

---

## Foreword

---

### Asad Zaman

Pakistan Institute of Development Economics (PIDE),  
Quaid-i-Azam University Campus,  
P.O. Box 1091, Islamabad, 44000, Pakistan  
Email: asad.zaman@alumni.stanford.edu

### Jack Reardon\*

Department of Management and Economics,  
School of Business,  
Hamline University,  
1536 Hewitt Avenue, MS-A1740,  
St. Paul, MN 55104-1284, USA  
Email: jreardon02@hamline.edu

\*Corresponding author

**Biographical notes:** Asad Zaman holds a BS in Math from the MIT in 1974 and PhD from the Econ Stanford in 1978. He has taught at leading universities like Columbia, U. Penn., Johns Hopkins, Cal. Tech. and Bilkent University, Ankara. Currently, he is the Vice Chancellor of Pakistan Institute of Development Economics. His textbook *Statistical Foundations of Econometric Techniques* (Academic Press, NY, 1996) is widely used as a reference in advanced graduate courses. He is the Managing Editor of *International Econometric Review* and *Pakistan Development Review*. His research on Islamic economics is widely cited, and has been highly influential in shaping the field. His publications in top ranked journals like *Annals of Statistics*, *Journal of Econometrics*, *Econometric Theory*, *Journal of Labor Economics*, etc. have over 700 citations as per Google Scholar.

Jack Reardon is the Founding Editor of the *International Journal of Pluralism and Economics Education*. His research interests include economics education, energy and the environment, and labour economics. He has published in a wide variety of journals including the *Journal of Economic Issues*, *Monthly Labor Review* and *International Journal of Green Economics*. He has published *A Handbook for Pluralist Economics Education* (Routledge) and *The Economics Curriculum: Towards a Radical Reformulation* (World Economics Association Books). He is currently finishing a principles of economics textbook for Pluto Press.

---

## 1 Introduction

In vol. 6, no. 4 of the *IJPEE*, we published a special issue on Islamic economics. Due to limited space, the nine accepted papers could not be published in one volume, so we published five in vol. 6, no. 4 and the remaining four articles in this issue. Explaining the

rationale of a volume on Islamic economics, we wrote in the foreword of *IJPEE*, vol. 6, no. 4,

“Economics is currently undergoing a reconceptualisation, in which its basic tenets and precepts are scrutinised for their relevance and usefulness in helping societies provision. Central to this reconceptualisation is the embrace of pluralism, which we define as the willingness to listen and dialogue with other viewpoints. We believe that Islamic economics offers a rich repository of ideas and concepts originally developed as solutions to real practical problems, and can elucidate our current predicament and help conceptualise solutions.”  
[Zaman and Reardon, (2015), p.317]

We were also motivated by Professor Islahi’s clarion call for a dialogue between West and East,

“Now that shortcomings of neoclassical economics are being blamed for the excesses of US-led globalization, due attention should be paid to the contributions of the Muslim scholars ... Coming from Asia and Africa, these voices represent concerns that are different from the European and American ... It is no secret that the East and its religions have always given precedence to equity, social justice, ethics and morality. [...] We should pave the way for exchange and dialogue between the West and the East on an equal footing. Indeed, through dialogue on the basis of tolerance and mutual respect, the shared values become more familiar than those that distinguish and divide.”  
[Islahi, (2014), pp.100–101]

Certainly this does not imply that, “that Islamic economics has all the answers – no view does – only that we need to dialogue, listen and learn from all disciplines within economics”<sup>1</sup> [Zaman and Reardon, (2015), p.321]. We believe the five papers in vol. 6, no. 4 together with the four papers in this issue can help us reconceptualise economics, and to increase dialogue between West and East.

## **2 Continuation of the special issue**

As a rule-based religion, Islam offers myriad prescriptions for leading a fulfilling life, and for promoting human welfare and societal well-being. However, and not surprisingly, sometimes the actual results do not comport with the prescriptions. In their paper ‘Benchmarking objectives of Shari’ah (Islamic law): index and its performance in select OIC countries’, authors Alaa Alaabed, Hossein Askari, Zamir Iqbal and Adam Ng, offer a monitoring benchmark (an empirical test) of how well Muslim nations adhere to the prescriptions of Islamic law. As the authors note, “identifying performance shortfalls as a technical means of measuring and ranking is not only of interest to governments for introducing urgently needed reforms but is also important for the person in the street”. The authors also offer several suggestions to refine the concepts, principles and indices used in benchmarking Islamic law.

