



# Expanding the Frontiers of Economics: Some Insights from the Qur'anic Revelation<sup>1</sup>

Muhammad Akram Khan

**Abstract:** The primary sources of economics are human thinking and observation through sense-perception. Economics does not accept any super-sensory source as a valid field of enquiry. However, divine revelation granted to Prophets by God, is a source of knowledge that deals with wide-ranging issues including the economic problem. The main argument of the paper is that by integrating human understanding of the divine revelation with conventional economics, existing frontiers of the subject can be expanded. Although the divine revelation is found in the basic texts of all revealed religions, yet the present paper deals with the Islamic primary sources (the Qur'an<sup>2</sup> and the hadith<sup>3</sup>) only. The paper enumerates, by way of example, six problem areas where the Qur'anic revelation can give a lead. These areas are: inequality, human happiness and unhappiness, economic balance, philanthropy, financial crises and stock exchange instability, and waste in human society. However, such a conclusion would firstly require overcoming prejudice against religion and non-conventional fields of enquiry.

**Keywords:** Revelation and Economics; Religion and Social science; Qur'an on Distribution of Income and Wealth; Qur'an on Happiness; Economic Equilibrium; Financial Crises; Foreign Exchange and Stock Exchange Instability; Consumer Behaviour in Islam

**JEL Codes:** B59, D31, D63, F64, H53, I39, Q53, Z12

## Introduction

### *Revelation as a Source of Knowledge*

Economics as a social science is based on knowledge acquired through human thinking and sense-perception (Zaman, 2013, p. 5). It does not accept religion as a valid source for understanding the economic problems. In fact, the economists

@ Ex-Deputy Auditor General, Pakistan. makram1000@gmail.com



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contend that religion and economics are two different fields of enquiry with no common ground. Several economists have argued for separation of religion from economics.<sup>4</sup> For example, Boulding (1968, p. 187) thinks that the religion deals with subjects like God, prayer, worship, grace, salvation, communion, justification, and the likes which are manifestly different from economics. This is in line with the general revolt against religion after the *Reformation* (1517-1648) in Europe. However, this is an extremely limited perception of religion when we take a deeper look on the total canvas of the subjects discussed in all revealed religions which, no doubt, trace their origin to the revelation from God but deal with various socio-economic aspects of life as well. Besides spiritual development, they also deal with material welfare of human beings although the routes of material prosperity advocated by religion and economics may differ. This, for example, is true about Judaism, Christianity and Islam. It is not fair to say that religion deals only with some metaphysical aspects of life, as contended by Boulding. The present paper argues that economists can gain useful insights by understanding and interpreting the content available in the form of revelation. It does not plead for replacing economics. It only points to additional dimensions of knowledge, obtained through revelation-based insights, which can add, extend and deepen our understanding of the economic problem. This is in line with the position taken recently by some economists like Nelson (2014, p. 57) who pleads for incorporating religion into economic policy analysis, though it would require a major methodological change in the existing body of economics.

### **What is Revelation?**

By revelation we mean the source of divine knowledge revealed by God to His apostles since the inception of humanity. The Qur'an says (Q. 42:51-52, 53:10<sup>5</sup>) that God uses three methods of sending His revelation upon his chosen people (like apostles): (a) sudden inspiration; (b) by a voice from behind a veil; (c) through an angel. It further says that for revelation to Prophet Muhammad (pbuh<sup>6</sup>), all three methods were used.

Adam (AS<sup>7</sup>) was the first human being and the first apostle. At the time of Adam (AS)'s birth and apostle-hood, the whole earth was barren and undeveloped and his main assignment as God's vicegerent was to develop the earth as habitat for the human beings. Besides spiritual and ethical teachings that all prophets preached, Adam (AS) and his successor apostles were also responsible for guiding the human beings in ways and methods of physical living. All apostles in their respective geographical areas provided guidance to the human beings about practical arts

and sciences such as agriculture, food, diseases, medicine, use of metals, designing of tools and weapons, etc. Each apostle added to the existing stock of knowledge in physical and social lives of the people he addressed. By the beginning of the 7<sup>th</sup> century when Muhammad (pbuh), the last of all apostles, presented his message, the total stock of human knowledge had evolved to a stage where it required minimal guidance for physical dimensions of life. The humanity had reached its adolescence from the time of infancy since Adam (AS)'s birth.<sup>8</sup> The human beings could now lead their daily life considering their experience, accumulated knowledge and rational thinking. However, only a few areas still required guidance from God. These were the areas where the likelihood of arriving at a balanced and moderate approach through human endeavors was minimal and the risks of error were significant. Only in those areas, the Prophet of Islam provided guidance in the light of revelation he received from God.

### ***Revelation and the Qur'an***

The revelation received from God was compiled and preserved by Muhammad (pbuh) himself during his life-time in the form of Qur'an. His successors made sure that the original script was copied and circulated among later generations as it exists today. The Qur'an as compiled by Muhammad (pbuh) is available at present verbatim as revealed by God. There has been no change or modification in the original text. The revelation of the Qur'an is a continuation and climax of all divine revelations which have been going on since the dawn of human consciousness. All apostles of God received revelation according to the needs of their times. The Qur'an is the latest and the most comprehensive of all of these revelations and is relevant for all times to come.

The latest compilation of revelation, thus, is available to humanity in the form of Qur'an. There is a large accumulation of literature consisting of sayings, actions and approvals of the Prophet (pbuh). It is known as *hadith*. A lot of guidance and wisdom can be distilled from this source of knowledge as well.

The Qur'an repeatedly stresses the unchanging sameness of the spiritual and moral principles underlying all revealed religions (Q. 21:92, 23:52, 42:13, 53:56). It emphasizes that in its wider and general sense all revealed religions are the same and invite human beings to the same truth. Although in this paper we are focusing on the revelation received by Prophet Muhammad (pbuh), yet a similar exercise is possible and may be even necessary with respect to other revealed religions. For example, primary texts of Judaism and Christianity are also available and huma-

nity can benefit from these divine sources of knowledge as well. The Qur'an deals with all important matters relating to living in a civilized society. Most of its guidance is in ethical and spiritual framework, though it does provide guidance relating to physical and financial matters as well.

### ***Revelation as Economy of Human Effort***

People can learn about various socio-economic issues through thinking and experimentation. It is possible that the humanity may find the same solution, through rational thinking and experimentation, which the revelation had provided. The humanity has learnt, through hard way and over centuries, many lessons which have now become commonplace and generally acceptable. These lessons are also supported by the divine guidance. Examples are consensus on equality of human beings, accountability for all, respect for property rights, women rights, safety net for the poor, documentation of business dealings, government's responsibility toward the governed, restraint on economic power, governance through consultation, etc. Many lessons have been learnt by the humanity over centuries through a process of hit and trial and at huge cost. These lessons could have been learnt by the humanity at a much smaller cost, and in a shorter span of time had it paid heed to the guidance from the revelation. Unfortunately, after revolting against religion post *Renaissance* (14<sup>th</sup>-17<sup>th</sup> centuries), the humanity had to discover such principles of civilized living by treading a roundabout and circuitous route.

In brief, the revelation is a source of knowledge that helps human beings in finding solutions to problems<sup>9</sup> in a shorter time and with much less effort than they would require without it. *It is, in fact, an economy of human effort.* The Qur'an itself says: "And it rests upon God alone to show you the most economical path while there are many zigzag routes." (Q. 16:9). Most of the above-mentioned achievements could have been possible at a much lesser cost and effort had the humanity heeded to the guidance from the revelation. This very fact encourages us to invite the humanity to see what the revelation offers in solving the contemporary economic problems.

