

# MESSAGE

IN LIEU OF  
KEY-NOTE ADDRESS

BY

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I am grateful to the Riphah University for kindly inviting me to give a Key-Note Address to its 4<sup>th</sup> International Conference on Islamic Finance. I am presently in the U.K. for treatment and as such unable to physically participate in this Conference. However, while wishing you every success I am trying to join you intellectually and spiritually through this short message.

The theme for this Conference “Islamic Economics, Finance and Public Policy for the Ummah’s Socio-Economic Well being” is very important and timely. I have been invited to share my thought on “Priorities in Public Policy in an Islamic State”. Priorities can be set only on the basis of two fundamental considerations. First a clear vision of our own objectives, goals and destiny; and, secondly, a realistic assessment of the national, regional and global geo-strategic contexts in which we operate as also of the human and material resources we can harness.

The organizers have very ably stated the goal of this exercise in three words:

“Ummah’s Socio-Economic Wellbeing”

This rightly focuses on the central challenge that we, as Muslims, nay, the entire humanity, faces today.

The need to move from a capitalistic concept of corporate development towards the goal of a Just Socio-Economic Order to ensure the Real WELL-BEING of all *HUMAN BEINGS*. This has been succinctly and beautifully put by the Quran in two terms i.e. “*adl-wa-Ihsan(Justice and Beneficiaries) and Falah(well-being and welfare*”. The need of the hour is to make this transition, at the levels of vision and goal-setting, policy planning and effective implementation.

There are at least four aspects of the current geo-strategic context which deserve serious reflection.

First the global financial and economic crisis which began in 2008 and continues even today to plague the economy worldwide. Billions of human beings in the developed as well as the developing economies are suffering. Efforts to overcome the crisis, despite all the bail-outs, fiscal retrenchments, quantitative easing by central banks, austerity programmes and the likes have not been able to turn the corner. Speaking in Davos on the occasion of its recent 45<sup>th</sup> Capitalist Summit (Jan, 2016) billionaire speculator turned intellectual, George Soros warned that the world stands at the threshold of a new crisis which, could be triggered of by slowdown in China. Other warning signals are coming from high private and public debts; mounting budgetary deficits; higher savings and lower investments; insufficient and faltering aggregate demands, both

nationally and globally; huge and escalating income and wealth, disparities; low job creation and increasing rates of unemployment, particularly in the youth; and, devastating ecologically consequences of over-demanding developmental crusades. In the pursuit of the objective of *capitalism, colonialism and neo-liberalism* the dangers of a new recession are beginning to cast the shadow on the horizon. Former Finance Minister of Greece, Yannis Varoufakis, has warned “that more than \$4 trillion of savings are slashing around in Western financial institutions refusing to be invested in productive activities.” (*The Guardian* London, 29 January, 2016)

Nobel Laureate Joseph Stiglitz laments “Seven years after the global financial crisis erupted in 2008, the world economy continued to stumble in 2015. According to the United Nations Report, *World Economic Situation and Prospects 2016*. Since the crisis an estimated 44 million people are unemployed in developed countries, about 12 million more than in 2007, while inflation has reached its lowest level since the crisis.” (*The Guardian* 8, February, 2016). The plight of the common man in the developing world is more horrendous. In a world where over two billion persons are living below poverty line and some 800 million below the dire poverty line, only 62 multi-billionaires own as much wealth as is owned by the poorest 3.6 billion (Oxfam Report 2016). This is all the more alarming because even while the world in the grip of this crisis the rich are getting richer. According to the the said Oxfam Report the number of super billionaires who owned almost 50 per cent of the world resources stood at 388 in 2010. It shrinks to 80

in 2014 and now at the end of 2015 it stands at 62 only. According to other reports only 1% of world population controls and manages as much as is at the disposal of the remaining 99%. This has given rise to protest movements like 1% vs 99% and Occupy Wall Street, which are gaining momentum in the Western World.

This state of affairs cannot continue for long. Market mechanism has its strong positives, but exclusive reliance at the dictates of the market is turning out to be a recipe for this issue. Blind imitation enforced compliance of capitalist dictates of the Western World are at root of the plight of the Muslim World, as also of the rest of the Third World. It is only through a total liberation from Change of the development of the capitalist West that we can pursue the path leading towards a Just Socio-Economic Order resulting in wide spread human well being.

The second aspect of the geo-strategic context relates to the political, economic, moral and ideological predicament of the Muslim Ummah. Despite being endowed with best of the human and material resources and being the repositories of the Final Guidance from Allah, *subhanahu wa taala*, the Ummah's own house is in serious disorder. I firmly believe that every crisis is also an opportunity. We must always be confident about the future, but our response should always be realistic based on correct understanding of the new crisis keeping in view our strength and weaknesses so as to develop *effective strategies, policies and programmes to address the real challenges with vision, integrity and competence*. We have to give priority to setting our own house in

order and to reconstructing society and economy on the basis of our own values, interests and resources. *Self-reliance* should be our *rallying point*. The shrinking global economy, the exploitative character of the global economics and political system and the persistent downward trend in oil and other commodity prices should be an eye-opener. The real priority must be development of the real economy, focusing on the production sector, ensuring even expanding flow of goods and services, and rediscovering of the role of the finance and monetary sectors as effective intermediaries in this process as against that of becoming a virtual world of their own ballooning through over-the-counter derivative and such other products without in effect generating the flow of good services and jobs. The galloping distance between the real economy and financial and fiducicery economy is driving us, and the rest of the world into a disastrous direction. The Muslim World should make every effort to redress their situation.

