

A SURVEY OF THE DEVELOPMENT OF ISLAMIC ECONOMICS THOUGHT

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Abstrak

Pemikiran ekonomi Islam dalam pelbagai bidang yang berasaskan kepada al-Qur'ān dan al-Hadīth telah dikembangkan oleh para sarjana Islam melalui penulisan-penulisan mereka sejak beberapa period masa tertentu hingga sekarang. Artikel ini membincangkan sumbangan beberapa orang tokoh pemikir Islam dalam ekonomi Islam seperti percukaian, penggunaan, pengeluaran, peranan kerajaan dalam ekonomi, konsep kesederhanaan dan pemilikan yang masih relevan dengan disiplin ilmu ekonomi kini.

INTRODUCTION

Economics has been an integral part of its social scheme unsegregated from its other dimension. The nature of Islamic economics is evident from its presentation in the basic Islamic sources, ie, the al-Qur'ān and the al-Hadīth. However, reason and experience play their role, bringing the influence of time and place in which thinking takes place. As a result we have inherited the fourteen centuries of our history, a lot of contributions relevant to host of economic issues, some perennial, some ephemeral. In this article, the writer will only confine itself to providing a synoptic view coupled with examples of specific contributions.

THE FOUNDATIONS (UP TO 450 AH / 1058 AD)

In this phase, the *Fuqahā'* (jurists) were seen to be the first to appear in the intellectual scene of Islam, followed by the sufis and then the philosophers. In the beginning of this phase, *fuqahā'*, the sufis and the philosophers were different men. However, as this phase comes to a close, all eminent scholars would have sufficient grounding in all the three disciplines, before they could make their mark in any one of them.¹ Some

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¹ Muhammad Nejatullah Siddiqi, "Islamic Economic Thought: Foundation, Evolution and Needed Direction", in Abul Hasan M. Sadeq, et al (eds.), *Readings in Islamic Economic Thought*, Petaling Jaya, 1992, pp. 14 - 15.

of the scholars in this phase who made a contribution in the development of Islamic economics thought are as follows.

Abū Yūsuf (113 - 182 AH / 731 - 798 AD)

Abū Yūsuf Ya‘qub b. Ibrāhīm² was the first jurist to devote a treatise exclusively to economic policy. His *Kitāb al-Kharāj*³ (Manual on land-tax) which was written at the request of Hārūn al-Rashīd⁴ (d. 193 AH/809 AD), later followed by a number of similar works by other jurist emphasised on the areas of public finance, the justice and equity in taxation, the distribution of land, the regulation of prices, economic responsibilities of government towards need fulfilment of the people and development of the realm, the ruler’s duty to regard public money as a trust and be accountable for its expenditure and usurious sales.⁵

The bulk of Abū Yūsuf’s discussion related to agricultural relations and taxation. His main contribution was in demonstrating the superiority of proportional taxation over the system of a fixed levy on land from the viewpoint of both revenue and equity.⁶ According to Prof. Siddiqi, much of Abū Yūsuf’s discussion on taxation laid down certain principles which were reintroduced centuries later as the “*Canon of Taxation*”.⁷ Abū Yūsuf strongly opposed a tax on farming and suggested salaried staff

² He was a prominent faqih and one of the founders of the Hanafi school of law. His date of birth, reckoned backwards from the date of his death, is rather arbitrarily given as 113/731. He studied *Shari‘ah* and al-Ḥadīth in Kufah and Madīnah under Abū Ḥanīfah and Mālik b. Anas and others, and lived in Kufah until he was appointed judge (*qaḍī*) in Baghdad. He held this office until his death in 182/798. Khalifah Hārūn al-Rashīd of ‘Abbasiyyah dynasty conferred him the title of grand judge (*qaḍī al-quḍāt*) for the first time in Islamic history. See Shams al-Dīn al-Dhahabī, *Kitāb Tadhkirah al-Ḥuffāz*, Vol. I, Hyderabad, p. 292; Abū ‘Abbās Aḥmad, Ibn Khallikān, *Wafayāt al-A‘yan*, ed. Ihsān ‘Abbās, Vol. II, Beirut, 1992, p. 303; Muḥammad b. Ishāq, Ibn al-Nadīm (d. 385 AH), *al-Fihrist*, Beirut, 1978/1398, p. 203; Abū Bakr Aḥmad al-Khaḥīb al-Baghdādī, *Tarikh al-Baghdād*, Vol. XIV, Cairo, 1931, p. 242ff; ‘Imād al-Dīn Abū al-Fida’ Ismā‘il, Ibn Kathīr (d. 774 AH), *al-Bidāyah wa al-Nihāyah*, Vol. X, Beirut, 1966, p. 180ff; C. Brokelmann, *Geschichte der Arabischen Litteratur*, Leiden, 1943 - 49, Vol. I, p. 177, Supplement Band I, p. 288; J. Schacht, “Abū Yūsuf”, *The Encyclopaedia of Islam* (New Edition), Vol. I, Leiden, 1986, pp. 164 - 165.

³ Cairo, 1352 AH [Translated into english by Ben Shemesh, *Kitāb al-Kharāj: Taxation in Islam*, Vol. II, Leiden and London, 1969, 155pp].

⁴ The fifth caliph of Abbasid Dynasty.

⁵ *Ibid.*, pp. 15 - 16; Zohreh Aghari, *The Origin and Evolution of Islamic Economic Thought*, Unpublished Ph. D Thesis, The Florida State University, USA, 1991, p. 100.

⁶ M. N. Siddiqi, “Recent Works on The History of Economic Thought in Islam: A Survey”; in Abul Hasan M. Sadeq, et al (eds.), *op.cit.*, pp. 37 - 38; See also Ziaul Haq, *Landlord and Peasant in Early Islam*, Islamabad, 1977.

⁷ *Recent Works on History of Economic Thought in Islam: A Survey*, Jeddah, p. 12.

to act as tax collector, who should be under strict supervision in order to prevent corrupt and oppressive practices. He urged the ruler to take other measures to ensure the development of agriculture such as building roads and bridges, and digging canals for irrigation.⁸ Furthermore, Abū Yūsuf made reference to the supply of goods and their prices, and advised against price control. Once the market is free from hoarding (*ih̥tikār*), monopoly and other corrupt practices, argued Abū Yūsuf, determination of prices should be left to the forces of supply and demand.⁹

Muhammad b. al-Ḥassan al-Shaybānī (132 - 189 AH / 750 - 804 AD)

Muhammad b. al-Ḥassan al-Shaybānī¹⁰ was Abū Yūsuf's colleague in the school of Abū Ḥanīfah. His major works still remain unexplored for economic ideas. But he is also credited with a small treatise on *al-Kasb* (earning) entitled *Kitāb al-Kasb fī al-Rizq al-Mustatab*¹¹ (Book on Earning a clean living). Although a small treatise, the imperative of earning a living is affirmed with a discussion on the main ways of doing so; *al-Ijārah* (hiring out), *al-tijārah* (trade), *al-zirā'ah* (agriculture) and *al-ṣinā'ah* (industry).¹² The various *Shari'ah* rules conducting these activities are mentioned.