### ***Revival of Interest in Religion among Social Scientists***

It is encouraging to note that interest on the inter-relationship of religion and economics is reviving centuries after Adam Smith wrote his *Theory of Moral Sentiments* (1759).<sup>10</sup> Innaccone noted in 1998 (p. 1465) that since 1970s, dozens of economists and sociologists, 'armed with tools of economics and a large body of data' have written nearly 200 papers on economics and religion. Iyer (2015, p. 10)

says that since 1700s scholars like Galileo, Voltaire, and Mark Twain have been forecasting extinction of religion but it has not died; instead, its influence has only increased over time. He (2015, p. 4) also mentions Hungerman and Chen (2014) that during the last one decade there has been a six-fold increase in the number of papers on economics of religion. Ewest (2015) notes reemergence of interest in religious beliefs and accounts for recent philosophical shift in the organizational life away from secularism and technical competence to spirituality. Welch and Mueller (2001) argue that even though religion and economics, being concerned with human problems and human welfare, have a complex relationship, there are areas where the two disciplines can converge and benefit from each other. However, Iyer (2015, p. 63) endorses Innaccone's (1998, p. 1490) point that economics of religion research had some gaps. One of these gaps was that it 'had sidestepped the substance of religion and had not given enough thought to using broader conceptions of religion into formal models'. The present paper intends to fill this gap by pointing to the role of revelation in expanding the scope and approach of economics.

## Potential Areas of Contribution by Revelation

In the following discussion, we shall point to six potential areas where the revelation of God provided in the Qur'an could help cover mileage in understanding various economic problems. These areas are only indicative. A deeper reflection and consultation process can point to more of similar areas. This is part of what, we can say, Islam offers to humanity. On the one hand, guidance from the revelation can help expand the frontiers of economics and on the other, methodology of economics, using hypothesis formulation and testing, can contribute to a scientific study of religion.

### ***Inequality***

Inequality in terms of opportunities for social and economic progress is a subject of several recent studies (Fabrizio *et al.*, 2017). Its various dimensions are also subject of further research. Inequality can be seen in various shades and dimensions. It can be inequality of income and wealth among individuals, business enterprises, and regions of a country or among different countries. Economists are exploring reasons for economic inequality and have proposed vast ranging policy measures for minimizing its impact. However, the conventional economic analysis tackles the subject considering various socio-economic variables such as differences in in-born faculties, family traditions, educational opportunities, climate and physical

environment, development infrastructure, ease of doing business, protection of property rights, laws and governance practices, taxes and subsidies, use and misuse of economic power, political rent-seeking and inheritance laws, etc.

*Spiritual dimension of inequality*

Since economics does not accept any knowledge beyond sense-perception it does not cover spiritual dimension of inequality although it contributes significantly in generating inequality among people. The Qur'an discusses the subject of human inequality at length in a spiritual perspective. It points to inequality in terms of differences in *rizq*, which literally means 'provisions' or 'means of sustenance' but has a much wider connotation. The *rizq* covers not only income and wealth but also such intangible factors as health, knowledge, family life, peace of mind, social respect and honor, and ease of living, etc.<sup>11</sup> The Qur'an discusses variations in *rizq* among human beings and relates them to inborn differences as well as to ethical dimension in human behaviour. It refers to two extreme kinds of persons having *rizq* 'beyond any reckoning' besides most of the common people who have it in varying degrees. We can imagine two extremes of a continuum on each end of which are visible minority of people having wealth beyond reckoning. In between these two extremes are ordinary people with various levels of income and wealth.

The two extreme models are: (a) people who acquire wealth through lawful and ethical means, like, for example, King Solomon (1010-931 BC)<sup>12</sup>; and (b) the other who acquire it through criminal and unethical means like, for example Qarun (Biblical name, Korah)<sup>13</sup>, one of the people of Prophet Moses (AS). Examples of such characters can be found even in the present world. In between these two extremes are most of the people who acquire wealth by intermingling ethical and unethical behaviour in varying degrees and at various points in time. The divine scheme of distribution of *rizq* combines many social-economic factors (covered by economics) and spiritual factors (not covered by economics) and determines the entitlement of a person for the *rizq*.

The study of inequality in the Qur'anic framework can open new areas for research in economics. For example:

- At present level of our knowledge we yet do not know the exact role that each spiritual factor plays, in combination with various socio-economic factors, in determining the entitlement of the *rizq* of a person.
- It would be a serious challenge for economists to explore the divine scheme of distribution of *rizq*, simultaneously considering empirical and spiritual factors.

The spiritual factors have both positive and negative dimensions. On the positive side, the examples of spiritual factors are philanthropy, gratitude, truthfulness, integrity, patience, contentment, trust in God, etc. On the negative side, examples of the spiritual factors are oppression, arrogance, dishonesty, corruption, fraud, persecution of the weak, ingratitude and self-conceit.

- It would require hypothesizing and testing about the distribution of *rizq* among people and across economies considering socio-economic and as well as spiritual factors, positive as well as negative, in the behaviour of people. Several long-term studies may be launched to collect cross-country data for large samples and over extended periods for understanding the role of ethical behaviour in the distribution of *rizq*. The research will help us understand the divine scheme of the *rizq* which is also a contributing factor to inequality.

Once we understand the divine scheme for the distribution of *rizq*, considering various socio-economic factors along with human ethical behaviour, we shall have more realistic understanding of the prevalent inequalities. It would then be possible to design appropriate public policies to bridge those inequalities.

### ***Human Happiness and Unhappiness***

#### *Human well-being (the Falah)*

A related problem is human well-being which leads to human happiness. Economists are now arguing that inequality should be seen in the broader context of human well-being rather than as mere inequality of income and wealth. In this regard, a landmark is the *World Happiness Report (WHR)* [the Report] which is regularly being published since 2012 under the auspices of the United Nations. The latest report in this series came out in March 2017. The WHR 2016 crystallized and refined the concept of human happiness. The Report focuses on six variables for measuring happiness levels of different countries (WHR 2016, p. 14). These criteria are as follows:

- Gross domestic product (GDP) per capita
- Healthy life expectancy - freedom from disease
- Social support - assurance that there will be support from family, community or government should there be a financial emergency
- Freedom to make life choices
- Generosity and philanthropy and spending on others
- Freedom from corruption, trust and good governance

The Report has broadened the concept of human well-being by including the above-mentioned six variables in the concept of happiness. These variables are much more than mere material well-being of the people. The *World Happiness Report 2017* has refined this classification further. It treats the first two variables [(a) and (b) above] as *economic foundations* of well-being as they are generally considered to be fundamental goals of development. It classifies the other four variables [(c) to (f) above] as *social foundations* of well-being.

The World Happiness Report series is a valuable extension in the conventional economic studies. It has opened new vistas of knowledge to approach human well-being. It indicates the strategy for enhancing well-being by improving *social foundations* of happiness. The main message of these reports is that by changing the focus from *income* to *happiness* we can increase the number of ways human well-being can be increased. That lends a greater importance to *social foundations* of happiness. On the contrary, the WHR (2017, p. 38) candidly recognizes that “much more research is needed to fully understand the interplay of factors that determine the social foundations of happiness and consider alternative ways of improving those foundations”.

The concept of happiness presented in the report falls short of the concept of happiness presented by Islam in the form of human well-being (*falah*), which adds a spiritual dimension to the concept of physical happiness. Of the six happiness variables in the report, *social support*<sup>14</sup> *philanthropy*<sup>15</sup> and *freedom from corruption*<sup>16</sup> three spiritual variables and to that extent the report brings the concept of happiness closer to the Islamic concept of *falah*.

