

## **A Book Review on “Economics and Economic Policy: Islamic Perspective”**

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**ABSTRACT.** Since its establishment as a formal discipline during the First Makkah Conference in 1976, Islamic Economics has garnered significant attention from scholars around the world. Over more than four past decades, dedicated Islamic economists have strived to produce a textbook of exceptional value, aiming to provide universities with a comprehensive resource that imparts profound insights into the Islamic perspective on economics. However, this undertaking has not been without its challenges, both internal and external. Amidst the pursuit of this noble goal, a growing sense of dissatisfaction has emerged among earlier generations of Islamic economists. They perceive a concerning trend within Islamic Economics, where undue focus has been placed on the discipline's end product, specifically Islamic banking and finance, resulting in a reliance on conventional economic paradigms. This imitation has deviated from the authentic development of Islamic Economics based on its inherent principles. In response to these concerns, the book under review courageously confronts these challenges head-on, seeking to redirect the discipline along its original trajectory. The authors have ambitiously assembled a rich tapestry of perspectives that encompasses not only rigorous legal (*fiqh*) analysis but also profound insights from Islamic philosophy and from economic analyses into the fabric of their work. As a result, the reviewer considers the book a vital addition to the contemporary Islamic Economics curriculum in numerous universities.

**KEYWORDS:** Islamic Economics and Finance, Islamic Economics Textbook, Riphah International University, Economics and *Turāth*, Principles and Practices

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## 1. Introduction

There is currently rising awareness among the contemporary Islamic Economists about the wrong directions of the Islamic Economics (IE) study has veered to, especially beginning from the last 2 decades. The rising concern is that many say that the discipline still does not have a genuine structure of IE development that is needed to pay attention to where instead, many have wrongly focused on developing the study's structure that resembles the conventional (secular) economic of the West. Those who raise the concern do not simply come from mediocre researchers, but from the explicit writings of the prominent Islamic economists including Siddiqi (2008), Chapra (2000), Mahomedy (2013), Haneef & Furqani (2011); Zaman, (2012), Khan (2013), Nienhaus (2013), Choudhury (2006) and several more others.

As an example, Siddiqi expressed his inner feeling of dissatisfaction over the development of Islamic Economics in recent decades, by pointing out its deviation from the original intentions of early scholars of the discipline. He specifically denounces the discipline's inclination to imitate Western-based pillars, lamenting the neglect of its unique identity by saying that "All is not well with Islamic economic(s) ... the grand idea of providing an alternative to capitalism and socialism ... has it yielded to a desire to join the flock?" (Siddiqi, 2008, p.81).

In addition, Mahomedy (2013) sadly wrote that "the proponents of Islamic economics have had little success in shaping a distinctive paradigm for their discipline, beyond arguing that it is underpinned by a strong moral ethic. By and large, its epistemological roots have remained firmly within the framework of rationalism/empiricism and methodological individualism. Consequently, Islamic economics has not been able to shed its neoclassical moorings, the very paradigm it originally set out to replace" (p.556). Both quotes, among numerous others, highlight the urgency for a critical examination of the discipline's trajectory. It emphasizes the necessity of realigning Islamic Economics with its foundational principles, reasserting its purpose to provide a genuine alternative to the dominant economic ideologies of the modern economics of the West.

Knowing this, Muhammad Ayub as both the author and the editor from Riphah International

University, together with other contributed writers have played vital roles to prepare a unique solution by providing an Islamic Economics textbook that teaches economics truly from the Islamic divisions and scopes. It not only aims to provide guidance to readers regarding the values and principles of Islam in relation to the economic structure taught in classrooms but also ambitiously addresses pertinent issues at the levels of financial institutions and national policymaking.

## 2. An Overview of the Book

This book presents a comprehensive analysis of economics from an Islamic perspective, comprising a total of 22 chapters spanning across 631 pages. According to the preface, these chapters are categorized into five major parts, with an additional 'special' part featuring a single chapter at the end. The diverse range of topics covered in the book includes foundational discussions on the conceptual basis, encompassing both legal (*fiqh*) and non-legal aspects such as Islamic philosophy. It further delves into the development of theoretical models and explores discussions at the national policy level. Other than that, one can notice that the book is mainly written from the normative approach that shape the readers the values and norms that should be practiced by the economic agent to achieve the goal of successful well-being both in the world and the hereafter, beyond the narrow scope of the profit maximization as has been hailed in the mainstream economics.