Al-Shaybānī also explained a good Muslim's consumption behaviour and emphasised the desirability of charitable giving on the one hand and the undesirability of begging on the other hand. He went on stressing that one must earn enough to meet his own needs in moderation as well as spending on others especially those whose financial support is obligatory.¹³ Al-Shaybānī's *Kitāb al-Kasb* and other juristic works have standard material on various transactions such as *bay' al-salam*, *al-sharikah* or *al-mushārakah* (partnership), *al-mudārabah* or *al-qirād* (dormant partnership or *commenda*, etc. So in the case of other juristic works such as *Kitāb al-Kharāj* of Abū Yūsuf, taken together, they form the major bases of the Ḥanafī school of Islamic law. Al-Shaybānī's *Kitāb al-Kasb* deals with the individual Muslim's economic behaviour,

⁸ Zohreh Ahghari, *op.cit.*, p. 101.

⁹ Siddiqi, "Recent Works" (1992), p. 38.

¹⁰ He was a prominent faqih of the Ḥanafī School and a disciple of Abū Ḥanīfah. He was born in Kūfah 132/750, the hometown of Abū Ḥanīfah that the latter grew up and died in 189/804. See al-Dhahabī (d. 748/1347), *Manāḳib al-Imām Abī Ḥanīfah wa-Ṣahibayhi Abī Yūsuf wa Muḥammad b. Al-Ḥasan*, Cairo, n.d., pp. 49 - 60; Kardari, *Manāḳib al-Imām al-A'zam*, Haydarabad, 1902, Vol. II, pp. 146 - 167; Ibn Qutlubughā (d. 879/1474), *Tāj al-Tarājim*, Damascus, 1992, pp. 237 - 240; al-Shirāzī (d. 476/1083), *Tabaqat al-Fuqaha'*, Beirut, n.d., p. 142; al-Nawawī (d. 676/1277), *Tahdhib al-Asmā' wa al-Lughat* Vol. I, Beirut, n.d., pp. 80 - 82; E. Chaumont, "Al-Shaybani", in *The Encyclopaedia of Islam* (New Edition), Vol. IX, Leiden, 1997, pp. 392 - 394.

¹¹ Beirut, 1986.

¹² *Ibid.*, p. 40.

¹³ Siddiqi, "Islamic Economic Thought", p. 16.

whereas Abū Yusūf's *Kitāb al-Kharāj* was originally addressed to the ruler at his times, advising him on public policy.¹⁴ Notwithstanding, these two important works give us a fairly comprehensive ideas of how Islamic economic living, individual as well as collective are envisioned from juristic point of view.

It is worthy to mention that al-Shaybānī perceived agriculture to be the best vocation whereas the contemporary Arab society has a preference for trade and commerce.¹⁵ In the other treatise, al-Shaybānī has mentioned *al-sharikah*¹⁶ and *al-mudārabah*¹⁷ which has been reported and analysed by Abraham L. Udovitch.¹⁸ The subject is regarded as the important alternative mechanisms in the operation of now-days Islamic banking and financial system.

Yahyā b. Ādam al-Qurashi (d. 203AH / 818 AD)

Yahyā b. Ādam al-Qurashi¹⁹ was one of the early jurist during Abbasid period who discussed public finance. His *Kitāb al-Kharāj*²⁰ is more of a compilation of Ḥadīth on the relevant subject matter. This was done during the reign of al-Ma'mūn of Abbasid Dynasty. This collection of Ḥadīths, anecdotes, legal precepts and aphorisms were arranged according to the different issues. *Kitāb al-Kharāj* of Yahyā b. Ādam deals, among others, with problems and laws of land taxation, land holding, cultivation, and the position of non-Muslim. In this book, various Ḥadīths were compiled on different issues such as *al-ghanimah*, *al-fay'* and the various taxes (including *al-khāraj*, *al-jizyah*, etc), the power of the Imām to decide of his discretion whether to distribute *al-ghanimah* (spoils of war) among those who captured it or to retain it for all Muslims, and problem on land owned by the conquered people which were left to them for the payment of *al-kharāj* and so on.²¹

¹⁴ *Ibid.*

¹⁵ Kifayatullah, "Economic Thought in the Eighth Century: The Muslim Contribution", *Voice of Islam*, (Karachi, March 1976), pp. 301 - 304.

¹⁶ *Kitāb al-Asl*, *Kitāb al-Sharikah*, Manuscript Dar al-Kutub al-Misriyyah, *Fiqh Hanafi* 34, folios 57b - 77b.

¹⁷ *Kitāb al-Asl*, *Kitāb al-Mudarabah*, Manuscript Dar al-Kutub al-Misriyyah, *Fiqh Hanafi* 491, folios 42 - 198.

¹⁸ *Partnership and profit in Medieval Islam*, Princeton, 1970, 26Ipp.

¹⁹ He is said to be born about 140 AH or soon afterwards in Kūfah and died about the middle of Rabi' al-Awwal of the year 203/818 in the farm al-Silh, near Wasit. Among his teachers were Sufyan al-Thawri and 'Abd Allah b. Al-Mubarak, and among others who studied under him were Ibn Hanbal and Ibn Abi Shaibah. See Ibn al-Nadim, *op.cit.*, p. 227; Ibn Sa'ad, *al-Ṭabaqāt al-Kubrā*, Vol. VI, Beirut, 1978, p. 281; J. Schacht, "Yahya b. Adam", *The Encyclopaedia of Islam* (First Edition), Vol. IV, Leiden and London, 1934, p. 1150.

²⁰ Edited by Aḥmad Muḥammad Shākir, Maktabah al-Salafiyyah, 1384 AH, 214pp [Translated into English by Ben Shemesh, *Taxation in Islam*, Vol. I, Leiden, 1958, 172pp].

To compare the judicial-oriented book written by Abū Yūsuf of *Kitāb al-Kharāj* and his contemporary, Yahyā's seems to be a compilation-oriented book. Abū Yūsuf's works focussed to his ability and analysis to derive legal rules, whereas to Yahyā b. Ādam, Ḥadīth authenticity and completeness were his strength.. In this connection, however, only forty of Yahyā's ḥadīth are to be found in the six authoritative collections of Ḥadīths, that is, those by al-Imāms al-Bukhārī,²² Muslim,²³ Abū Dāwud,²⁴ al-Nasā'i,²⁵ al-Tirmidhī²⁶ and Ibn Mājah.²⁷ However, Yahyā was known among historians as a trustworthy compiler and transmitter of Ḥadīth. He was a highly respected scholar during khalifah Hārūn al-Rashīd's reign and witnessed the birth of all the four school of Islamic Law.²⁸

Abū 'Ubayd al-Qāsim b. Sallām (d. 224 AH / 838 AD)²⁹

Abū 'Ubayd's *Kitāb al-Amwāl*³⁰ is a compendium on public finance in Islam comparable to Abū Yūsuf's *Kitāb al-Kharāj*. The Book opens with a brief chapter on "the ruler's right over the subjects and the subjects' right with regard to the ruler" followed by types of wealth which the rulers manage for the benefit of the subjects and their

²¹ Ahamed Kameel Mydin Meera, et al, "Al-Kharāj and Related Issues: A Comparative Study of Early Islamic Scholarly Thoughts and Their Reception by Western Economists" in AbulHasan M. Sadeq, et al (eds.), *Readings in Islamic Economic Thought*, p. 205.