It seems that the economists are gradually getting closer to the Islamic concepts of *falah* (human well-being) and *hayat tayyeba* (happy life). It is difficult to translate the Arabic term ‘*falah*’ appropriately. ‘*Falah*’ literally means to thrive, become happy and have luck or success. In the Islamic parlance, it means success in this life as well as in the hereafter. We have discussed the concept of *falah* elsewhere (Khan, 2013, p. 119) where we illustrated it with the help of a pyramid (reproduced below). The bottom most level of the pyramid consists of “capitalism”. On this base are higher tiers of (a) faith and righteous deeds; (b) spiritual purification; and (c) spiritual consciousness, leading to (d) *falah*. In this perspective, *falah* refers to a comprehensive concept of human well-being which starts from material welfare as in capitalism but has add-on spiritual factors for arriving at its culmination. Since the Report has related happiness to six variables which extend the narrow concept of well-being that revolves around maximization of utility, we can adopt this concept of happiness as our starting point for understanding the Islamic concept of *falah*.

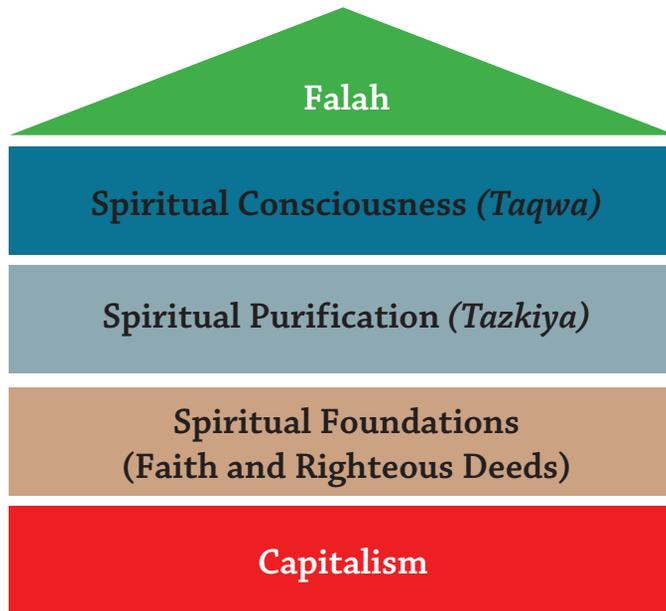


Fig.1 The path of *falah*

'Happiness studies' in the framework of capitalist societies focus on human beings 'having more and more' of material goods and comforts. The Islamic concept of *falah* does not negate having more of material goods and comforts however it focuses on developing human personality in the spiritual and ethical sense. In brief, instead of 'having more and more', it refers to 'being more and more'. The Islamic concept of *falah* adds three steps in the concept of 'happiness' in the capitalist framework (Q. 22:77, 23:1-9) (Fig 1):

- a. *Faith and righteous deeds*: *Faith* means belief in One Omnipresent and Omnipotent God and belief in Resurrection after death and accountability on the Day of Judgment. *Righteous deeds* refer to such traits of character as being humble and persistent in prayers, truthful, keeping promises, honouring commitments, respecting other's property, being fair and just in dealings, discarding frivolities, and safeguarding sexual chastity etc. The broad expression of 'righteous deeds' also encompasses the three variables of happiness – *social protection*, *generosity* and *freedom from corruption* – mentioned in the Report. Overall it is a much wider concept and covers all positive acts in personal social, political, environmental and legal contexts.

- b. *Spiritual purification (tazkiya)* acquired through moral virtues like philanthropy, gratitude, humility, contentment, trust in God, patience, sacrifice, and moderation in all matters
- c. *Spiritual consciousness (taqwa)* is attaining a spiritual condition where one always feels presence of God, accountability before God and respect for other's rights.

*Falah* can be attained through a long-drawn educational and training process. A government can also contribute to the individual achievement of *falah* by good governance and strong regulatory regime. *Falah*, includes growth on the spiritual path both at the individual level as an entity as well as a member of society. The Islamic concept of *falah* takes humanity many steps further on the path of well-being. It does not stop at the physical and mental happiness. Besides physical and mental peace, it leads human beings to the path of spiritual peace as well.

#### *Happy life (hayat tayyeba)*

The Qur'an discusses a related concept of happy life (*hayat tayyeba*) at various places (e.g. Q. 10:62-64, 13:29, 16:30, 16:97, 22:77, 28:67, 30:38, 31:4-5, 91:9-10, 92:5-7). The Qur'an relates happiness to faith in One God and Resurrection, constancy in prayer, righteous deeds, humility, philanthropy, and God consciousness in socio-economic dealings.

The ultimate objective of an individual's life is to attain happiness or what the Qur'an says '*hayat tayyeba*'. Everything else is an instrument to achieve this objective. Wealth, health, family, education, and social prestige, all are instruments for achieving this one objective. If a person is not happy, no matter how much he possesses of other things, it would be of no avail to his final objective of leading a good life (*hayat tayyeba*).

Wealth is a mean to happiness. The Qur'an however warns that the pursuit of wealth must remain moderate. It should not become the supreme objective of life as it does not guarantee true happiness. In other words, though wealth is an instrument of good life, yet it is so if pursued with moderation. Otherwise, wealth may become an obstacle in pursuit of good life. It may create social and spiritual imbalance which derails good life from its proper path. The relationship of wealth and happiness is quite complex and requires deeper thinking. We need to identify when wealth becomes a source of happiness and when it is source of bad life. These limits have a lot to do with culture, religion, social norms and political dimensions of a society.

The Qur'an condemns hypocrisy or bragging of being virtuous and insists that all righteous deeds should be done because they are virtuous and not for showing off. It means that the righteous deeds will lead to a good life (happiness) if they are genuine in nature and not for some other motive.

As the Qur'an relates *hayat tayyeba* with righteous deeds, it grants the subject a sort of dynamism. A person can earn the pleasures of a good life by adopting righteous deeds. Bad life or unhappy life is not an inborn curse from which a person cannot come out. Coming out of bad life is possible by modifying one's behaviour.

It further means that the happiness of good life is more than feeling of happiness at individual level. It has a closer relationship with the manner a person uses his or her freedom of choice and the way a person deals with other individuals and the society. Seen in this perspective, the concept of good life is basically a social concept where loneliness is only a 'bad' that reduces happiness. A person is supposed to use his or her freedom of action for personal as well as for social and societal betterment. Mere selfish betterment is a truncated concept of good life.

The relationship between human well-being (*falah*) and happy life (*hayat tayyeba*) is that the former indicates the process of achieving happiness while the latter is its manifestation. By treading on the path of a human well-being (*falah*) one can achieve a happy life (*hayat tayyeba*).

### *Unhappy Life*

The number of unhappy people in the world, measured from whichever angle and dimension, are many times more than the happy ones. It is amazing that economists have diverted their attention to the study of human happiness but have not paid much attention to the study of human unhappiness. An exception is, perhaps, the study by Clark, et al. (2017, pp. 122-137). However, they have candidly expressed that data on unhappiness indices is limited and is not generally available (pp.123). The focus of their discussion is the state of unhappiness (or 'misery' as they call it) due to various physical factors such as unemployment, physical and mental health, years of education, crime rate in the society, etc. They have not considered any spiritual or ethical factor relevant to human unhappiness. It is not to argue that the factors of unhappiness enumerated by Clark et al. (2017) are not important. They are significant. However, they do not tell the whole story. The total canvass of unhappiness is much wider and is a compound outcome of material, physical and spiritual factors.