This brings us to the third aspect towards which I would like to invite your attention. The emergence of Islamic economics and finance during the last quarter of the 20<sup>th</sup> century as an alternate basis for organization of economy has been a historic development. Serious and innovative efforts have been made at the theoretical as well operational levels during the last over fifty years. The Islamic finance and banking industry, according to the latest Global Survey has crossed the £2 trillion mark. This is an achievement on which we thank Allah *subhanahu waatala* and compliment all those who have been involved in this noble effort. But we must be self-critical.

There is no room for complacency. It is my humble submission that while we have made a very positive beginning, we are still groping around the borders. The real object was and is that we move towards a banking and financial system that leads to justice and well-being in society — justice for those who supplies capital (depositor and investors and also recipients of the capital (borrowers and investees). The objective is to get rid of the psyche of obsession with return *par say* and systematic move to a participatory relationship wherein the focus is on promoting real economic activity, developing a sharing economy based on production, *financial and distributive justice*.

‘Shariah-compliance’ represented a good beginning. It was pragmatic to start with. But to remain engrossed in it and be content with a framework which looks like a replica of conventional banking with marginal changes remains problematic. Not to move effectively towards a model of banking that is truly just and is directed towards fulfilling the major objectives of the *shariah* is raising concerns which must be addressed. Any delay or failure in this respect would have serious consequences for the evolution of the system in the right direction, winning the confidence of the people and producing results that lead to economic prosperity and distributive justice in the society. I know this is an uphill task but it is a challenge we must squarely face. It calls for a total change of the mindset, followed by efforts that are comprehensive and multidimensional relating to all areas of life, education, communication, motivation, law, taxation system and economic,

monetary and fiscal policies of the government. Change in the attitude and behavior of consumers, entrepreneurs and investors is also a part of this effort. In short, all stake holders and actors in society would have to play their role towards the establishment of a value oriented, need conscious and justice and well-being based economic system. Islamization of the financial sector would be fruitful if it is part of an all embracing process of Islamization of economy and society. This is the task we have to accomplish to be content with, fringe successes and half-way houses can derail the whole process.

Lastly, I want to invite you to review in depth the positives and negatives of the economic policies and practices in Pakistan. It deserves to be admitted that the development paradigm followed during the last seven decades is the one developed in the western capitalistic world and transplanted in the developing world with modifications that serve the interests of the western powers and perpetuate dependence of these countries on the western governments and institutions. No real departure was made from this model despite all that was done in the form of socialism's tainted populist rhetoric of the Bhutto era and the pseudo-Islamic trappings added to the fringes of economic policy and institutions during the Zia regime. The economic system, unfortunately, remains capitalistic, exploitative, and insensitive to the real needs of the people, divisive and disregarding of demands of social justice and self-reliance. What is needed is a *total* change of the paradigm and not merely *shifts* within the paradigm. You cannot graft a

'human face' on the body of a monster, and expect it to behave like a good human being.

It is time to undertake a critical and honest review of the positives and negatives of the economic policies and practices pursued in Pakistan. We cannot afford to ignore revisiting the whole spectrum of policies and institutional frameworks that go to make up our economic landscape today. We must undertake a review of what we have achieved, where we have failed, what lies at the root of our people's frustrations and spell out in clear terms through popular discussion, research and dialogue between all the stakeholders how to restructure our policies, plans and programs to achieve balanced, integrated, inclusive, equitable and welfare oriented development bringing growth and prosperity to all sections of society and all parts of the country.

I would like to conclude by submitting that the proposed new paradigm of economy and developmental strategy should simultaneously focus on 4 dimensions:

1. Optimal utilization and development of resources that God has endowed to man and his physical environment.
2. Their equitable use and distribution in a manner that ensures promotion and organization of all human relationships on the basis of *adl* (justice) and *ihsan* (beneficence), resulting in *falah* (well-being).
3. Balanced and sustained development avoiding waste and misuse of resources, elimination of *zulm* (injustice) and

exploitation of other humans, achieving financial and price instability and seeking inter-personal, inter-regional, inter-sectoral and inter-temporal equity.

4. A fair degree of self-reliance, including collective self-reliance of the Ummah, envisioning a global system based on genuine pluralism, making it possible for all nations and cultures to co-exist, cooperate and compete in order to establish and promote a Just World Order.

Development strategies aimed at achieving these objectives should be characterized by the following:

- An INTEGRATED approach to development, moral, spiritual and material.
- Development targets — expansion of production through innovative and judicious effort — with a view to ensure need fulfillment and well-being for all and to establish a strong, viable and growth-oriented economy.
- *Hayat-e-Tayyaba* (good society) as a stepping stone to successful life in *Akhirah* (life after death). In a word *Falah*: well-being here and in the hereafter.
- Motivation - moral incentives along with material rewards and deterrence. Self-interest with social and moral responsibility and a system of transparent accountability.
- Moral filter and socially agreeable filter mechanisms at all levels of consumption, production and decision-making as a

supplement to, and where necessary, a corrective of the market mechanism.

- Man-centered and well-being focused approach. Production/consumption mix to be useful, fruitful, waste-avoiding, and environment friendly.
- Property as a trust-right to private ownership and profit motive with moral and social responsibility.
- Financial restructuring, ensuring total Riba elimination and reduction in concentration of wealth.
- Distributive justice including just wage, equitable sharing of income and wealth, necessary transfer payment and implementation of law of inheritance.
- Positive and goal-oriented role of government.
- Reorganization of the entire economy, and not merely reforms of the financial sector.
- Self-reliance and collective self-reliance of the Ummah through economic cooperation and integration – to face the challenges of globalization and optimally avail of its opportunities.