

Comments on “How to Teach Intermediate Undergraduate Microeconomics with an Islamic Perspective”*

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Commenting on a paper that covers such an important topic as teaching microeconomics in Islamic universities is not easy. The paper is short but covers a wide-range of topics offered in a full undergraduate program of microeconomics. Khan opens his discussion by introducing the nature of the economic problem and goes on to the following topics: property rights in Islam; the theories of demand, production, and cost; institutional set-up; intertemporal choice; and general equilibrium. Unfortunately, the paper covers these topics too quickly and leaves a lot to be desired. I believe each item deserves a much longer and more detailed treatment.

One topic in particular that struck my interest was the author's theory of consumer behavior, taken from the work of Al Zarga. Khan's discussion of consumer behavior tries to connect two consumer behavior axioms, the first one based on 'need fulfillment,' which he calls the Islamic way, and the other based on 'utility maximization'. He treats them hastily within a framework in which expenditure is divided into two types: the needs fulfillment for this world (for himself and for his family), and the needs fulfillment for the Hereafter or extra-utility (*thawab*). He emphasizes that this type of expenditure gives the consumer both ordinary utility and extra-utility at the same time. The consumer will choose the optimum distribution of his expenditure in order to maximize his extra-utility, at the same time fulfilling his worldly needs. This is very clear in his statement that the choice of the consumer is based on the available information. Information, however, does not give a solution to the problem, it only points to a possible solution.

Dr. Khan discusses the question of resource allocation, without elaborating on the issue of budget constraint. But how can we discuss optimum allocation of resources without mentioning budget con-

* Translated from Arabic by the editor.

straint? In discussing consumer behavior one should distinguish between presumed behavior and actual behavior. The author bases his analysis on the presumed, rather than on the actual behavior of the consumer. He assumes that Muslims reach a point of devotion and faith in which they act more like angels than like human beings. We all know devotion is relative, and that there are strong Muslims and weak Muslims. Wrongfully, when discussing a Muslim's consumer behavior, we assume that he is faithful and devout. This has been the attitude of all writers on the subject. For example, Al Zarga has put worldly consumer goods on the horizontal line and *thawāb* on the vertical line in his efforts to reach an equilibrium point. Mathematically, it is impossible to reach a point of equilibrium. Khan assumes that all Muslim consumers are strong and faithful; however, we must take into account the weak ones as well.

Another problem with Khan's argument is the distinction he makes between two types of expenditures, one for utility and the other for extra-utility. The two types are considered consumer objectives, but I do not know of any mathematical model supporting such a proposition. The relevant question here is how the two expenditures are affected if the Muslim consumer considers both types and how would that be reflected in his utility function? I do not believe that there is any important effect. Consumer expenditures on goods and services satisfy immediate needs. The fulfillment of religious duties gives joy and relief and would be part and parcel of the utility function of the consumer. Therefore, it is easier to talk about one utility function and then compare the satisfaction of two consumers.

At this stage, I would like to take issue with the division of goods into necessities, complementaries, and amelioratories which was used by Al Zarga in his study of consumer behavior. Is it true that the division of goods into three types creates a Muslim consumer who is basically different from a non-Muslim consumer? I do not believe that this is the case. Man's priorities are based on personal as well as social considerations. Non-Muslim consumers differ from Muslim consumers because Muslims abide by God's prescribed criteria—this is a special consideration built into Islamic economics. Muslims use

God's given criteria to strike a balance between private and social interests; therefore, economic units in an Islamic economy do not conflict, in fact, they line up in harmony and move in an integrated and supportive fashion.

Though I appreciate their efforts, I do not think science departments and research centers should assign staff to design curricula and write textbooks, even if the effort leads to a difference in what is taught.

The paper suggests that a complete microeconomics curriculum cover the following topics: introduction to microeconomics, private property and property rights, theory of demand, theory of production, theory of costs, theory of the firm, factors of production, theory of distribution, and general equilibrium and welfare economics. In the introduction, the author suggests that the following economic problems be included in microeconomics: the role of government, the role of the third sector, types of markets and their structures, the place of values in social sciences, and the importance of substituting needs for desires. The paper then goes on to discuss the methodology of microeconomics for all these items, comparing them in the light of secular and Islamic economics. Though I agree with the author on what he includes in his study, I think all the items except for the topics of markets and property rights should not be treated as part of microeconomics. They should be included in a course on Islamic economic principles.

Khan raises a methodological problem but does not pursue its solution. Many times he suggests that the course lecturer should consider a topic from the point of view of secular economics and then examine it in the light of Islamic economics. The question is, following such procedures, are we teaching Islamic economics or are we teaching comparative economic systems?

Khan calls for fiqh specialists to contribute to the study of many aspects of Islamic economics. On this we do not differ, but he does not explain how the *fuqahā* are to make their contributions. Shall it be through teaching classes in fiqh or shall it be through directing the

students to write papers in microeconomics on each question related to fiqh? This question needs exploration.

In his exposè of the theory of demand, Khan raises many questions. I found some of them difficult to accept. For example, he points to consumer behavior in the light of the *maqāsid* (objectives) of the shari'ah as being based on interest (*maṣlahah*), rather than on utility, and that indifference curves may be used to express consumer preferences. Here, I raise a basic methodological point concerning the terminology being used in Islamic economics. Should we avoid the language and terminology used by secular economics? Should we use it widely? Or, should we use it selectively?