Starting with Part 1 titled "The Need for A New Approach," the book comprises four chapters that serve as an explanatory overview, emphasizing its purpose. This purpose revolves around rectifying the flawed development of mainstream economics while acting as a complementary textbook for the basic undergraduate economics class, ECO 101 in a university. The first chapter, Chapter 1 is on "Need for a Complementary Text on Principles of Economics" which elaborates on the book's role as a supplementary resource for economics students and lecturers in basic economics classes for undergraduates. Furthermore, the chapter also provides concise explanations on the ongoing relevance of Islamic Economics (IE) studies, especially considering the various issues and inadequacies

highlighted by the current economics curriculum, which predominantly adheres to the principles of the neoclassical school.

The chapter followed; Chapter 2 discusses on Theorizing Complementary Principles of Economics. Basically, the chapter continues the discussion of the former by explaining in deeper analysis why the theories and models of conventional economics have led to many disasters towards humanity. It then offers the solutions by suggesting several better theories in Islamic Economics. Two main distinct principles that an IE theory on human behavior should have, according to the author are: (1) balancing (moderating or اقتصاد) and (2) needs fulfilment. This later is formed into Anatomy & Physiology (A&P) framework as the basis for IE theories. Rather than admiring and emulating principles from Physics, the authors said, it is better to learn the principles from the biology framework that is closer with how human interacts with each other.

Chapter 3 on "Property Right and Wealth Creation" is placed together at the beginning part as to elucidate the basis of Islamic teachings upon any activities related to property and wealth. The chapter discusses the right of property, the definition of wealth and how the transaction should occur, vis-à-vis its conventional counterparts. In the chapter, readers are gently reminded that in IE, the right of property is not only between humans and their kinds but also with the rights of the Allah and His Prophet. As a result, the acquisition and pursuit of wealth in Islamic Economics are driven by objectives that extend beyond individual self-interest, encompassing the broader needs of society.

The second part of the book, encompassing seven chapters, delves into the expansive domain of property, market, and entrepreneurship. Upon engaging with the book, one can discern two distinct sections within this part. The initial section, spanning from chapter 4 to 5, endeavors to explicate the subject matter through the lens of *Fiqh* rulings, i.e., Islamic jurisprudence. Subsequently, the second section broadens the discourse by incorporating a comprehensive economic analysis from an Islamic standpoint, exploring the intricacies of property, market dynamics, and entrepreneurship. Chapter 4, entitled "Law of Property and Property Rights in Islam," provides a concise overview of the *Fiqh al-*

*Māl* perspective on property and associated rights. Similarly, Chapter 5, "Law of Exchange of Goods and Services," offers a summary of *Fiqh al-Bay'*, elucidating the principles governing the exchange of goods and services.

Following these chapters, the subsequent chapters, from 6 to 10, delve into the intricate facets of markets from an Islamic perspective. Chapter 6 titled "An Overview of Factor Markets in Islamic Economy," lays the groundwork by exploring the dynamics of factor markets and later is followed by Chapter 7, which delves into the intricacies of labor and labor markets, with a particular focus on employment. Chapter 8 examines the markets of physical and financial capital, shedding light on their unique characteristics within an Islamic framework. The following chapter, Chapter 9 then delves the essential concept of entrepreneurship and the corresponding market dynamics. Finally, Chapter 10, "Islamic Perspective of Market Failure and Lessons for Economic Policy," explores the perspective of market failure from an Islamic standpoint, drawing important lessons for economic policy. Collectively, these chapters constitute the comprehensive second part of the book, unraveling the intricate tapestry of property, market dynamics, and entrepreneurship through the lens of Islamic economics.

In Part III of the book, the authors venture beyond the confines of conventional economic discourse, which predominantly revolves around market mechanisms as the driving force of an economy. Muhammad Ayub, a distinguished Professor at Riphah International University in Islamabad who is the editor and the writer together with other authors of the book, contribute three captivating chapters that transcend the realm of the market in this part. Chapter 11, for instance, dives into the functioning of markets and explores the economics of cooperation and altruistic spending, challenging the prevailing ethos of self-interest and competition that underpins conventional economics. The book highlights the significance of incorporating three distinct components within the economy: the market economy, the beyond-market economy, and the cooperative economy. According to Islamic Economics, these elements must coexist to establish a comprehensive economic framework aligned with its guiding principles.

The remaining chapters, namely Chapter 12 and Chapter 13 in Part III center on the philanthropic aspect of Islamic Economics and shed light on the instrumental role of waqf in fostering socio-economic well-being. Furthermore, the latter chapter presents a compelling case study based on Pakistan's experience, providing readers with a real-life context to draw inspiration from. These insightful contributions in Part III titled "Economics Beyond Market" expand the readers' horizons, going beyond conventional economic narratives and offering profound insights into the multifaceted nature of Islamic Economics.