The Qur'an discusses the subject of human unhappiness and hardship in terms

of material and physical hardship as well as mental and spiritual distress. Unhappiness due to material and physical factors becomes easily visible by factors such as unemployment, prolonged physical and mental ill-health, death of near and dear ones, conjugal disharmony, and business losses, etc. However, unhappiness ensuing from moral and spiritual factors is not obvious and most of the people cannot relate the two easily. The Qur'an has discussed the moral and spiritual factors of unhappiness at great length. Some examples of the Qur'anic statements on human unhappiness and how they are the result of an unethical behaviour are: Q. 2:155, 6:42, 7:94, 7:96, 7:130, 7:168, 15:88, 16:112, 20:131, 28:37, 30:41, 42:30, 52:47, 59:9, 64:16, 92:8-10.

Briefly, these statements relate human unhappiness to various factors such as a means of testing human righteousness, human arrogance, unethical behaviour, jealousy, inequity, ingratitude, niggardliness, greed, covetousness and reckless destruction of environment. Besides, the Qur'an has also laid down a fundamental principle of human unhappiness. It says:

*But as for him who shall turn away from remembering Me – his shall be an unhappy life (or life of narrow scope or Hard Life) (maeasha danka). [Q. 20:124]*

*For, he who shall turn away from the remembrance of his Sustainer, him will He cause to undergo suffering most severe. [Q. 72:17]*

*Nay, verily, it is against our messages that he knowingly, stubbornly sets himself – [and so] I shall constrain him to endure a painful uphill climb. [Q. 74:16-17]*

The key phrases in Q. 20:124 are: (a) Remembrance of God (*dhikr*); (b) Unhappy life (*maeasha danka*). Q. 72:17 also relates suffering and hardship to the remembrance of God. Q. 74:16-17 further adds a stubborn and persistent opposition to the messages of God which are eminently covered by ethical teachings of religion. These are universally accepted moral standards in all societies and have been so throughout history. In brief, these verses need some explanation about (a) Remembrance of God; and (b) Life of narrow scope or hard life (*maeasha danka*).

#### *Remembrance of God (dhikr)*

In this verse, the term God's remembrance (*dhikr*) has been used in its wider meaning. It refers to the sum of ethical advice to an individual for his or her daily life. When someone follows that advice he or she is engaged in God's remembrance. Turning away from the remembrance of God means a persistent and deliberate disregard of God's advice in leading one's life. Examples of such situations are as follows:

- Engaging in any manner of livelihood which has been prohibited by God (*haram*) including corruption, fraud, *riba*<sup>17</sup>
- Dishonesty and cheating in dealings
- Usurping other's property unlawfully, specifically, that of the orphans
- Disobeying God's law of inheritance
- Being miser and material to the extent of depriving one's own self and dependents from necessities despite having resources
- Wasteful spending
- Excessive love of material pursuits to the extent of disregarding daily prayers
- Non-payment of obligatory *zakah*<sup>18</sup>
- Violating contracts and commitments, in particular, pertaining to service delivery, keeping of promises, meeting of financial obligations, and cheating on weights and measures

*Life of narrow scope or hard life (maeesha danka)*

Life of narrow scope or hard life (*maeesha danka*) refers to life of hardship indicated by any of the following situations. The list is indicative. In real life, there can be many other factors causing unhappiness for a person or a community:

- Unemployment or insufficient income for supporting oneself and one's family
- Physical and mental diseases, and material dependence upon others
- Anxiety about lack of social support, in case of financial hardship in the future
- Dependence upon others for making decisions
- Existence of corruption in public sector agencies, making daily life difficult
- Unexpected losses, accidents, abnormal wastages, etc.
- Involvement in unwanted legal and social disputes
- Perception of unfriendliness from employers, employees, colleagues, customers, and other stakeholders
- Spiritual void indicated by lack of daily routine for some spiritual activities like prayers
- Stark selfishness indicated by miserliness and too little philanthropy

The above discussion of human well-being (*falah*), happy life (*hayat tayyeba*), remembrance of God (*dhikr*) and unhappy life (*maeasha danka*) in the Islamic framework presents new challenges to economists. For example:

- Economists can expand the concept of human happiness by incorporating the spiritual and ethical values and developing indicators of happiness and tools for measuring it.
- The present-day revival of interest in happiness studies is not broad enough. The happiness studies undertake surveys of individual perceptions about happiness, which is only partly valid. The social dimension of happiness is also important. The tools of happiness studies need to be broadened to include social aspects of happiness as well. This will include measurement of actions of a person with respect to satisfaction of the needs of others and society at large.
- The study of *falah* and *hayat tayyeba* can contribute significantly in developing appropriate strategies for human development.
- Similarly, study of human unhappiness is a vast potential area of study. We need to understand material, mental and spiritual factors leading to human unhappiness. We need to develop a consensus on indicators of unhappiness and on tools for measuring it.

Islamic economic teachings can make significant contribution in enhancing our understanding of these factors and in developing appropriate strategies for increasing human happiness.

### **Economic Balance**

Economic balance refers to a steady state of an economy where markets are free, property rights are protected, private and public dealings are based on honesty, people pay taxes honestly and the government spends them with propriety. Obviously, this is an ideal economy and may not exist in all its dimensions anywhere. However, this is the most desirable state for human beings and all societies would aspire and strive to attain it. The Qur'an refers to economic balance from the opposite angle. It describes the collective behaviour of people of 'Ad<sup>19</sup>, Thamud<sup>20</sup> and Pharaohs<sup>21</sup> exceeding all limits of equity and balance (Q. 89:11-12). It enjoins upon people not to disturb the economic balance after it has been established.<sup>22</sup> For this purpose, it uses a general term, '*fasad fil ard*', which is untranslatable in English in its full meanings and impact. Generally, the translators of the Qur'an have translated it as 'corruption on earth'. However, it is an extremely narrow meaning of this

term. In this age, we need to understand this term in a broader sense. The Qur'an uses '*fasad fil ard*' to mean several things such as innocent bloodshed, terrorism, ethnic cleansing, internecine wars, religious persecution, illegal usurpation of property, destruction of properties, crops and orchards, non-fulfilment of commitments, discrimination, nepotism, extravagance, squandering of resources, bribery, corruption, fraud, environmental pollution, etc.

Such activities disturb the economic balance of any society. Most of these activities have economic implications though *fasad fil ard* can also be a subject of study of other disciplines such as sociology, psychology, anthropology, philosophy, politics, law, and history. Its maximum impact however is in the economic sphere. It has direct implications for the economic balance.

Economics, as a social science, does not study *fasad fil ard* as a stand-alone subject, though it does study economics of some of the above conditions. For example, Iyer (2015, p. 51) summarizes some recent studies<sup>23</sup> about relationship of religion, economics and terrorism. The focus of these studies has been the operations of various terrorist groups, incentives for their work, their organizational set up and consequences of terrorist activities. However, the Qur'an relates impact of these activities to the behaviour of the people and enjoins upon them to restrain from such behaviour. Relating to environmental pollution, for example, it says:

*Corruption (fasad) has appeared on land and in the sea as an outcome of what men's hands have wrought: so, He will let them taste [the evil of] some of their doings, so that they might return [to the right path]. [Q. 30:41]*

Asad (1980, note 39 on Q. 30:41) explains the above verse as follows:

Thus, the growing corruption and destruction of our natural environment, so awesomely – if as yet only partially – demonstrated in our time, is here predicted as an “outcome of what men's frenzied activity” which now threatens mankind with previously unimaginable ecological disasters: an unbridled pollution of land, air and water through industrial and urban waste, a progressive poisoning of plant and marine life, all manner of genetic malformations in men's own bodies through an ever-widening use of drugs and seemingly “beneficial” chemicals, and the gradual extinction of many animal species essential to human well-being. To all this may be added the rapid deterioration and decomposition of men's social life, the all-round increase in sexual perversion, crime, and violence, with, perhaps, nuclear annihilation as the ultimate stage: all of which is, in the last resort,

an outcome of man's oblivion of God and hence, of all absolute moral values, and their suppression by the belief that material "progress" is the only thing that matters.