²² Abū 'Abd Allāh Muhammad b. al-Mughīrah al-Bukhārī (d. 256 AH/870 AD), *Ṣaḥīḥ al-Bukhārī*, 9 Vols. (In 3), Beirut, 1981 [Tr. Into English by Muhammad Muhsin Khan, *Ṣaḥīḥ al-Bukhārī*, 9 Vols, Lahore, 1983].

²³ Muslim b. al-Hajjāj al-Qushayrī (d. 261 AH/875 AD), *Ṣaḥīḥ Muslim*, 18 Vols. (In 9), ed. With commentary and Index by Muḥammad Fu'ad 'Abd al-Bāqī, Cairo, n.d. [Tr. Into English by 'Abdul Hamid Siddiqi, *Ṣaḥīḥ Muslim*, 4 Vols. (In 8), Lahore, 1980].

²⁴ Sulaymān b. al-Ash'ath al-Ṣijistānī, Abū Dāwud (d. 275 AH/889 AD), *Sunan Abī Dawud*, 4 Vols., ed. Muḥammad Muḥyi al-Dīn 'Abd al-Hamid, Cairo, 1950.

²⁵ Aḥmad b. Shu'ayb al-Nasā'i (d. 303 AH/915 AD), *Sunan al-Nasā'i*, 8 Vols. (In 4), Cairo, n. d.

²⁶ Muḥammad b. 'Isa b. Thawrah al-Tirmidhī (d. 279 AH/ 888 - 889 AD), *Sunan al-Tirmidhī*, 5 Vols., ed. Muḥammad Fu'ad 'Abd al-Bāqī, Cairo, 1968.

²⁷ Abū 'Abd Allāh Muḥammad b. Yazid al-Qazwīnī, Ibn Mājah (d. 273 AH/886 AD), *Sunan Ibn Mājah*, 2 Vols., ed. Muḥammad Fu'ad 'Abd al-Bāqī, Cairo, n. d.

²⁸ Ahamed Kameel Mydeen Meera, "Al-Kharaj and Related Issues", p. 205.

²⁹ He was a grammarian, Qur'anic scholar and jurist, born at Harat about 154/770 and died in Mecca in 224/834, and to be buried in the house of Ja'far b. Abī Ṭalib. See Ibn al-Nadīm, pp. 71 - 72; al-Khaṭīb, *Tārīkh al-Baghdād*, Vol. XII, pp. 403 - 416; Brockelmann, Vol. I, p. 106. Supplement Band I, p. 166; H. L. Gottschalk, "Abu 'Ubayd al-Qasim b. Sallam", *The Encyclopaedia of Islam* (New Edition), Vol. I, Leiden, 1986, p. 157.

³⁰ Edited by Muḥammad Khalīl Haras, Beirut, 1986, 622pp.

bases in the al-Qur'an and al-Sunnah.³¹ The rest of the Book deals with the collection and disbursement of the three types of revenue, i.e. (1) *zakāt* (including 'ushūr), (2) one fifth of spoils of wars and from treasure troves, and (3) *al-fay'* which included *al-kharāj*, *al-jizyah* and other revenues such as property left without the heir, etc. It can be said that *Kitāb al-Amwāl* contains a lot of economic history of the first two centuries of Islam and also a compendium of authentic Ḥadīths from the Prophet Muhammad (SAW) and of Āthārs from the Companions and those who followed them on economic matters.³²

Al-Ḥārith b. Asad al-Muḥāsibī (d. 243 AH / 859 AD)³³

Al-Muḥāsibī wrote a number of seminar works on *tasawwuf* (sufism) which include a small book on ways of earning a livelihood.³⁴ In this book, al-Muḥāsibī says that one whose activities in seeking a livelihood are, as we described, for establishing the right and desists from violating the limits, set by Allah (SWT) in observing piety in trade and industry and all other activities such a man obeys Allah (SWT) and deserves appreciation by wiseman (*ahl al-'ilm*).³⁵ Al-Muḥāsibī also reports that withdrawal from economic activities as advocated by some people has nothing to do with true Islamic teachings. Then avoiding all profits or wages which involved doing something undersirable is emphasised by al-Muḥāsibī. A Muslim trader should has a good quality of ethical values such as sincerity and honesty, and engaging in business activities with the intention (*niyyah*) of helping other Muslims.³⁶

Abū al-Qāsim al-Junayd al-Baghdādī (d. 297 AH / 910 AD)³⁷

Al-Junayd was an eminent sufi who nevertheless, lived as a merchant of considerable

³¹ Siddiqi, "Islamic Economic Thought", p. 17.

³² Abū 'Ubayd, *op.cit.*, 600pp; Siddiqi, *op.cit.*, p. 17..

³³ Al-Muḥāsibī was one of the most prominent sufi from the school of Baghdad. He was born in Basrah but then removed to Baghdad and settled there. He became one of the greatest figures in the history of Islamic sufism. See Abū Nu'aym, *Hilyah al-Awliyā'*, Vol. X, pp. 73 - 109; al-Qushayri, *al-Risālah al-Qushayriyyah*, Cairo, 1959/1379, pp. 13 - 14; al-Subki, *Ṭabaqāt al-Shāfi'iyyah al-Kubrā*, Vol. II, Cairo, 1964, pp. 37 - 42; al-Khaṭīb, *Tārikh al-Baghdad*, Vol. VIII, pp. 211 - 216.

³⁴ Recently published under the title *al-Makāsib*, Cairo, 1984.

³⁵ *Ibid.*, p. 52; See also Siddiqi, *op.cit.*, p. 17.

³⁶ Al-Muḥāsibī, *op.cit.*, p. 75.

