

ISLAMIC WORLDVIEW AND THE INCONSISTENCY OF  
CONVENTIONAL ECONOMICS  
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BY

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# ISLAMIC WORLDVIEW AND THE INCONSISTENCY OF CONVENTIONAL ECONOMICS

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- Concluding Remarks

# Introduction

- All Muslim countries fall within category of developing countries even though some of them are relatively rich while others are extremely poor.
- The poorer countries are also beset with a number of extremely difficult problems.
- Some of these problems include high rates of unemployment and inflation, excessive balance of payments deficits, continued exchange rates-

# Introduction(Cont.)

- Depreciation and heavy debt burden.
- Other problems include extreme in-equality of income and wealth among the different classes of each country, as well as between different Muslim countries.
- Even the basic needs of considerable number of the population remain unsatisfied.
- The rich and the upper middle classes live in a great affluence.

# Introduction(Cont.)

- What Muslim countries need is not just a reasonably high rate of growth in aggregate output.
- They also need to substantially reduce their macroeconomic imbalances and socio-economic inequalities.
- The Muslim countries like all other developing countries are, therefore, looking for a development strategy that would help them accelerate growth with justice and reduced economic in-stability.

# Introduction(Cont.)

- Nigeria on its part is a country of paradoxes, because it has ample human and natural resources which are not fully exploited to enhance growth.
- During the period of 1999 – 2015, the economy depended heavily on revenues from crude oil export to finance development.
- Crude oil export contributed about 85% of foreign exchange earnings and about the same percent of exports which is about 10% of GDP.

# Introduction(Cont.)

- It is unhealthy for any economy to depend solely on exogenous revenue source for which the price and quantity are outside the control of the domestic economy.
- Nigeria's inability to diversify her economy led to sharp contraction of GDP from 2012-2015.
- The growth stood at -13.07 in 2013 and -5.45 percent in 2015 respectively.

# Introduction(Cont.)

- In addition, the sharp decline in oil revenues affected quantum of foreign reserves, hence the economy remained in disarray from 1999-2015.
- At the end of 2015, the growth of GDP was about 2.8%, unemployment was about 26%, Inflation about 10%, lending rates averaged 25% and poverty incidence stood at 70%.
- Nigeria's position in the ease of doing business-Indices was at the bottom among 140 countries of the world.

# Introduction(Cont.)

- Even if an economy has experienced growth but unemployment is rising and no access to education, health services are deteriorating, no running water, housing is in-adequate, food security is lacking and gap between the rich and the poor is widening, then that economy needs to be re-structured.
- This explains the broad objective of this paper: To explore Islamic mode of development with a view to finding an alternative development strategy provided by the conventional economics.

# Islamic Development Strategy

- There are five basic questions to be answered here. These are:
- First, what kind of development does Islam envisages?
- The second and the third questions are can development be realised with the secular approach for those countries who believe either in the market system or socialism;
- Or with strategies formulated by development economists within the framework of these two systems?

# Islamic Development Strategy (Cont.)

- The fourth is what mode of strategy in accordance with the *Shari'ah* can the Muslim countries formulate to actualise the type of development Islam envisages?
- If a successful strategy can be formulated within the framework of the *Shari'ah*, then the fifth question is why the Muslim countries have so far failed to formulate and implement such a strategy?

# Islamic Development Strategy (Cont.)

- On the kind of development Islam envisages, the Islamic world-view is based on three fundamental concepts.
- These are: *tawhid* (oneness and unity of God), *khilafah* (vicegerency of human beings), and *adalah* (justice).
- *Tawhid* implies that the universe has been consciously designed and created by the Supreme Being, who is one and unique, and did not come into existence by chance (Qur'an 3:191, 38:27 and 23:15).

# Islamic Development Strategy (Cont.)

- Human beings by virtue of the fact that they have been endowed with freewill, rationality and moral consciousness combined with fear of Allah (S.W.A.) are required to live in exclusive worship and obedience to Supreme Being.
- *Tawhid* is not merely recognition of reality, but an active response to it.
- This means that human beings are created because they have a mission to perform and must use the limited resources within the economy to treat each other and their environment in a way that would help fulfill their mission.