The Qur'an says that acquiring material wealth by neglecting ethical considerations causes economic imbalance (Q. 11:116) through arrogant behaviour of the wealthy people. The Qur'an cites the example of Qarun, (Q. 28:76-77) who 'showed off his wealth and economic power, refused to spend it on social needs, humiliated others for being poor, and treated all his wealth not as gift of God but result of his own effort and knowledge'. The Qur'an gives his example as the one who causes '*fasad fil ard*'. The behaviour of Qarun can be observed among people of the upper social classes even in the present age. It has a strong demonstration effect. It generates, among other people of lesser means, jealousy, envy, greed, consumerism, wasteful spending, and desire to become rich through whatever means even through crime, corruption and fraud. The study of behaviour of the wealthy class can provide important clues to the economic imbalance in the society.

*Fasad fil ard* is also manifested when people deprive others of their rightful dues. The Qur'an mentions this in the context of Prophet Shu'aib (AS), who said to his audience, the people of Madyan, as follows:

*O my people! Give full measure and weight, with equity and do not deprive people of what is rightfully theirs, and do not act wickedly on earth by spreading corruption.* [Q. 11:85; also see Q. 26:183]

In this context, giving short measure and weight is only indicative of a behaviour where a person receives his due in full but does not give back the promised good or service in return. It applies to such situations where labour is not paid as per market rates, or the labourers do not work sincerely and honestly, promises are not kept, obligations relating to quality and quantity are not met, performance of contracts is delayed or denied, or someone tries to take a free ride at the cost of others, etc. All such situations are covered under the Qur'anic admonition of *fasad fil ard*.

The Qur'anic economic teachings open a vast field of study under the general rubric of *fasad fil ard* or economic imbalance. For example:

- The Qur'an emphasizes cooperation, trust and mutual help and denounces social conflict. Study of the impact of trust, cooperation and mutual help on human happiness can be a subject of study.
- Study of individual and social behaviour as well as state laws and government

policies regarding effects of *fasad fil ard* can help enhance our understanding of human well-being and happiness.

- The financial, human and managerial capacity of a society to counter *fasad fil ard* could be an interesting area for study.
- There could be economic roots (e.g., extreme poverty, income inequality, or mass-scale illiteracy) to social conflict leading to implications for economic balance. There however are spiritual and ethical roots of *fasad fil ard* as well. Study of the relationship of unethical behaviour and human well-being can be a vast field of study.
- Islamic economic teachings which focus on more equitable distribution of income and wealth (e.g. Q. 59:7, and inheritance laws, Q. 4:9-11) can open large vistas of research on economic, ethical and spiritual roots of *fasad fil ard*.

The departments of Economics in universities and colleges should introduce 'Study of Socio-economic Imbalance (*Fasad fil Ard*)' as a comprehensive area of study.

### **Philanthropy**

Economics studies human behaviour in a free market setting where consumers produce, consume, save and invest. Governments collect revenues, raise debts, prepare budgets, spend public funds and undertake various types of development projects. However, there is another activity which is found in all societies and has been so throughout history. It is the act of philanthropy where people spend on the welfare of others without any material consideration or expectations of reward from the other party. All religions recommend some sort of philanthropy. In a significant percentage of cases, in all societies, consumers with surplus income and wealth set aside some segment of their income for the welfare of other human beings and living creatures.

Like all religions, Islam places a great emphasis on spending to meet needs of those who cannot help themselves. It is technically known as "*infaq*". The Qur'an has numerous verses on this subject. It refers to spending willingly and voluntarily on needs of family members, friends, relatives and community and for promoting the common good or social welfare. The Qur'an says that giving others is spending in the cause of God. It must be done with the intention of getting reward from God in the hereafter and no recompense from the beneficiary (Q. 92:18-19). God treats *infaq* as a loan upon Himself and promises to return it with manifold increase (Q. 2:

245, 2: 262, 8:60, 57:11, 57:18, 64:17, 73:20), providing comfort to the giver that spending on others would not lead to any diminution in the wealth of the giver.

The person spending money on others should not injure the dignity of the beneficiary in any form by hinting about his or her generosity (Q. 2: 264-74). It is preferable if the spending is done secretly, although open giving is also acceptable (Q. 4:38, 13:22, 14:31). The Qur'an says that giving for the sake of God brings spiritual peace and tranquillity and protects the givers against undue fears and anxieties (Q. 2: 274, 277). The Qur'an states that *infaq* is a vehicle for increase in wealth at individual and social levels. The society that withholds *infaq* treads on the path of destruction (Q. 2:195).

While spending on others is a desirable trait of character, it is closely linked to resource endowment of the person spending on others. Spending on others should be out of what one can spare from his or her resources (Q. 2:219) and should be at a moderate level so that there are no regrets afterwards (Q. 17:26-27, 25:67, 47:36-37).

Although philanthropy has been a subject of discussion and reflection among social philosophers and thinkers throughout history, it is not yet part of standard curricula of economics. There are several aspects of philanthropy which can enrich economics. Some of these are as follows;

- Incentives and motives for philanthropy at individual and state level
- Relationship of poverty and philanthropy
- Effect of philanthropy on incentive to work and human dignity
- Risks in organized charity – likelihood of the deserving being left out and queuing up of the undeserving for easy money
- Effect of charity on distribution of income, unemployment, investment
- Charitable giving as social security net and its role in minimizing social conflict
- Relationship of charity with the income and wealth of the givers
- Negative implications of charity
- Management of charity in urban situation where anonymity of the receivers is dominant
- Philanthropy and religious organizations like mosques, religious schools, and trusts (*awqaf*) – flow of resources to these organizations and effect of expenditure on various socio-economic indicators such as income levels of the poor people

- Role of philanthropic organizations in providing social services such as education, health, and drinking water etc., facilities and their suitability with the state as providers of these services
- Spending on others and state of spiritual peace, tranquillity and happiness for the spenders

Taking guidance from the Qur'an, a comprehensive subject on economics of philanthropy can be developed. It would enrich our understanding about poverty and income distribution besides incentives for work and effort.

### ***Financial Crisis and Stock Market Instability***

Contemporary capitalist economies experience frequent financial crises. Kose and Ozturk (2014, p. 6) write that roughly 400 financial crises took place between 1970 and 2013. Advanced economies faced 35 crises (half of them after 2007) while emerging market economies experienced these crises 218 times (most of them 1980s and 1990s). *GAO Report* (2015) says, "Between January 2008 and December 2011—a period of economic downturn in the United States—414 insured U.S. banks failed. Of these, 85 percent or 353 had less than \$1 billion in assets." Alrifai (2015, p. 24) has enumerated 10 major crises between 1929 and 2001 besides Kuwait's Souq al-Manakh (1982), Israeli Bank Stock (1983), Argentinean economic crisis (1998), Turkish economic crisis (2001). His finding is that we had an economic crisis every three years from 1973 to 2000 (p. 49). The crises originated in financial institutions and spread over to stock exchanges or vice versa.