³⁷ He was a prominent sufi of the school of Baghdad and disciple of Šarī al-Saqāṭi, studied fiqh under Abū Thawr, and associated with Ḥārith al-Muḥāsibī with whom indeed he is said to have discussed during walks all kinds of questions relating to sufism. See A. J. Arberry, "al-Junayd", *The Encyclopaedia of Islam* (New Edition), Vol. II, Leiden and London, 1965, p. 600; A. H. Abdel-Kader, *The Life, Personality and Writings of al-Junayd* London, 1962.

means, most of which he spent on his sufi friends who were poor.³⁸ According to al-Junayd, the essence of tasawwuf teachings is to discard selfish motives, to cultivate spiritual qualities, to devote oneself to true knowledge, to do what is best in the context of eternity, to wish good for the entire community, to be truly faithful to Allah (SWT) and to follow the Prophet Muhammad (SAW) in the matters of *Shari'ah*.³⁹

Al-Māwardī (d. 450 AH / 1058 AD)⁴⁰

Abū al-Ḥasan al-Māwardī wrote a treatise entitled *al-Ahkām al-Sultāniyyah*⁴¹ which deals, among other things, with the duties of the ruler, public revenue and expenditure, public lands, common lands, and the state's prerogative to grant the lands and supervise the market. The market is to be supervised and managed by *al-muhtasib* in order to ensure correctness of weights and measures, prevent from fraud and deceit, and the traders and craftsmen follow the *Shari'ah*'s rules relating to transactions.⁴²

The second book written by al-Māwardī is *Kitāb Ādab al-Dīn wa al-Dunyā*⁴³ which focusses on behaviours, virtues and attributes of a good Muslim. This book also discusses about agricultural activities, animal husbandary, trade and industry as the four ways of earning.⁴⁴ Then he goes on to discuss the possible approaches to earn more than one needs with the intention of spending on good causes.⁴⁵ Besides these treatise, al-Māwardī has left a voluminous work on fiqh entitled *al-Hāwī*, a part of it has been published under the title *al-Mudārabah*.⁴⁶ The book (*al-Mudārabah*) is a comparative study of various schools of Islamic law on *al-mudārabah* (dormant partnership; *commenda*). Many issues on *al-mudārabah* has been discussed by al-Māwardī, for example, the owner of the capital good (*ṣāhib al-Māl*) contracting with an entrepreneur (*al-Mudārib*) to use it for productivity activity, the gains or profits is to be shared by both parties concerned according to the agreement. Al-Māwardī does not allow this contract following the majority of the jurists, even though some jurists

³⁸ Siddiqi, *op.cit.*, p. 17.

³⁹ Quoted in Abdul Haq Ansari, "The Doctrine of One Actor: Junayd's View of Tawhid", *The Muslim World*, Vol. LXXIII (I), January 1873, p. 37.

⁴⁰ Abū al-Ḥasan 'Alī b. Muhammad b. Ḥabīb al-Māwardī, a Shāfi'ī jurist, was born in Baṣrah in 364/974 and died in Baghdād on 30 Rabi' al-Awwal 450/27 May 1058 at the age of 86 years. See Ibn Khallikān, Vol. I, p. 410; Brockelmann, Vol. I, p. 386, Band I, p. 668; *Idem*, "al-Māwardī", *The Encyclopaedia of Islam*, Vol. VI (New Edition), Leiden, 1991, p. 869.

⁴¹ Beirut, 1983.

⁴² Siddiqi, *op.cit.*, p. 18.

⁴³ Beirut, 1979.

⁴⁴ *Ibid.*, p. 187.

⁴⁵ *Ibid.*, p. 201.

⁴⁶ Cairo, ed. 'Abd al-Wahhāb al-Sayyid al-Sibā'ī Hawas, n. d.

such as the Hanbalī school permit such a *mudārabah* contract, and it seems that the last opinion is to be more suitable for answering the needs of the modern times.⁴⁷

Ibn Miskawayh (d. 421 AH / 1030 AD)⁴⁸

Ibn Miskawayh wrote a treatise entitled *Tahdhīb al-Akhlāq*⁴⁹ as an attempt at synthesising.

Aristotle's view on the subject with the Islamic teachings. He discussed numerous economic insights in his works such as justice and the role of money in the economic activities.

In this regard he observed:

Men are by nature social. They cannot live without co-operation. Hence, they must serve one another. They take from one another and give to one another; so they demand suitable compensation. If the shoemaker utilises the services of the carpenter and gives his own services, it becomes the reward if the two works were equal. But nothing prevents from one's work being better than the work of the other. In that case, dinar will be the one to evaluate and equalise between the two (*al-muqawwim al-musawwi bainahumā*)⁵⁰

Ibn Miskawayh has a view that measuring rod of money is not perfect. It may therefore become necessary for the ruler, sometimes, to intervene with a view to ensuring justice between two parties in a transaction.⁵¹ In another treatise, Ibn Miskawayh also deals with gold money whose subject is justice, and he suggests that gold should be accepted as a medium of exchange in a transaction on reason that it becomes universally accepted by convention.⁵² This convention had a reason behind it, that is, the intrinsic qualities of gold, durability, convenience in carrying, incorruptibility and desirability by people.⁵³

⁴⁷ *Ibid.*, pp. 121 - 122.

⁴⁸ Abū 'Alī Ahmad b. Muhammad b. Ya'qūb, Ibn Miskawayh was born in Rayy around 320/932 and died in 421/1030, aged then a hundred. He was a famous philosopher and historian. For example see M. 'Izzat, *Ibn Miskawayh, Falsafātuh al-Akhlāqiyah wa Maṣādiruhā* Cairo, 1946; Abdul Haq Ansari, *The Ethical Philosophy of Miskawayh*, Aligarh, 1964; B. H. Siddiqi, "Ibn Miskawayh's Theory of History", in *Iqbal Review*, Vol. XII, 1963, pp. 71 - 80.

⁴⁹ Beirut, n. d.

⁵⁰ *Ibid.*, p. 110.

⁵¹ *Ibid.*

⁵² M. S. Khan, *An Unpublished Treatise of Miskawayh on Justice or Risalah fi Mahiyat al-'Adl li Miskawayh*, Leiden, 1964, p. 18.

⁵³ *Ibid.*, p. 19; Siddiqi, *op.cit.*, p. 19.

THE SECOND PHASE (450 - 850 AH / 1058 - 1446 AD)

The second phase of the development of Islamic economic thought started with a rich intellectual heritage upon which the Muslim scholars of this period were able to draw, besides being inspired directly by the al-Qur'an and al-Sunnah. In this period, the realm of Islam extended from Morocco and Spain in the west to India in the east, each region has a number of centres of intellectual activity especially in the Islamic economic thought. In this connection, the writer will only present three main figures and their contributions in this field which represent this phase and their region; al-Ghazali born in Khurasan in the east, Ibn Taymiyyah from Damascus and Ibn Khaldun from the Maghreb.