In his paper ‘Ethical values in conventional and Islamic finance with reference to recent financial crises’, Monzer Kahf discusses the proposed remedies to the 2008 financial crisis and recommends alternatives derived from Islamic finance based on the values of realism, commitment to non-harm, and contractual balance. Kahf’s short-term suggested reforms include taming speculation, removing virtual assets and zero-sum transactions from the financial markets; while his long-term reforms include eliminating speculation and speculative contracts, providing finance through principles

and methodologies based on real ownership, creating a financial ombudsman, and setting stand-by financial providers. Kahf concludes,

“We should look for a post-financial capitalism in which the financial sector plays a production role based on real-capital ownership contribution to the economy rather than provision of interest-based debts; an economy in which the government and the ombudsman as stakeholders’ protection agencies can work together to the benefit of all instead of allowing speculators an ability to divert resources from real production to practices of a culture of ‘snatching the other guy’s dollars’.”

In *The Wealth of Nations*, Smith (1976 [1776]), Bk. I, Ch. 8, pp.74–75) wrote of the unequal power between master and worker,

“The workmen desire to get as much, the masters to give as little as possible. . . . It is not, however, difficult to foresee which of the two parties must, upon all ordinary occasions, have the advantage in the dispute, and force the other into compliance with their terms . . . a landlord, a farmer, a master manufacturer, or merchant, though they did not employ a single workman, could generally live a year or two upon the stocks they have already acquired. Many workmen could not subsist a week, few could subsist a month, and scarce any a year without employment.”

This inequality, this difference in bargaining power, has long been noted by heterodox economists and is the essential starting point in a heterodox analysis of the labour market. Champlin and Wiens-Turner (2009, p.173), for example, write,

“conflict and issues of power are the norm: groups with power seek to keep it; groups without power seek it. Political economy (i.e., heterodoxy) emphasizes the unequal distribution of political and economic power, oppression, and exploitation. Labor wants higher wages, and businesses want lower costs. Instability and change are created by conflict.”

Unfortunately, as neoclassical economics developed in the late 19th century, it jettisoned issues of power (of concern to the classical economists), substituting instead a beneficent role of the market in equilibrating opposing forces. A popular, contemporary labour economics textbook highlights this role and function of the market, “Workers and firms, therefore, enter the labor market with conflicting interests. As workers search for jobs and firms search for workers, these conflicting desires are ‘balanced out’ and the labor market reaches an equilibrium” [Borjas, (2013), p.4].

In ‘Wages in an Islamic economy: a literature survey’, Toseef Azid provides a fascinating account of wage determination under Islamic Economics which is based on the prescribed principles of the Qu’ran and the Shari’ah of brotherhood (a term used to include all): fairness, honesty, scarcity of resources, and justice in the distribution of income. So rather than assume the beneficent workings of the market will determine wages (according to neoclassical economics) and thereby ignoring existing configurations of power, wages should be explicitly and openly determined, recognising the interests of both workers and employers. Azid concludes, “wage determination is not fully due to the market; rather it should be pre-determined/pre-decided with the minimum level/subsistence level, fulfilling the workers’ (and his/her family’s) basic needs and under the umbrella of *shari’ah*”.

In the ‘Intention to use the Islamic micro-investment model in Nigeria: empirical evidence’, Aliyu Dahiru Muhammad, Mohamed Aslam Haneef, and Mustafa Omar Mohammed note that a central belief of Islam is that all wealth and

resources ultimately belongs to Allah, with human beings acting as custodians. Thus, it logically follows that a central tenet of Islam is the prohibition of wealth concentration and the active reduction of both poverty and income inequality. Wealth, rather than accrued to the few, must be circulated through businesses and other lawful transactions. In their paper, Muhammad et al. use structural equation modelling to test the applicability and effectiveness of the Islamic micro-investment model (IMIM) in Nigeria. The IMIM is a business venture comporting with the Shari'ah requirement of finance: to cater for the socio-economic needs of poor individuals in the society. Thus, the objective becomes not only to acquire or maximise profit but also to fulfil Shari'ah requirements to improve the welfare of the people, especially by reducing income inequality, currently at unacceptably high levels. Muhammad et al. find the IMIM effective, especially in developing subjective attitudes and norms toward the use and the intention to use the IMIM.