It seems that frequent financial crises leading to extensive unemployment, market depression, and huge public expenditure on bank bail-outs<sup>24</sup> is a permanent feature of capitalist economies. After each major crisis, there are efforts to tighten the internal controls, improve supervision and regulation of financial institutions, introduce new rules and regulations for stock markets, enhance focus on accountability of banks and stock market staff, and increase emphasis on ethical training and compliance with codes of conduct. However, despite all these measures the economists fail to predict the onset of a new crisis on time, creating an environment of blame-game on each other.

There cannot be a dispute about the need for better controls, better supervision, tighter regulation and more intensive training for the staff. But recent research has pointed out that the main culprit behind all financial crises is the human behaviour. For example, Lewis (2014), after detailed analysis of financial crisis of 2008

concludes that it was caused by excessive greed, outright lying and cheating by banks, and collusion of banks and regulatory authorities, (who deliberately created smoke screens to blackout information) and negligence of senior managements at banks and regulatory authorities. Murningham (2012, p. 172) refers to two major reports, one by *Financial Crisis Inquiry Commission* and the other by *US Senate Investigations Committee*. Both reports convey the same message: “The financial crisis was caused by human actions, inactions and misjudgements - warning signs that were ignored.”<sup>25</sup> The current IMF Chief, Christine Lagarde (2015) arrives at the same conclusion when she says, “One clear solution is to set a strong tone at the top of the institution— establishing a culture where ethical behaviour is rewarded and where lapses in ethical integrity are not tolerated”. Stiglitz (2015, p. 10) concludes that the 2008 subprime home finance crisis was caused by moral depravity of the banks ... ‘their willingness to engage in exploitative practices, or their recklessness... The banks were engaged in widespread discriminatory lending, manipulation of foreign exchange markets, sloppy record-keeping, extensive fraudulent activities, collusion with rating agencies, low or no-documentation loans to entice unwary borrowers, predatory lending taking advantage of the most uninformed and least educated borrowers.’ (p. 172).

In brief, the financial crises are caused by multiple factors. However, the most significant factor is the human behaviour which is steered by greed, avarice and unethical practices. Tressel and Verdier (2014) argue that supervision of financial institutions becomes ineffective because of the collusion between the banks and the borrowers. They recommend further tightening of supervision and regulation of the banks. However, their mind does not divert to moral and ethical training of the banking staff and borrowers. If the bank staff and borrowers are trained to restrain themselves against excessive pursuit of profit they might abstain from colluding against the investors and avoid taking excessive risks. This does not mean that we want to replace supervision and regulation by moral training. We want to supplement it with training of the banking staff and borrowers in morality and ethics.

One unsaid factor in recent bank failures in mature economies like USA has been the greed of the bankers in earning as much profit as possible even if that comes with unbearable risk. The banks displayed a sense of irresponsibility while approving loans to obviously unworthy clients. Their decisions were driven by unbridled greed.

Another important cause of financial instability lies in the speculative trade in derivatives and options. This is possible if the seller can sell short in the hope of ma-

king a delivery by arranging to buy the financial assets from the market at the time of delivery. There is no inherent reason for a person to get into this type of trade in the first place except that he or she intends to make money out of nothing. This is different from short selling to hedge against a genuine risk. For example, a farmer faces a risk of low prices at the time of harvesting or a buyer of the agricultural commodity has a risk of non-availability or higher prices. In such situations both the buyer and seller have a genuine need for protecting themselves against risk of adverse movements in supply and prices. The Islamic law allows both parties to enter into a deal through a contract of advance sale (*bai' al-salam*). In this way, they can protect themselves against these risks. Similarly, the manufacturers face the risk of low demand or low prices once the product is produced and launched in the market. The consumers or users of manufactured products also face the risk of short supply or very high prices in the future. For protecting buyers and sellers of the manufactured products against risks of short supply and higher/lower prices, the Islamic law recognizes legitimacy of short selling through contract of *bai' al-istisna'*.

In case of financial assets however, such as share certificates, bonds, options, etc. the motive of the person selling short is nothing but earning a profit should the prices move favourably. There is no risk that a person selling short is hedging against. If you do not have a financial asset, you do not sell it. The fact that in capitalist system people can sell short in the hope that they will make the delivery by buying from the market at the required time creates a speculative market in financial assets. The buyers who do not receive delivery but can sell again enables every player in the market to enter in multiple bargains which they may or may not conclude by delivery. That creates speculative bubbles which burst and create havoc in a stable financial market. The motive of short sellers is nothing but greed to make money without adding any utility of space, time or form. With minimal stakes (margins), they create multiple layers of bargains, which become difficult to mature as the size of the bubble increases. Only if the players of the financial market display some restraint on their greed the situation will not develop into a bubble and the crisis will not develop.

The analysis of frequent financial crises in the capitalist system points to the need for expanding the frontiers of economics in the following directions:

- Development of a theory of greed
- Development of theory of lying, cheating and faking in economic deals
- Regulating short-selling in stock markets
- Strengthening the existing theory of collusion

It is in this perspective we think the Islamic economic teachings can considerably contribute. Islam has a strong foundation in all these areas. The Qur'an strongly condemns pursuit of greed<sup>26</sup> and other unethical practices for acquiring income and wealth. However, these teachings cannot change the behaviour of the people until they are trained in the belief in One Omnipotent and Omnipresent God, resurrection after death and accountability on the Day of Judgment.<sup>27</sup> But that is a subject of religion and has no appeal for economists.

Without chiselling out an agenda for human reformation, as most of the Muslim economists would tend to suggest, economics has some fundamental work to do in these areas. For example:

- The economists need to define greed, study its motives, and develop a theory of greed that helps in making predictions should the human beings fail to restrain themselves from it.
- Similarly, the economists need to develop a theory of lying and faking and hypothesize about human behaviour and its likely outcome should people resort to lying rather than telling the truth.
- Thus, the Islamic condemnation of greed and other unethical practices can open new ways of thinking and theorizing in economics. While getting into the business of developing theories in these areas, economics need not restrict itself to Islam. Other faiths such as Christianity, Judaism, and Buddhism can also provide insights into human behaviour and help extend the frontiers of economics.
- Besides, economics would need to interact more intensively with disciplines like social psychology, anthropology and sociology for better understanding of human behaviour. In this regard, developments in behavioural economics bode well in extending frontiers of economics.

## **Waste**

Contemporary societies of the world, rich and poor included, cause colossal amounts of waste at all stages of production and consumption. In capitalist societies, private businesses have a bottom line: net profit. The entrepreneurs remain vigilant about any waste for maximizing profit. However, the ability to control waste is directly related to size of the business. As businesses grow, the management and operations are passed on to the paid staff. It becomes cumbersome and expensive to implement internal controls. The businesses start experiencing unsold inven-

tories, unused capacities, obsolete machinery, idle space and unused staff time, mismatch of supply and demand, accumulated receivables and penalties for unmet financial obligations, etc.

Waste in government and public-sector enterprises is even more pervasive which do not have bottom line of the net profit like that of the private sector. Examples of waste in the public sector are over-staffing, incomplete and abandoned projects, empty spaces, construction of monuments, damaged machinery and equipment, unsold and undistributed outputs, lavish public functions, unnecessary travelling, luxurious office furnishings, unnecessary procurement of supplies, outdated and uninstalled machinery, outmoded and cumbersome procedures, outright theft, corruption and fraud, etc.