I believe we should develop our own terminology for Islamic economics and base our analysis on it. Whatever we find suitable and acceptable in secular economic terminology, and which does not contradict Islamic concepts, we should use. However, whenever we use terms that have already acquired meaning in secular economics a problem arises. Should we dispose with its distorted meaning or should we use it to convey Islamic meaning? For example, the word 'utility' in secular economics has connotations of pleasure and pain, but utility as an Islamic concept used in the Qur'an contains consumption as well as production connotations. Allah says, "(Many) benefits you from them and that you may satisfy by their means a need that is in your breasts . . ." (40:80). Moreover the root of the word utility (*manfa'ah*) with all its derivations is widely used in Islamic thought and the Sunnah of the Prophet. The linguists say that *manfa'ah* is synonymous with interest (*maṣlahah*). Do we need to avoid 'utility' and replace it with another term? Also the terms 'just wage' and 'just price' need further consideration.

I have another question about utility, Does an analysis based on (*maṣlahah*) differ from that based on utility? There are other questions that we may raise, such as, Is the principle of maximum satisfaction as an objective for consumer behavior acceptable from an Islamic perspective? Or, What are the differences between a Muslim utility function and that of a non-Muslim in the light of humility and self sacrifice? Or, To what extent is the Islamic concept of economic

nationality different from the secular concept? Or, What are the implications of making simplicity a part of buying and selling on the analysis of the consumer as well as the producer's behavior? The secular economic view that tastes and tendencies are given, needs to be recast in an Islamic perspective.

The author exposes many interesting points. Concerning the motives of the Muslim consumer, he distinguishes between two types of expenditures, one to fulfill basic needs in this world, and another to fulfill the needs of the Hereafter. He tries to reach an equilibrium point between these two types and an equilibrium within each type. Here, I would like here to point out the sensitivity of such ideas, and we should not insist on imposing quantitative analysis. On the other hand the position is quite clear and open in this realm. There is the basic satisfaction with its limits, anything above it is prohibited lavishness and anything below it is unacceptable miserliness. There are texts that could be construed as recommending standing within the limits of needs fulfillment. I would like to suggest that treating this question within the theory of consumer behavior may not be suitable from a methodological point of view. This question ought to be looked at from within expenditure or distribution. The most interesting sequence of Islamic economic subjects is the following: principles, consumption, production, distribution and exchange, etc., instead of the usual secular division of economies into 'micro,' 'macro,' etc.

Khan raises the problem of seeing labor and leisure as opposites. He shows that, in an Islamic context, the alternative to work is not only leisure but the work for the Hereafter. Although the author raises the question of how to distribute time between these three alternatives, he does not provide an answer. I do agree with him on the importance of posing such questions. However, I do not think that these questions should be raised within the theory of consumer behavior, rather, they should be raised when dealing with factors of production or labor.

I would like to emphasise here that this sharp distinction made between work for the world and work for the Hereafter is not Islamic.

The Islamic attitude is that the work for this world and work for the Hereafter should be integrated together. It is the spirit of the objectives of the shari'ah. This remark applies as well to time preference. Although I approve of what he said about time preference, I do not agree that this is the right place for it.

I agree with Khan's analysis of market demand, and how it differs in an Islamic context, because it is based on needs and *maslahah* in its three types. However, I think that what he says lacks the right setting, particularly, since introducing sequential steps in the market requires clear shari'ah cooperation.

There is a question that I would like answered; i.e., Is it conceivable that during a given period we would find in the market place only the goods and services that fulfill just the basic needs of the Muslims? If the answer is yes, On what evidence is this based? How can this be true when we know that amelioratives as well as luxuries were available in the markets in the early period of Islam, in spite of the fact that there were those who could not meet their basic needs.

I agree with the author's treatment of the theory of production. I would like to stress the importance of the elimination of interest rates and its effect on firm equilibrium and size. Also, I would like to point out the firm's sources of finance and, in particular, the share in the profit of the capital owner.

I agree with the author in his treatment of costs, and in the way he highlights the differences between the concept of costs in Islamic economics and those in secular economics. It needs further detailed analysis. The implications of this distinction are far reaching; for example, some expenditures are undertaken by the firm for social needs or for paying workers wages higher than their marginal product. Are these costs to be considered part of the costs of production? And how do these costs affect the equilibrium of the firm?

I also agree with what Brother Khan included under the theory of the firm, in particular, the objectives of the firm and the Islamic attitude toward profit maximization. However, the subject requires further serious research. I would like to ask, with respect to value and

price and the factors that determine them, Are they the same thing? and Are they different from an Islamic perspective? There is also the need to study market structure in an Islamic economy, and Islamic attitudes vis-a-vis their structures.

I do not agree with Brother Khan's suggestion concerning the factors of production. The same applies to his theory of distribution. I believe that it should be treated separately, rather than the way he adopted. As far as welfare theory is concerned, my direct remark is that the author bases his analysis on an ideal situation, thereby reaching the ideal conclusion that there is no conflict between the needs and interests of individuals and those of society. It may not be wise to neglect the actual situation in our analysis of this particular question and others as well. If we take an actual rather than an ideal situation, a conflict will arise. We may encounter this conflict in ideal situations as well, even though Islam, with the depth of its moral principles introduced the solution, the potential for a conflict of interest exists and should not be overlooked.

Finally, I would like to affirm the importance of using Islamic terminology and of not being influenced by the secular economic system when determining the sequence and content of the subject. I noticed that Brother Khan was influenced by the methodology of secular economics, as witnessed by his list of references in English. To finish, I would like to thank and congratulate Dr. Khan on this excellent work, I am certain that his contribution will take us closer to our objectives, namely the Islamization of economics.