Al-Ghazālī (450 - 505 AH / 1058 -1111 AD)⁵⁴

Abū Ḥāmid al-Ghazālī's economic thinking is mainly revealed in his *magnum opus*, *Ihyā' 'Ulūm al-Dīn*, the seminal work on *usul al-fiqh*, *al-Mustasfā* and two other works, *Mizān al-'Amal* and *al-Tibr al-Masbūk fī Nasīhat al-Mulūk*.⁵⁵ In the chapter on *shukr* (gratefulness to Allah SWT), al-Ghazālī discusses the advantage of barter and the importance of money and its functions as a medium of exchange and as a common measure of value. Money was not to be demanded for its own sake, but as a mean for acquiring other objects of desire. Al-Ghazālī has a view that hoarding (*Kanz*) as misuse of money and as a factor responsible for preventing money from performing its proper functions in the society.⁵⁶ Al-Ghazālī looks upon economic activity, the search for profit, trade, and consequently production for the market with favour. In this regard He says:

It is believed that what *tawakul* means is abiding work (*kasb*) [the will to make one's own acts that are in reality performed by God] in one's body,

⁵⁴ Abū Ḥāmid Muḥammad b. Muḥammad al-Ṭūsī al-Ghazālī was born in 1058 at Tus near the modern Mashhad in Khurasan. He was the Shāfi'ī jurist and the greatest and most original thinkers of the Muslim philosophers and in the history of human thought. Al-Subkī, *Tabaqāt al-Shāfi'iyyah al-Kubrā*, Vol. IV, pp. 82 - 101, al-Ḥujwiri, *Kashf al-Mahjūb*, (tr.), R. A. Nicholson, *The Kashf al-Mahjūb: The Oldest Persian Treatise on Sufism*, New Delhi, 1991, pp. 173 - 174; 'Abd al-Rahmān Badawī, *Mu'allafat al-Ghazālī*, Kuwait, 1977, p. 21; M. S. Sheikh, *Studies in Muslim Philosophy*, Lahore, 1962, p. 112; S. M. Rahman, "al-Ghazzālī", *Islamic Culture*, Vol. I (1927), pp. 406 - 411; Margaret Smith, *Al-Ghazālī: The Mystic, a Study of Life and Personality of Abū Ḥāmid Muḥammad al-Ṭūsī al-Ghazālī* London, 1944, p. 14; W.M. Watt, "The Study of al-Ghazālī", *Oriens*, Vol. XIII-XIV, (1961), pp. 121 - 131; *Idem.*, "Al-Ghazālī", *The Encyclopaedia of Islam*, (New Edition), Vol. II, pp. 1038 - 1041; W. R. W. Gardner, *al-Ghazālī*, Madras, 1919.

⁵⁵ Siddiqi, *op.cit.*, p. 20.

⁵⁶ Siddiqi, *Recent Works On History of Economic Thought in Islam: A Survey*, Jeddah, 1982, p. 22.

abandoning in one's heart the capacity to organize, and letting one's self drop to the ground like a rag that is thrown away or like meat on a butcher's stall. This is what the ignorant believe, but it is forbidden (*haram*) by the Islamic Law.⁵⁷

Furthermore, "people are of three kinds", says al-Ghazālī in another place: those whose activity in making a living diverts them from the future life, and they are doomed to perdition; those whose concern with the future life diverts them from the activity needed to make a living, and they are the gainers; and those, finally, nearer to the happy medium, whose activity in making a living leads them towards the future life and they are the average run of people.⁵⁸

Al-Ghazālī approaches human conduct in the acquisition of money in terms of the golden mean. He advises seeking a mean between two excesses in all activities in order to cultivate the virtues of wisdom, temperance, courage and justice. He, therefore, recommends that individuals not seek wealth for its own sake, and that they not engage in commerce in search of great wealth but only to satisfy reasonable needs. This is as far as al-Ghazālī goes in dealing with ethics of the philosophers, and he returns to the precepts of the Shari'ah in treating exchange relations from the point of view of true believers, stating that one who must earn his living should know what is and is not permitted in matters of sales.⁵⁹

Al-Ghazālī condemns monopoly in business activity as it is an inherent source of disorder, and he suggests that gold and silver should be used as the medium of exchange and as the common measures of value. In this connection, al-Ghazālī vigorously condemns the issuing of debased money as illegal, comparing it to robbery. This sin, he says, will fall on those who issue it, and he advises anyone receiving a debased coin to interrupt its circulation by throwing it into a well in order to limit the damages.⁶⁰

Transactions involving interest (*ribā*) were in al-Ghazālī's view another example of harmful and improper uses of money. He points to the role of individual economic agents who must take the interest of the society into their consideration and avoid activities which are not socially acceptable such as the hoarding of essential goods. Al-Ghazālī also perceives corruption and oppression as factors leading to economic decline and a just government as a necessary condition for economic development and

⁵⁷ *Ihyā' 'Ulūm al-Dīn*, Vol. IV, Book 35, p. 228.

⁵⁸ *Ibid.*, Vol., I, Book 13, p. 56.

⁵⁹ Zohreh, *op.cit.*, pp. 119 - 120.

⁶⁰ M. Y. Essid, "Islamic Economic Thought" in *Pre-Classical Economic Thought*, ed. S. T. Lowry, Boston, 1987, p. 88.

prosperity.⁶¹ Al-Ghazālī discusses the importance of justice and government responsibilities towards its people in his *al-Tibr al-Masbūk fī Nasīhat al-Mulūk*.⁶² He says that religion is made firm by kingship, kingship by army and army by wealth, and wealth (is acquired) by making the country prosperous and flourishing, and this is achieved by justice. The contrary practice would cause the kingdom to be ruined and the people to flee to other countries and revenue to decrease.

Ibn Taymiyyah (661 - 728 AH / 1263 - 1328 AD)⁶³

Ibn Taymiyyah's ideas on economics are found in his works entitled *al-Ḥisbah fī al-Islām*,⁶⁴ *al-Siyāsah al-Shar'īyah fī Iṣḥāḥ al-Rā'ī wa al-Ra'īyah*⁶⁵ and *Majmū' Fatawā Shaykh al-Islām Ibn Taymiyyah*.⁶⁶ In his works, Ibn Taymiyyah as a social reformer, deals with the economic problems of his time, and a jurist, discusses them using terms such as forbidden, lawful, unlawful, etc. Using the two primary sources of Islamic jurisprudence, the al-Qur'an and al-Sunnah as his guidelines, Ibn Taymiyyah discusses and analyzes public duties takes him to such subjects as management of money, regulation of weights and measures, price control when necessary and those extraordinary circumstances that justified taxes over and above those provided in *Shari'ah*.

In the case of market regulations, Ibn Taymiyyah discusses the role of "market supervisor" (*al-muhtasib*) and the extent and nature of government duties. The state should enforce the Islamic code of conduct so that producers, traders and other economic agents adhere to honest and fair dealing in business activities. It should ensure market is free of practice based on exploitation and coercion of the weak and that it functions on the basis of fair competition between equals. Ibn Taymiyyah also says that it is the responsibility of the state to ensure that the basic needs of all members of

⁶¹ Umaruddin, 1962, pp. 200 - 202; S. H. Nadwi, "Al-Iqtā': A Historical Survey on Land Tenure and Land Revenue Administration in Some Muslim Countries With Special Reference to Persia," in *Contemporary Aspects of Economic Thinking in Islam*, American Trust Publication, 1976, p. 99.

⁶² English translation by F. R. C. Bagley, *Ghazali's Book of Council for Kings*, London, 1964, p. 48.