Besides, agricultural produce, particularly, food is wasted at a massive scale. For example, Neff, et al. (2015, p. 1) report that 31 - 40 percent of the post-harvest food supply in the US goes as waste. Royte (2014, p. 3) quotes The Food and Agriculture Organization of the United Nations that 'one-third of the food produced for human consumption worldwide is annually lost or wasted along the chain that stretches from farms to processing plants, marketplaces, retailers, food-service operations, and our collective kitchens.' The consumers are no less responsible for the waste. They purchase food in excessive quantities and then throw it away after some time.

Not only in food, the culture of consumerism is dominant everywhere. People buy clothes, gadgets, equipment, household linen, crockery and kitchen silver, furniture and curtains, and everything on sale in large quantities and numbers. In a significant number of cases, they would hardly find time and occasion to use and enjoy these goods, equipment and supplies. The power of advertising creates allurements and an artificial demand and stimulates impulsive buying. To this fire of burning desire for more goods, the financial institutions add fuel by offering credit repayable in easy instalments. Thus, the culture of consumerism promotes and supports the culture of waste.

Then there is waste in social expenditure. The pressure to 'keep up with the Jones', compliance with customs and traditions like wedding ceremonies, birthday parties, and religious rituals, induce people to spend beyond their means and in some cases to incur debt as well.

The discussion above is only a skeletal description of the waste going around us everywhere and is hardly a subject of economic enquiry. The subjects of food

waste, economy and efficiency in business and government organizations are under discussion, no doubt. However, waste is a subject of a much wider spread. It is prevalent from households to organizations and in almost all spheres of life. It has become a cultural phenomenon. The waste of resources deprives some other people of food and other necessities of life. The food and goods that can satisfy the need of a larger population around the globe go to waste. For example, Royte (2014, p. 3) says the 2.8 trillion pounds of food that is wasted worldwide annually is enough to feed three billion people. Four billion dollars' worth of food that is wasted in sub-Saharan Africa alone for lack of storage facilities is enough to feed 48 million people for a year. These are figures of food waste only. The colossal waste in governments, public sector enterprises, and in households on the other hand is not adequately documented. There are no global statistics on waste in all societies. Economics does study wastage and efficiency at micro-level. However, it does not address the issue of wastages at full length at the macro-level. Waste at macro-level is not a subject of any social science so far, though sporadic studies may be found in different disciplines.

The Islamic economic teachings approach the subject of waste in consumption and production from a worldview perspective. All resources of the earth are gifts of God. Human beings who happen to own these resources are trustees of God for these resources. They should show gratitude and humility before God for granting them trusteeship of these resources. Waste is a direct violation of the fiduciary responsibility that all human beings have towards God for managing and securing these resources. Thus, waste in any form and at any stage of life is reprehensible in Islam. However, waste can also be in degrees and stages. At the first level, it is waste of resources beyond what is needed for achieving the objective in hand and the resources one has. Spending more than what is necessary or borrowing for meeting some objective without reference to the benefit to be achieved is termed as *israf* in the Qur'an (e.g., Q. 6:141, 7:31, 25:67, 26:128-129; 26:151-52). However, we also come across examples where resources are squandered senselessly without any regard for the benefits to be received from their use. The Qur'an terms it as *'tabdhir*<sup>28</sup> (Q. 17:26-27). The Islamic teachings on waste are so sensitive to the preservation of resources that God forbids the guardians of orphans to hand over the resources owned by the orphans until it is certain that the orphans will not waste these resources through negligence, incompetence and lack of maturity. (Q. 4:5-6).

Economists have not yet paid attention to the concepts of *israf* and *tabdhir*. Despite being simple intuitively, the concepts are complex and intricate when it

comes to their definition and measurement. For each phase in the production and consumption cycles, for each cost centre, function or activity in public or private business and for each type of social activity, the criteria for *israf* and *tabdhir* would be different and would have to be decided in its specific context. We cannot have one definition or one set of criteria for these concepts that fit all situations. For using these concepts in economics, the first step would be to define them and collect data around them. For this purpose, at least the following steps are necessary in each situation:

- Definition of *israf* and *tabdhir*
- Criteria for *israf* and *tabdhir*
- Indicators of *israf* and *tabdhir*
- Data to be collected
- Data analysis techniques
- Best practice guides for all major types of businesses, programs and projects, household functions, social activities.

By performing this exercise, actual data on *israf* and *tabdhir* can become available. The data would be raw for economists to develop a theory of *israf* and *tabdhir* and to predict about their impact on different variables such as income distribution, poverty and human happiness. The abovementioned strategy for developing a theory of *israf* and *tabdhir* will open a vast area of enquiry and would have an interface with several subjects of public welfare in economics.

## Concluding Remarks

In this paper, we have argued that the knowledge received through revelation can guide the humanity in solving the economic problem. For substantiating this assertion, we have listed six issue areas as examples where the revelation can provide wholesome solutions to economic problems of the present age. The six issue areas identified in this paper are: inequality, human happiness and unhappiness, economic balance, philanthropy, financial crises, and waste at micro- and macro-levels. Based on these issue areas, economics can expand its frontiers to include the study of the following subjects:

- Divine scheme of distribution of income and wealth, leading to a better understanding of inequality

- Study of human happiness and unhappiness in a broader ethical and spiritual context, supplementing the existing knowledge on material well-being
- Study of socio-economic imbalance, focusing on human activities leading to destruction, bloodshed, terrorism, ethnic cleansing, religious persecution, illegal usurpation of others' properties, arrogance, internecine wars, unfair distribution of public benefits, bribery, corruption and fraud, environmental pollution, and intangible things such as obstinacy on irrational position in knowledge, unethical practices in acquiring wealth, and diminution in the quality of goods and services to be delivered.
- Study of obligatory and voluntary spending upon weaker sections of the society, its impact upon the givers and the receivers, implications for income and wealth distribution, management and risks of philanthropic spending and relationship of such spending with social justice, economic growth and poverty alleviation.
- Study of greed, cheating, lying and fraud as ingredients of economic behaviour leading to frequent financial and stock market crises.
- Study of waste at micro-level and macro-level including waste in social life having economic implications.

These six areas are a few examples of the ways Islamic economic teachings can contribute to the existing knowledge of economics. Deeper reflection on the Islamic teachings as well as those of other religions can help expand the frontiers of economics further.

The foremost condition for benefitting from the revelation is to shed off prejudice against religion and super-sensory sources of knowledge. This should not be taken as an impossible demand. The history of knowledge development tells us that prejudice and bias is the greatest enemy of truth. If economics transcends its barrier against religion and divine sources of knowledge, the likelihood of opening new vistas of knowledge are just at our door-sills. While doing so, guidance should be sought from the divine sources and the revelation sent by God through His apostles. If the proposal is found plausible, it should initiate dialogue and discussion among economists and religious scholars of all faiths. The existing barriers of refrain from religion will be broken and a new era of expansion in economics would dawn.