# Islamic Development Strategy (Cont.)

- The human being is God's *khalifah* or vicegerent on earth (Qur'an, 2:30, 6:165, 35:39, 38:28, and 57:7), and the resources at his disposal are a trust (Qur'an, 57:7).
- Only Allah (S.W.A.) Has the perfect knowledge on man, his strengths and weaknesses, and He alone is capable of providing him with guidance to suits his nature and needs.
- Although human beings are free to accept or reject this guidance, they can well attain true well being (*falah*) only by implementing it in their own lives and their societies.

# Secularism And Un-just Development

- Secularism is the dominant world-view in the Western world.
- And, as a result of the western political, intellectual and economic domination over other countries, it has also become the prevalent world-view in the Third world countries like Nigeria.
- The deep seated dislike for, Islam in the modern West made it averse to value judgments based on moral considerations, to the extent of considering what ever gives pleasure as 'good' and what causes pain as 'bad.'

# Secularism And Un-Just Development(cont.)

- This gave rise to the concept of 'economic man', which has served as the kingpin of modern economics.
- Self interest was the only well-spring of his actions.
- Consumption was the highest purpose of his life, the supreme source of happiness, and the ultimate justification for all his efforts.
- Maximising earnings and want satisfaction become one of his supreme virtues.

# Secularism And Un-Just Development(cont.)

- There are a number of assumptions implicitly made on the above reasoning which are however not well spelt out in the Economic writings.
- Firstly, it is assumed that anything that is in the interest of the individual is also in the interest of the society and there is not possibility of conflict between the two.
- This is a false assumption since we know that there is always a conflict between utility maximisation and profit maximisation.

# Secularism And Un-Just Development(cont.)

- Secondly, it is assumed that there is an equal distribution of income and wealth because only an equal distribution would give every one an equal wealth in influencing the decision-making process of the market in a secular environment where moral values do not serve as a constraint on resource use.
- However as Samuelson has rightly indicated, market forces will only lead to “starving couples; to malnourished children who grow up to produce malnourished children; to perpetuation of Lorenze curve of great inequality of income and wealth for generations or forever.”

# Secularism And Un-Just Development(cont.)

- Thirdly, it is assumed that the willingness of consumers to pay the market price reflects the urgency of wants.
- This is also false because even though the urgency for milk is the same for all children, irrespective of whether they are rich or poor, the amount of naira votes that a poor family is able to cast for milk is not the same as those that a rich family is able to cast for status symbols.
- Fourthly, it is also assumed that there is perfect competition with many buyers, many sellers, no barriers to entry and perfect knowledge.
- Perfect competition has however, remained as an unrealised dream because of capitalism promotion of big businesses in favour SMEs.

# Concluding Remarks

- In spite of the inability of both the market system and socialism to realise development with justice, all Muslim countries have been pursuing policies prescribed by development economics, with sincere belief.
- The neo-classical, Keynesian and socialist economics all are secular in their approach to human problems and the realisation of human well-being.
- They placed too much emphasis on consumption and material possessions as a source of human happiness and are not inwardly committed to human brotherhood and socio-economic justice.

# Concluding Remarks (cont.)

- The dominant view thus was that developing countries would not be able to advance unless they ‘modernised’ themselves.
- Modernisation did not, however, consist in adopting better technology; but rather adopting Western materialistic values and social institutions.
- This undue emphasis on the lack of prerequisites for growth conceived within the image of Western culture led to the widespread acceptance of the “vicious circle of poverty” in the development literature.

# Concluding Remarks (cont.)

- The Islamic world-view as discussed initially, makes it a moral imperative of every Muslim society to try its utmost to foster brotherhood and socio-economic justice, such that their realisation, and not their absence, become the dominant characteristics of that society.
- In the economic field, this necessitates development with justice and stability to attain general need fulfilment, full employment and equitable distribution of income and wealth, without unduly large imbalances.