⁶³ Taqī al-Dīn Aḥmad b. Taymiyyah was born at Harrān in 661/1263 and died at Damascus in 728/1328. He was a Hanbali theologian and juristconsult. Belonging to a family which had already given to this school two well-known scholars, his uncle Fakhr al-Din (d. 622/1225) and his paternal grandfather Madj al-Din (d. 653/1255). See Ibn Kathir, *al-Bidāyah wa al-Nihayah*, Vol. XIV, pp. 136 - 137; H. Laoust, "Ibn Taymiyya", in *The Encyclopaedia of Islam*, (New Edition), Vol. I (2), pp. 951 - 955.

⁶⁴ Cairo, 1318 AH.

⁶⁵ Damascus, 1985.

⁶⁶ Vols. VIII, XX and XIX, Riyād, 1381 - 1383 AD.

society are fulfilled. The notion of “*price of equivalent*” as discussed by Ibn Taymiyyah forms the basic of “*reasonable profit*”. This is the price prevailing in the market free of coercion, fraud, monopoly and other malpractice in such a manner which is agreed to by both parties involved in a transaction.⁶⁷ It is different from the concept of “*just price*” prevalent in the Middle Ages. “*Price of equivalent*” is a pragmatic concept which can be determined by studying the market conditions. Monzer Kahf in his study concludes that Ibn Taymiyyah wanted to arrive at the price determined in a market free of imperfections and held that the price of labour was determined in the same way as the other prices.⁶⁸ Meanwhile, Prof. Siddiqi points to Ibn Taymiyyah’s economic ideas, by arguing that he had analytical grasp on how prices were determined in the market by the forces of supply and demand, and how monopoly by limiting the sources of supply could effect the “*price of equivalent*”. Ibn Taymiyyah was fully aware that labour’s wages were also determined in the same manner as prices of other commodities.⁶⁹ He also noted the incidence of indirect taxes and how their burden was shifted from the sellers who paid the tax to the consumers who had to pay a higher price for the taxed goods and merchandise.⁷⁰ Another contribution of Ibn Taymiyyah to Islamic economics is on profit-sharing agreements in such as *muḍārabah*, sharecropping, etc and asserts that a share contract is morally superior to a hire contract (*al-ijārah*) permissible under the same circumstances.⁷¹

Ibn Khaldūn (732 - 808 AH / 1332 - 1404 AD)⁷²

‘Abd al-Rahmān b. Muḥammad b. Khaldūn’s contributions on Islamic economics

⁶⁷ *Al-Ḥisbah*, pp. 14 - 30; *al-Siyāsah al-Shar‘iyyah*, pp. 12 - 18, 58 - 67.

⁶⁸ Monzer Kahf, “*The Economic Views of Taqiuddin Taimiyah (1263 - 1328): The Great Radical Reformist of the Islamic Middle Ages*”. 1973, Mimeo, 29pp.

⁶⁹ *Recent Works on History of Economic Thought in Islam*, p. 28; *al-Ḥisbah*, pp. 14 - 17, 19 and 22 - 23; *Fatawa*, p. Vol. VIII, p. 523.

⁷⁰ *Fatawa*, Vol. XIX, p. 253.

⁷¹ *Fatawa*, Vol. XX, p. 356; See also Siddiqi, *op.cit.*, pp. 21 - 22.

⁷² His full name was Walī al-Dīn ‘Abd al-Rahmān b. Muḥammad b. Muḥammad b. Abī Bakr Muḥammad b. Al-Ḥasan, Ibn Khaldūn, one of the strongest personalities of Arabo-Muslim culture during his period. He was born in Tunis on Ramadan 1st 731 AH (27th. May, 1332 AD) almost seventy years after Ibn Taymiyyah’s death. He was born into an influential and learned family. The date of his death was in 808 AH/ 1406 AD after had made such great intellectual contributions in many areas of learning that he is been hailed as the father of sociology, father of philosophy, historian of civilisation, and, recently, as the father of economic science. See M. A ‘Inan, *Ibn Khaldūn: Ḥayātuh wa Turāthuhu al-Fikr*, Cairo, 1933; Walter J. Fischel, *Ibn Khaldūn in Egypt: His Public Functions and His Historical Research (1382 - 1406), A Study in Islamic Historiography*, Berkeley, 1967, 165pp; Yves Lacoste, *Ibn Khaldūn: The Birth of History and the Past of the Third World*, London, 1984, 211pp; Aziz al-Azmeh, *Ibn Khaldun*,

thought is found in his famous works, *al-Muqaddimah*.⁷³ Ibn Khaldūn's superior handling of economic matters as compared to his predecessors has earned him a great reputation, so much so, that some have argued that Islamic economics began with Ibn Khaldūn.⁷⁴ Ibn Khaldūn wrote at the time what had once been the centre of medieval Islamic civilisation was in decline. A distinctive feature of Ibn Khaldūn's approach to economic problems, is his keenness to take into consideration the various geographical, ethic, political and sociological forces involved in the situation. He does not confine himself to the so-called economic factors alone. He would rather examine whatever forces he finds relevant to the issue under study.⁷⁵ It is in this context that one can appreciate his tendency to take a people's religious beliefs and traditions into account while discussing their economic behaviour and social institutions.

The vast scope of Ibn Khaldūn's economic thinking covers the theory of value, the price system, the law of supply and demand, production, distribution and consumption of wealth, money and capital, division of labour, capital formation and economic growth, slumps and trade cycles, international trade, population, public finance, taxation and economic responsibility of the ruler. Ibn Khaldūn has something to say on each one of these subjects, but before he makes a policy suggestion, he analyses what is happening. In doing so, he discovers that social and economic events follow certain laws.⁷⁶ It is his insight into the laws governing human behaviour and socioeconomic phenomena like growth and decline of population, rise and fall of prices, division of labour, etc, that distinguish him from many other social thinkers. Ibn Khaldūn always

London and New York, 1982, 176pp; S. M. A. Imam, *Some Aspects of Ibn Khaldun's Socio-Political Analysis of History*, Lahore, 1988, 78pp; M. Talbi, "Ibn Khaldun", *The Encyclopaedia of Islam*, (New Edition), Vol. I, pp. 825 - 831; Sule Ahmed Gusau, "Economic Thoughts of Ibn Khaldun", in *Journal of Islamic Economics*, Vol. III (1), (IIU, January 1993), pp. 61 - 61; R. Walzer, "Aspects of Islamic Political Thought: al-Farabi and Ibn Khaldun", in *Oriens*, Vol. XV, (1963), pp. 40 - 60; E. Gellner, "From Ibn Khaldun to Karl Marx", in *Political Quarterly*, Vol. XXXii, (1961), pp. 385 - 392.

⁷³ The *Muqaddimah*, literally means An Introduction to History, is a work of revolutionary ideas and uncommon scholarship, which sums up the achievements of historical Islam. Historian, Toynbee says, "*Muqaddimah is the greatest work of its kinds that has ever been created by any mind in any time or place*" See *A Study of History*, Vol. III, London, 1935, p. 322.