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## Notes

- 1 I am thankful to Anwar Abbasi, Haider Zaidi, Rafiqul Islam Molla, Syed Abdul Hamid al-Junid, Muhammad Tahir Saleem and an anonymous referee for valuable comments on an earlier draft. I have benefitted from these comments. However, remaining short-comings are entirely my own.
- 2 The Qur'an is the book revealed upon Prophet Muhammad (peace be upon him) during 610-632 AD in Makkah and Medina (now in Saudi Arabia) and preserved by him during his life-time verbatim. Its authenticity is guaranteed by God.
- 3 *Hadith* refers to compilations of sayings, actions and approvals of Prophet Muhammad (pbuh). Most of this literature has been subjected to rigorous scrutiny for validity and authenticity. In this paper by 'hadith' we mean only authentic traditions of the Prophet.
- 4 Clive Beed (2006) quotes Oslington (2003) Lunn and Klay (1994), Heyne (1996, 1994), Richardson (1988), Waterman (1987) and Block et al (1985) as examples of such economists.
- 5 In this paper, Q. stands for the Qur'an and digit(s) before the colon refer to the chapter(s) of the Qur'an and after the colon to the verse(s) of the chapter. For example: Q. 42: 51-52 means chapter 42 and verses 51-52 of the Qur'an.
- 6 Lit. 'peace be upon him.' It is customary for Muslims to add this phrase with the name of the Prophet of Islam.
- 7 Lit. 'on him be peace'. It is customary in Islamic tradition to insert these words with the names of all Prophets.
- 8 Asad (1980, n.71 on verse Q. 17:59).
- 9 The Qur'an refers to this aspect of its guidance at Q. 17:9: " Verily, this Qur'an shows the way to all that is most upright, and gives the believers who do good deeds the glad tiding that theirs will be a great reward." Explaining this verse, Asad (1980, note 10 on this verse) says that "most upright" means 'conformable to ethical rectitude and beneficial to man's individual and social life.'
- 10 *The Theory of Moral Sentiments* at Wikisource: Searchable, free
- 11 Asad (1980). Note 4 on verse Q. 2:3.
- 12 The Qur'an says: "And unto Solomon [We made subservient] the stormy wind, so that it sped at his behest towards the land which We had blessed (i.e. Pa-

lestine). And among the satanic forces [which We made subservient to him] there were some that dived for him [into the sea] and performed other works besides... (Q. 21:81-82).

And unto Solomon [We made subservient] the wind: its morning course [covered the distance of] a month's journey, and its evening course, a month's journey. And We caused a fountain of molten copper to flow at his behest; and [even] among the jinn there were some that had [been constrained] to labor for him by His Sustainer's leave – and whichever of them deviated from Our command, him would We let taste suffering through a blazing flame – they made for him whatever he wished of sanctuaries, and statues, and basins as [large as] great watering troughs, and cauldrons firmly anchored.. [Q. 34:12-13].

- 13 The Qur'an (Q. 28:76) says: "Qarun was one of the people of Moses, but he arrogantly exalted himself above them – simply because We had granted him such riches that his treasure-chests alone would surely have been too heavy a burden for a troop of ten men or even more."
- 14 The Islamic system of family network, where all members have rights and obligations towards each other provides a strong system of social support. In the Islamic parlance, it is known as sila rehmi (joining kinship ties). The Qur'an emphasizes joining of kinship ties at several places (e.g. Q. 2:27, 8:75, 13:21). The Prophet (pbuh) has treated it as a basic ingredient of faith. For example: "Abu Ayyub narrated: A man said: "O Messenger of Allah, tell me of a deed that will gain me admittance to Paradise." The Messenger of Allah (pbuh) said: "Worship Allah and do not associate anything with Him, establish the daily obligatory prayers, pay the zakah and uphold the ties of kinship. Let go!" - as if he was riding his camel.\* (Sahih) \*As if he was riding his camel and the man had grabbed hold of its reins to ask this question. [Sunan Al-Nasai Chapter No: 5, The Book of Salah, Hadith no: 469]. Available at <http://ahadith.co.uk/searchresults.php?page=1&q=joining+kinship+ties&rows=10>
- 15 The Qur'an is replete with injunctions about spending upon Besides obligatory zakah prescribed by law as a right of the poor upon the wealth of the rich, the Qur'an persuades repeatedly and eloquently for spending upon others (infaq) and treats such spending as a loan to God Himself which He promises to repay in full others (See, e.g., Q. 2: 261, 262, 265, 274, 277; 8:60; 34:39). Similarly, the hadith literature is full of sayings and actions of the Prophet (pbuh) relating to spending upon others. See e.g. Khan (1989).
- 16 The Qur'an emphasizes honesty, integrity and trust in mutual dealings. It exp-

- licitly forbids from such crimes as bribery of government officials and enjoins to fulfill commitments and promises.
- 17 Riba, literally, means ‘an excess’. But in the Islamic law, it means any excess claimed by a creditor from a debtor in a transaction of loan.
  - 18 Zakah refers to obligatory payment of a tax on wealth and income of the rich for the benefit of the poor and deserving besides social welfare.
  - 19 Wikipedia writes: “Ad (also called Aad) is the great-grandson of Shem, son of Noah (Arabic: Sam ibn Nuh سام بن نوح) who came from the northeast and was the progenitor of the Adites. Noah is said to be Ad’s third grandfather, he being the son of Awadh(Uz) (عوض), who was the son of Iram (إرم), who was the son of Shem (سام) the son of Noah (نوح).” The Qur’an says that Prophet Hud (AS) was sent for their guidance.
  - 20 Wikipedia writes: “The Thamūd (/’θa:mod/; Arabic: ثمود) is the name of an ancient civilization in Hejaz known from the 1st millennium BC to near the time of Prophet Muhammad. The Thamud civilization was located in the north of the peninsula.” The Qur’an mentions that Prophet Salih (AS) was sent for their guidance.
  - 21 Wikipedia writes: “Pharaoh is the common title of the monarchs of ancient Egypt from the First Dynasty (c. 3150) until the Macedonian conquest in 305 BCE...”
  - 22 See, e.g., Q. 2:11, 7:56, 7:85
  - 23 For example, Berman & Laitin (2004); Sandler & Enders (2004); Krueger (2007); Keefer & Loayza (2008); Berman (2009).
  - 24 Shah (2013) says: The total amounts that governments have spent on bailouts have skyrocketed. From a world credit loss of \$2.8 trillion in October 2009, US taxpayers alone will spend some \$9.7 trillion in bailout packages and plans, according to Bloomberg. \$14.5 trillion, or 33%, of the value of the world’s companies has been wiped out by this crisis. The UK and other European countries have also spent some \$2 trillion on rescues and bailout packages.
  - 25 See Financial Crisis Inquiry Commission. (2011, January). The Financial Crisis Inquiry Report: Final Report of the National Commission on the Causes of the Financial and Economic Crisis in the United States. Available at <http://fcic.law.stanford.edu/report>. See also U.S. Senate Permanent Subcommittee on Investigations. 2011. Wall Street and the Financial Crisis: Anatomy of a Financial Collapse. April. Available at <http://www.nytimes.com/interactive/2011/04/14/business/14crisisdocviewer.html>.

26 Q. 3:180, 4:128, 9:34-35, 59:9, 64:16, 89:19-20, 102:2, 104:2

27 It may sound that the suggestion requires a person to be a Muslim in the usual sense. However, other revealed religions such as Judaism and Christianity also uphold this belief-set. Other religions such as Buddhism, and Hinduism also have the concept of some sort of reward and punishment as consequence of one's actions in this world. We need to conceive this idea in the broader human context rather than in typical Muslim context.

28 Asad (1980, note 32 on Q. 17:26) says: ...the term *tabdhir* does not relate to the quantity but, rather, to the purpose of one's spending. Thus, Ibn Abbas and Ibn Mas'ud defined *tabdhir* as 'spending without a righteous purpose' or 'in a frivolous cause'; and Mujahid is reported to have said, 'If a man were to spend all that he possesses in a righteous cause, it could not be termed squandering; but if he spends even a small amount in a frivolous cause, it is squandering.'

