Book Review


*Salman Ahmed Shaikh*

This book is jointly written by a group of eminent experts in Islamic economics and finance including Prof. Dr Muhammad Fahim Khan, Prof. Dr Muhammad Ayub, Prof. Dr Anas Zarqa, Prof. Dr Akram Laldin, Prof. Dr Muhammad Tahir Mansoori and Prof. Dr Ma'sum Billah, among others. The book is divided into six parts and 22 chapters. Part one builds the ground for a new approach in economics by highlighting the theoretical and socioeconomic challenges being faced under the mainstream paradigm of economics. It is argued that beyond market economics, ethical values and the role of the entrepreneur in the production process are undermined or ignored in mainstream economics.

Part two introduces the Islamic approach to property, market, and entrepreneurship with a focus on both the *Fiqh* as well as economic aspects. It introduces the Islamic law of contract and sale and discusses how Islamic economic principles categorize property rights into private, public, and social rights. The institution of *Waqf* facilitates the provision of public goods and services in a decentralized way. It is also a very potent tool for measuring wealth inequality by encouraging the dedication of private property as common property resources from which people can benefit in the present and future.

The Islamic law of contract and sale ensures transparency, fairness, justice, and mutually-agreed exchange of permissible goods and services without involving *Riba* (interest), *Maysir* (speculation), and *gharar*.

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(uncertainty). Rules related to subject matter, price, offer and acceptance, possession, and delivery are explained in detail in the book.

Part three establishes the case for economic exchange beyond markets, which is a prominent feature in Islamic economics. The authors contend that apart from efficiency, equity and social harmony are also important goals in Islamic economic framework. Moreover, Islamic social finance institutions, such as Waqf and Qard-e-Hasan are also elaborated in detail.

Part four discusses the micro foundations of behavior in Islamic economics perspective including consumption and investment. The content covered is useful for those who have taken a principles level course in microeconomics and macroeconomics. It is discussed that profit rate in Islamic economics framework can perform the allocation of both investment capital as well as labor. If a laborer expects to earn more profit than the wage rate, then he will opt for entrepreneurship. Islamic economic principles and norms encourage self-reliance. But, this comparison between providing labor or engaging in entrepreneurship has not been discussed in trade-off analysis in mainstream economics.

Furthermore, micro-founded behavioral analysis of entrepreneur is missing in conventional economics. It is also contended in the book that physical capital is not similar to financial capital. Financial capital cannot be rented at a fixed rental rate. It has to bear the entrepreneurial risk to get share in actual profits. It is argued in the book that having more entrepreneurs in a Riba-free economic framework will increase production as well as employment opportunities. Thus, it will further boost profits and investment. On the contrary, Riba-based financial system results in wealth concentration, underinvestment, and unnecessary unemployment, thus leading to systemic poverty and inequality.

Part five explores topics such as money, finance, and capital markets. The chapters in this part provide an exposition of the monetary framework in Islamic economics. In Islamic finance, the time value of money is not recognized, but the time value in economic exchange of Halal goods and services in sale and lease contracts is recognized if all the conditions of valid sale and lease are complied with.

Islamic banking offers various modes of financing where the returns are related to the assets in the sale and lease contracts. All returns are linked with risks, either risks related to assets (as in Murabaha and Ijarah) or enterprise (as in Musharakah and Mudarabah). This ensures a direct link with the real
economy and also fosters equitable risk sharing. These features can minimize the risk of financial crisis and systemic risks in the financial system.

Contemporary topics, such as cryptocurrency have also been covered in the book. Furthermore, economic analysis of Islamic banking and financing products is provided. Hence, the book goes beyond discussing the jurisprudential and procedural details to also provide an objective economic appraisal of Islamic banking and finance product structures. Nonetheless, brief details of product structures should have been added for the readers to appreciate the economic analysis more clearly.

The last part of the book focuses on economic policy from Islamic perspective. Discussion on Maqasid-e-Shari’ah informs the readers about how economic policy has to be intertwined with Maqasid-e-Shari’ah. There could have been more chapters in this part to also shed light on the current practice of incorporating Islamic perspective in legislation and regulation as well as policymaking, be it public policy or economic policy.

Overall, it is a comprehensive book presenting the details of Islamic economics in a lucid and coherent way. Some chapters can very easily be incorporated into courses taught in universities at undergraduate and graduate levels, such as: Development Economics; Microeconomic Theory and Policy; Macroeconomic Theory and Policy; Public Economics; Welfare Economics; Comparative Economic Systems; Islamic Economics; and Islamic Banking and Finance.

A glossary of key terms is also provided at the end of the book. It may have been useful to also provide definitions of key terms first time when they are used in the book. Some chapters require background understanding to fully appreciate the content. For instance, readers not familiar with the Marshallian cross, Keynesian economics, and Hick’s IS-LM framework may find it difficult to grasp some content. In the next editions, more exposition or mathematical appendices can be added to facilitate readers in understanding the relatively intermediate or advanced-level content.

In the chapters appearing in “beyond market economics”, additional content on Zakat can be added just like there is substantial coverage of Waqf and Qard-e-Hasan. Even though the institution of Zakat is discussed in different parts of the book, given its importance in Islam, in general, and Islamic economics, in particular in the beyond market economics framework, it will be worthwhile to dedicate a full-length chapter to Zakat.
Another feature in the book is the inclusion of assessment tools, such as self-check questions, discussion pointers, and exercises. The assessment tools given at the end of the chapters can help the instructors in their pedagogy and assessments. The book is a welcome addition to the literature of economics in general and Islamic economics in particular. Thus, anyone interested in learning about Islamic economics and economic policymaking will find useful content in the book.