⁷⁴ See J.J. Spengler, "Economic Thought of Islam: Ibn Khaldun", in *Comparative Studies in Society and History*, Vol. VI, 1963 - 64, p. 283.

⁷⁵ Ibn Khaldūn did not differentiate the economy from other analytically specifiable components of the Islamic societal system within which the economy was embraced. His primary concern was not the economy or economic analysis as such, but the development, illustration and application of a general science of culture that was intended to explain the behavior over time of interrelated economic and non-economic phenomena. See *Ibid.*, p. 304.

⁷⁶ Zohreh Ahghari, *op.cit.*, p. 131.

follows an extremely logical pattern. His reference to “the dictates of reason as well as ethics” shows that he considers economics both as a positive and normative science.⁷⁷ It seems that the unique nature of Ibn Khaldūn’s economic thought resemble many modern economic theories. However, for the purpose of this article, the writer will only highlight some of those theories as mentioned in the *Muqaddimah* such as the market system, macro-economics and the role of money in the economy.

In the case of market system, Ibn Khaldūn says that human needs in an urban society are of three kinds; necessities, conveniences and luxuries,⁷⁸ whose supply and demand rise progressively with the development of society. The degree of response is greater for conveniences than necessities, and for luxuries than conveniences. Since labour is the source of all gain, the larger the population in a state, the greater is the specialization of labour in crafts and industry, the higher is the productivity of labour and hence the supply of goods and services.⁷⁹ Value is determined by the labour input both direct and indirect through “*acquired capital*”. Price is determined from supply side by cost of labour, duties, taxes and other expenses, and from demand side by the size and intensity of desire of the city dwellers.⁸⁰ On supply side relative to demand, price is effected by scarcity of goods. Ibn Khaldūn says, “*When goods are few and rare, their prices go up*”, when goods are “*found in large quantities...price will go down*”.⁸¹ Thus Ibn Khaldūn conceived the essence of modern economics, i.e. the “market system” where the motivating force is profit which directs economics life through the price mechanism. It is encouraging to note that in term of discovering the market system, Ibn Khaldūn precedes Adam Smith.⁸²

Classical economists such as J. B. Say says that the economy is in constant full employment when aggregate supply and demand match each other. In the same way, Ibn Khaldūn looks at the economy in a macro-sense and says, “*Income and expenditure balance each other in every city... and if both income and expenditure are large.... The city grows*”.⁸³ Ibn Khaldūn also notices, in the Keynesian sense, the importance of demand side particularly government expenditure in order to avoid business slumps

⁷⁷ Reference is made throughout this section to Ibn Khaldun, *The Muqaddimah*, translated by Franz Rosenthal, 3 Vols., New York, 1967.

⁷⁸ *Ibid.*, Vol. II, p. 27ff.

⁷⁹ M. Abdus Satar, “*Ibn Khaldun’s Contribution to Economic Thought*”, in *Contemporary Aspects of Economic Thinking in Islam*, American Trust Publications, 1980, p.111.

⁸⁰ *The Muqaddimah*, Vol. II, pp. 277 - 278.

⁸¹ *Ibid.*, p. 338.

⁸² Abdus Satar, *op.cit.*, p. 111.

⁸³ *The Muqaddimah*, Vol. II, p. 275.

and maintaining economic development.⁸⁴ The size of the market is the size of demand for goods and services and “*the government serves as the greatest market place.....the government ...pours its money into them, like the water (of a river) that makes green everything around*”.⁸⁵ As a result, if government stops spending, business slumps and commercial profits declines because of the shortage of capital. Revenues from the land tax decrease because of the shortage of capital.⁸⁶ Ibn Khaldūn also says that land tax and taxation (in general) depend on cultural activities, commercial transactions, business prosperity, and peoples’ demand for gain and profit....If government’s business slumps and the volume of trade is small, the dependent will naturally show the same symptoms, and to a greater degree. Moreover, money circulates between subjects and ruler, moving back and forth. Now, if the ruler keeps it to himself, it is lost to the subjects”.⁸⁷

While discussing about the role of money, Ibn Khaldūn says that money serves as a store of value and a standard of exchange. His idea is not far from the modern concept of money. He regards the importance of gold and silver, the units of money,⁸⁸ “as the measure of value of all capital accumulation”, and as the standard of exchange as, “all other things are subject to market fluctuations, from which (gold and silver) are exempted”.⁸⁹

THE THIRD PHASE (850 -1350 AH / 1446 - 1932 AD)

The third phase starts in the middle of ninth hijri or in the middle of fifteenth gregorian century, ending in the middle of fourteenth hijri or the twentieth gregorian century. In this phase, the independent thinking has already yielded to decline and stagnation. However, there is a fresh stirring during the last two hundreds years in which a number of reformers and thinkers called for a return to the al-Qur’an and al-Sunnah for guidance. Generally speaking, the *fuqahā’* and thinkers in this phase were content with elaborating to the works of their predecessors and issuing *fatāwā* in line with the standard rules of their respective schools.⁹⁰ In this connection, the writer will only highlight the contributions of Shāh Walī Allāh al-Dehlawī and Muhammad Iqbal.

⁸⁴ *Ibid.*, pp. 102 - 111.

⁸⁵ *Ibid.*, p. 287.

⁸⁶ *Ibid.*, pp. 103 - 103.

⁸⁷ *Ibid.*

⁸⁸ *Ibid.*, p. 340 ff.; se also Muhsin Mahdi, *Ibn Khaldun’s philosophy of History*, Chicago, 1957.

⁸⁹ *The Muqqadimah*, Vol. II, p. 313

⁹⁰ Siddiqi, *op.cit.*, p. 23.

Shāh Walī Allāh al-Dihlawī (1114 - 1176 AH/1703 - 1762 AD)⁹¹

Shāh Walī Allāh's ideas on Islamic Economics is found in his works, *Hujjah Allāh al-Balighah*.⁹² In this works Shāh Walī Allāh explains the rational of *Shari'ah* for personal conduct and social organisation. According to him man being social by nature and the key to his well-being is found in the principle of co-operation⁹³ which takes various forms such as contracts, exchange, profit-sharing, sharecropping, etc. He also mentions some activities which are prohibited by *Shari'ah* and violate the concept of co-operation such as gambling and *riba*.⁹⁴ Furthermore Shāh Walī Allāh elaborates that gambling and *riba* do not make any contribution to the development of civilisation, but they will contribute to the destruction of wealth and disputes in the society.⁹⁵

In the case of natural resources and within the concept of co-operation, Shāh Walī Allāh suggests that land, for example, should be shared among the Muslim ummah equitably. He says, "And land is, in fact, like a mosque or a resting place dedicated to way-farers. They are to share it on the basis of first come, first served. The meaning of ownership with respect to men is (only) one's being more entitled to utilisation than others".⁹⁶ In the case of public finance, Shāh Walī Allāh observes that government should look after defence, law and order, ensuring justice, etc, and that it undertakes some public works like building roads and bridges. Taxes should be collected by government in order to meet the cost of administration of the states and to undertake such common expenditures which many people can hardly afford.⁹⁷ How-