Perhaps more widespread use of IMIM in developing nations can help break the vicious cycle of poverty? And perhaps we can use the IMIM in order to effectuate the UN 17 sustainability development goals, especially poverty reduction and attenuation of income inequality. To do so will certainly require a working relationship between West and East.

### **3 Pluralism in economics**

In chapter 24 of *The General Theory*, Keynes (2010 [1936], p.372) wrote, "The outstanding faults of the economic society in which we live are its failure to provide for full employment and its arbitrary and inequitable distribution of wealth and incomes". Sadly, both concerns, eighty years later remain a priority, so it should not be surprising that recent attention has focused on how to conceptualise and measure income inequality. Piketty's (2014) book stands out easily as the most widely read and the most widely critiqued. In their paper 'Missing bridges: a pluralist analysis of the debate on *Capital in the Twenty-First Century*', Hannes Fauser, Felix Kersting, Finn Müller-Hansen and Alexander Sacharow (doctoral students in Berlin) provide a much-needed critique of Piketty's definitions, concepts, and measurement techniques from a pluralist perspective; which, as the authors note, given the inordinate attention, such a critique is necessarily ongoing and incomplete, as is a critique of Piketty's myriad critics. The authors argue that, "Piketty can be classified as a neoclassical dissenter when it comes to the boundaries of the discipline and economics methodology, but his approach lacks pluralism because he does not interact with heterodox schools of thought within economics". Although Piketty does not interact, the heterodox schools, nevertheless, have all reacted/critiqued Piketty. Thus, Fauser et al. provide an invaluable service by examining Piketty's work and its myriad heterodox critiques. The authors note that pertaining to pluralism, while Piketty "encourages scholars to practice economics as a social science and calls for interdisciplinarity to understand the reasons and consequences of inequality", he does not live up to this challenge since he does not recognise and build on the substantial work of heterodox economics.

#### 4 The teaching commons

In his article ‘Taking economics out of the classroom: a field assignment’, Tekin Kose notes, “although economic activities are a crucial component of daily life, economics instructors often fail to reflect this fact in teaching their courses”. To help rectify this omission, Kose provides a useful exercise to connect economic concepts learned in the classroom with everyday activities, an exercise which, “enhance[es] student engagement via active and experiential learning”. In this assignment, students are asked to visit a local farmer’s market and their local grocery store to observe and experience market interactions of economic agents, along with prices, the role of government, and the specifics of the market including industry structure. Based on data collected, students are asked to calculate localised GDP and price indices. Kose notes,

“outside classroom experience is most likely to be remembered by students; and this assignment converts their daily life activity into a learning tool and asks students to change their perception of these market environments for a while to evaluate the actions of people through economics view”.

Anecdotal evidence provided by Kose suggests the project was a success.

#### References

- Borjas, G. (2013) *Labor Economics*, 6th ed., McGraw Hill, New York.
- Champlin, D. and Wiens-Turner, B. (2009) ‘Pluralism in labor economics’, in Reardon, J. (Ed.): *The Handbook of Pluralist Economics Education*, pp.171–180, Routledge, London.
- Islahi, A. (2014) *History of Islamic Economic Thought – Contributions of Muslim Scholars to Economic Thought and Analysis*, Edward Elgar Publishing, Cheltenham, UK.
- Keynes J. (2010 [1936]) *The General Theory*, Martino Publishing, Mansfield Connecticut.
- Piketty, T. (2014) *Capital in the Twenty-First Century*, Harvard University Press, Cambridge, Mass.
- Smith, A. (1976 [1776]) *The Wealth of Nations*, University of Chicago Press, Chicago.
- Zaman, A. and Reardon, J. (2015) ‘Foreword to the special issue: the challenge of Islamic economics’, *International Journal of Pluralism and Economics Education*, Vol. 6, No. 4, pp.313–323.

#### Notes

- 1 In the foreword to *IJPPE* vol. 6, no. 4, we offered numerous entry points for readers interested in incorporating Islamic economics into their pedagogy; please see Zaman and Reardon (2015, pp.321–322).