In Part IV of the book, the focus shifts towards an exploration of consumer behavior and investment dynamics. The journey commences with an examination of the Islamic theoretical frameworks of consumer behavior in Chapter 14 and 15, where the intention is to discuss on "how to understand consumer behavior in rational ethical dimensions that society imposes in people through religious, moral and social dimensions" (Ayub et al., 2022; p.337). This implies that the proposed Islamic Economic theories in the book challenge the assumption of human beings as purely rational actors. Instead, it recognizes that humans are not mere calculators, but rather individuals whose choices are shaped by societal norms influenced by religious, moral, and social dimensions. Consequently, the book underscores the dynamic nature of consumption decisions, which are contingent upon these normative frameworks.

Interestingly, the book also takes a unique approach by diverging from the conventional production-consumption paradigm and delving into the realm of investment analysis in Chapter 16. By doing so, it broadens the readers' perspectives and introduces them to the critical interplay between investment activities and the principles of Islamic Economics. By meticulously examining consumer behavior and redirecting the focus towards investment analysis, Part IV of the book offers profound insights into the ethical dimensions of economic decision-making, ultimately enhancing our understanding of Islamic Economics.

The second last segment of the book, Part V, serves as the convergence point between Islamic Economics and Islamic Finance. Titled "Money,

Finance, and Banking," this section encompasses five chapters that delve into various aspects of this domain. Chapter 17 revisits the contentious topic of Time Value of Money (TVM), which has sparked debates among scholars in Islamic Economics. Subsequently, Chapter 18 delves into monetary economics from an Islamic perspective, shedding light on the intricacies of this subject. The discourse then extends to Chapter 19, addressing the contemporary issue of Islamic cryptocurrencies which proves that the book also takes into account issues at the contemporary times to be part of its discussions.

The part also culminates with Chapter 20, which explores the economic role of Islamic finance methods and the banking sector, followed by Chapter 21, which elucidates the nuances of forward trading and future markets. It is worth noting the author's decision to place the discussion on the economic role of Islamic finance and banking methods in Chapter 20, rather than commencing the part with this topic. Similarly, the positioning of the forward and future market issue as the final chapter may have been driven by the author's rationale.

The subsequent part, Part VI, represents the final section of the book and is aptly titled "Economic Policy in Islamic Perspective." Notably, this segment comprises a single chapter contributed by Muhammad Anas Zarqa, a distinguished Islamic economist and jurist. Given his extensive expertise in both realms, this chapter provides policymakers and readers with profound insights into the practical implementation of Islamic Economics at the policy level.

### **3. Discussions and Observations: Strengths, Contributions and Area of Improvements**

One of the gratifying aspects of engaging with this book is the realization of the sincere endeavor undertaken by the authors to closely align its content with the teachings of Islam, as per their own interpretations. Notably, the book veers away from the customary division of chapters found in mainstream economic textbooks, which typically separate the subject matter into micro and macroeconomics division. In fact, it staunchly rejects the notion that an Islamic economics study should be confined within the confines of macro and micro discussions. Instead, it intriguingly adopts a unique

approach, organizing the content into distinct thematic discussions that unfold chronologically, reminiscent of the traditional classification of debates found in historical Muslim writings. According to the author, this deliberate structure enables readers to comfortably delve into the topics while benefiting from meticulous analyses rooted in the wealth of Islamic heritage (*turāth*) knowledge.

If one could recall, the past Muslim scholars discuss the economic issues by focusing on the subject matters themselves like *Kitāb al-Kharāj* (The Book of Taxation) by Abū Yūsuf that centers on the taxation derived from land<sup>2</sup>, *Kitāb al-Amwāl* (The Book of Revenue) by Abū 'Ubayd al-Qaṣim that elucidates on the issue of wealth and *Kitāb al-Kaṣb* (The Book of Earning) by Muḥammad Ḥassan as-Shaybāni that focuses on the earnings of livelihood. Thus, the book intends to follow the same structure of organization by discussing the issues in the chapters focusing based on the subject matters of discussions starting from on the property right and wealth (Chapter 3), to law of exchange goods and services (Chapter 5), to factor markets in Islamic economy (Chapter 6), to labor market (Chapter 7) and until the rest of it. Again, there are no distinction between macro and microeconomics but rather, combined into one.

In general, it is worth mentioning that the book is capable to exhibit numerous of outstanding properties that become its strengths. Among of them, first is the comprehensiveness of analysis that covers miscellaneous perspectives ranging from the *fiqh* legal rulings, Islamic philosophy, and the economic analysis of the tools and the models. This amalgamation of different perspectives that being put into a development of economics discipline from Islamic teachings is not always capable to be done by other works, however the book has successfully made it. Secondly, its emphasis on the discussions on beyond the market that involves a considerably deep analysis on the topics of market based on cooperation, economic philanthropy of market and the waqf, have also granted the book an upper hand in promoting the vitality of economic analysis outside the scope of the

market in an economy. Thirdly, is the determination among the writers to take a different route by not only modifying the structure of the organization of the chapters, but also by replacing many of the main discussions that used to be very common in the conventional economics, with new topics. As an example, the issues of production are in majority replaced with the issue of investment following the significance of it in the sources of *turāth* while the issue on firm is replaced with the discussion on entrepreneurship from Islamic perspective following the similar reason.