⁹¹ The popular name of Quṭb al-Dīn Aḥmad Abū al-Fayyād, an Indian-Muslim thinker, theologian, pioneer Persian translator of the al-Qur'an and traditionalist. He was born in 1114/1703 at Dihli four years before the death of Awrangzib. He was the principal of the religious college, *Madrasah Raḥīmīyyah* at Dihli which was founded by his father, Shāh 'Abd al-Rahim. The author of more than forty works including *Hujjah Allāh al-Balighah*, his *magnum opus* and *al-Musawwā*, a commentary on the *al-Muwaṭṭa'* of Malik b. Anas, died in 1176/1762. See Siddiq Hasan, *Ithāf al-Nubalā'*, Cawnpore, 1288/1871, p. 1448; *Idem*, *Abjād al-'Ulūm*, Bhopal, 1295/1878, p. 912ff; Brockelmann, Vol., II, p. 48; Zubayd Ahmad, *Contribution of India to Arabic Literature*, Allahabad, 1946, pp. 28 - 31; Yusuf Husayn *Glimpses of Medieval Indian Culture*, Bombay, 1957, pp. 60 - 63; F. Rahman, "The Thinker of Crisis: Shah Wali Allah", in *Pakistan Quarterly*, (Karachi, 1955), pp. 44 - 48; Muhammad Ishak, *India's Contribution to The Study of Hadith Literature*, Dacca, 1955, pp. 172 - 178; Muhammad Da'ud Rahbar, "Shah Wali Allah and Ijtihad" in *Muslim World*, October 1955; "Al-Dihlawi", *The Encyclopaedia of Islam*, (New Edition), Vol. II, 1965, London and Leiden, pp. 254 - 255.

⁹² 2 Vols., Beirut, n.d.

⁹³ *Hujjah Allāh al-Balighah*, Vol. 2, p. 69.

⁹⁴ *Ibid.*, p.106.

⁹⁵ Siddiqi, *op.cit.*, p. 24.

⁹⁶ *Ibid.*, p. 103; Siddiqi, *op.cit.*, p. 24.

⁹⁷ *Hujjah*, Vol.2, p. 39.

ever, such taxation should be confined to the need of the state and to be levied to those who have the ability to pay.⁹⁸

In his works, Shāh Walī Allāh found two factors that contribute to the decline of the Muslim countries. Firstly, the government was burdened with the financial support of many non-productive functionaries like poets, saints and those who posed like fighters. Secondly, the heavy taxes imposed on those who are economically poor such as cultivators and craftsmen. This burden will ultimately destroying them and create resistance against the government.⁹⁹

Muhammad Iqbal (d. 1356 AH / 1938 AD)¹⁰⁰

As colonial powers swept across the world of Islam throughout the 19th century, Muslim intellectual including Iqbal responded over the cause of the decline of the Muslim ummah. Iqbal who is called as "*The poet of the east*" underlined the weakness of the two systems, i.e. capitalism and communism and mentioned the virtues of the middle path that Islam opened and urging the Muslim Ummah to follow it as a code of life. Iqbal was deeply concerned with the fate of labourers, the peasants and other weaker sections of the society. He strongly regarded the capitalism and communism to be alien to Islam and urged the establishment of social justice to be one of the most important duties of Islamic state and perceived that *zakāh* was to be the cornerstone of Islamic economic policy.¹⁰¹

CURRENT PHASE (1350 AH / 1932 AD UNTIL NOW)

As has been mentioned earlier, the writings on the economic philosophy of Islam and its superiority over the capitalist and communist systems, laid the ground for an "Islamic approach" to economics. The modern institutions of banking, insurance, joint

⁹⁸ *Ibid.*, Vol. 1, p. 46; Vol. 2, p. 40.

⁹⁹ *Ibid.*, Vol. 1, p. 45; Siddiqi, *op.cit.*, p. 25.

¹⁰⁰ He was an Indian philosopher, poet and politician. Sir Muhammad Iqbal studied at Government College, Lahore, at Cambridge University, and at the University of Munich. He practised law and was a President of the Muslim League. He wrote poetry in Urdu and is the author of many works on religious-reform and self-advancement. See *The Concise Encyclopaedia of Islam*, London, 1989, pp. 190 - 191; *The Encyclopedia of Americana*, Vol. XV, Connecticut, 1991, p. 367.

¹⁰¹ Siddiqi, *op.cit.*, p. 25; See also H. H. Bilgrami, *Glimpses of Iqbal's Mind and Thought*, Lahore, 1966; Siddiqi (1982), "*Recent Works*", pp. 45 - 46; A Farooqi, "*Islamic Socialism and Iqbal*", *Iqbal Review*, Vol. XV (1), 1974, pp. 1 - 7; S. A. Rahman, *Iqbal and Socialism*, Karachi, 1974, Iqbal, *The Reconstruction of Religious Thought in Islam*, Lahore, 1965, p. 147; Aidit Ghazali, "*Sir Muhammad Iqbal*", in *Islamic Thinkers on Economics, Administration and Transactions*, Vol. I, Kuala Lumpur, 1991, pp. 178 - 190.

stock companies, stock exchange, taxation, etc called for a review and they could be legalised based on *Shari'ah* principles, necessitated a search for alternatives. As an effect, many *fuqahā'* and some Islamic economic scholars produced a number of works and researches on science of Islamic economics, for example, the concept of economic enterprise, ownership, concepts of production and development, public finance such as *zakāh* and *'ushūr*, social security, industrial relations, and banking and insurance. All these subjects were discussed in some detail. Moreover, during the sixties and seventies, a number of Islamic economic scholars wrote a lot of analytical works on consumption, production, exchange, profit and loss sharing, *zakah*, the role of the government in economics, prohibition of interest, etc. These works could be regarded as the new discipline of "*Islamic economics*"¹⁰² and has been discussed by Prof. Siddiqi at the First International Conference on Islamic Economics, held in Makkah in February 1976.¹⁰³ This conference also ushered in a new era in Islamic economics thought as it carried the subject in the Muslim academia the world over. Islamic economics is being taught as a subject at a number of universities over the world including at Academy of Islamic Studies, University of Malaya. Some of these universities accepting the Master and doctoral dissertations on the related subject in Islamic economics.

CONCLUSION

As a conclusion, it can be said that *Fuqahā'* as well as Muslim economists have made a great contributions in the development of Islamic economics thoughts throughout the centuries. Islamic economic thought in the past has been mostly of the nature of policy studies. It is hope that more careful surveys of the original works of eminent Islamic thinkers by Muslim scholars and economists will explore more analytical material. A comprehensive statement of the related subjects on Islamic economics and its distinctive features, has, therefore, to await further research.

¹⁰² Siddiqi, *op.cit.*, pp. 25 - 26.

¹⁰³ The conference was organised by the Center of Research in Islamic economics, King Abdul Aziz University, Jeddah.