people save into projects that are beneficial for the economy.
- However, since the western economic system is based on selfishness the money is channeled into areas which maximizes their profit irrespective of its social or economic impact.

# Supply Side of Banking

---

- In a country where people are dying of poverty, the banking system is enabling the rich capitalists to build big houses, drive luxury cars and own multinational organizations.

# Foundations of Islamic Economics



---

- The idea of excessive consumptions as a means to maximize utility is censured in Islam.
- Hence, an institution that encourages the idea of bringing ones future wealth to the present and creating artificially high demand does not fit with the Islamic ethos.



# Islamic Economics

---

- From an Islamic perspective an institution that takes peoples money and converts into waste projects does not fit well with the Islamic spirit.



# Capitalism and Banking

---

- A closer look at the transitory economies suggest that it was the banking system which enabled communist countries to shift to capitalist ones.



# Islamic Banking

---

- Islamic Banking is a response to make the capitalistic financial system Sharia-compliant.
- Rodney Wilson argues that:
  - “ Ultimately Islamic banking and finance is about the emergence of a distinctively Islamic form of capitalism that may co-exist and interact with Western, Chinese, Russian or any other capitalism. Such a development should be welcomed and facilitated, and not hindered or suppressed”