With all of the greatness and quality of the content that it can offer to the readers, the reviewer, however, believes there are still several areas of improvement that can be made. To begin, the reviewer personally feels that the book can be equipped with more footnotes or references to back up many of the economic claims on some of the issues mentioned in the textbook. As an example, in Chapter 8 on Markets of Physical and Financial Capital in page 201, the first paragraph asserts the idea that price of capital as a factor of production halts the efficiency of an economic policy. While there are many different opinions among scholars both from the Islamic and conventional sides hold different stands on the issue, the book perhaps can provide a footnote or reference to support the claim for the reader to read by themselves since no detailed analysis are allocated to prove the statement following the argument. It is understood that the book serves as a complementary book in the bachelor's degrees of economics class, however the lecturers themselves will find it tremendously helpful if they are supplied with more references for their own readings. Other than that, the reviewer also believes that the book hopefully can explain in detail why the organization of the chapters are done so in contrast to other available textbook in economics from Islamic perspective.

#### 4. Conclusion

Overall, the reviewer unequivocally expresses great satisfaction in recommending this book as an essential addition to the collection of those seeking a comprehensive and contemporary textbook on economic issues from an Islamic perspective. The book's unique organization of content chapters,

(2) As being mentioned by Siddiqi and Ghazanfar (2001), in their journal entitled Early Medieval Islamic Economic Thought: Abu Yusuf's (731-798 AD) Economics of Public Finance published in *History of Economic Ideas*.

coupled with its exceptional efforts to establish the discipline based on the genuine principles of Islam and its innovative approach in replacing conventional economic topics with Islamic ones, solidify its position as a leading textbook in the field of contemporary Islamic Economics. Even though the

book is initially suggested to serve as a complementary textbook in the mainstream economic class of ECO 101, it however certainly will be able to challenge the domination of the main textbook of the conventional discipline by given ample due times in the near future.

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## مراجعة علمية لكتاب "الاقتصاد والسياسة الاقتصادية: المنظور الإسلامي"

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تمت المراجعة بواسطة: وان عمر فضلي بن وان محمود خيرى  
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*المستخلص.* منذ تأسيسه كتخصص علمي مستقل خلال مؤتمر مكة العالمي الأول للاقتصاد الإسلامي في عام ١٩٧٦م، استقطب الحقل الجديد اهتمامًا كبيرًا من قبل العلماء من جميع أنحاء العالم. على مدى أكثر من أربعة عقود مضت، سعى الاقتصاديون المسلمون لإنتاج كتاب تدريسي متميز يهدف تزويد الجامعات بمصدر شامل ينقل رؤى عميقة حول النظرة الإسلامية للعلوم الاقتصادية. ومع ذلك، لم تكن هذه المهمة بدون تحديات داخلية وخارجية. وسط السعي لتحقيق هذا الهدف النبيل، نشأ شعور متزايد من عدم الرضا بين أجيال سابقة من الاقتصاديين المسلمين على ما تمّ إنجازه في هذا الإطار؛ حيث إنهم لاحظوا اتجاهًا مقلقًا داخل الحقل تمثل في التركيز بشكل مفرط على المنتج النهائي للتخصص، وتحديدًا الأمور المتعلقة بالبنوك والتمويل الإسلامي، مما أدى إلى الاعتماد على محاكاة النماذج الاقتصادية التقليدية. هذا التقليد انحرف عن التطور الأصيل للاقتصاد الإسلامي استنادًا إلى مبادئه الأساسية. استجابةً لهذه المخاوف، يتصدى الكتاب قيد المراجعة لهذه التحديات بشجاعة، سعيًا لإعادة توجيه المسار الأصيل للتخصص. لقد جمع المؤلفون بطموح تفاصيل متنوعة من منظورين، يشمل التحليل القانوني (الفقهي) الدقيق فضلًا عن رؤى عميقة مرتبطة بالفلسفة الإسلامية وتحليلات اقتصادية داخل نسيج أعمالهم. نتيجة لذلك، يعتبر المراجع في الكتاب إضافة مهمة إلى تخصص الاقتصاد الإسلامي المعاصر في العديد بالنسبة للجهات العلمية المهتمة بتدريس الحقل؛ الجامعات على وجه الخصوص.

الكلمات الدالة: الاقتصاد والتمويل الإسلامي، كتاب تدريس الاقتصاد الإسلامي، جامعة رفاه الدولية، الاقتصاد والتراث، المبادئ والممارسات

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