

# The Economic Thought of Khurshid Ahmad

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## *Abstract*

Khurshid Ahmad is one of the pre-eminent writers of contemporary Islamic world. Indeed, the recognition he has received from Western as well as Islamic world testifies to his stature as world intellect figure. Khurshid is advocating the Islamic reforms as a remedy for all the human problems since his very early academic career lectures, editorial work, speeches, dialogues and seminars which have recognized beyond boundaries. Though he has not written as extensively as many others, contemporary Islamic and conventional economist did, whatever he produced is convincing and reflects his intellectual capability. Unlike others legists and thinkers of contemporary Islamic economics, those merely attempted to justify the specific cases on the basis of precedent and their works are only theoretical and have never been recognized for practical implications or could not brought significant movement in the Islamic world, Khurshid had developed a systematic attempt for developing Islamic economics as an applied discipline. This paper attempts to highlight his immense contribution towards Islamic economic thought in the modern times focusing on his perception of Islamic economics.

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## 1. Introduction

Khurshid was born on 23rd March 1932, in Delhi to a noble and respected family. His father Nazir Ahmad Qureshi was second son of Maulvi Barkat Ali who was a leading advocate during the British period. His elder son, Abdullah Shah also followed his way after completing his Bar at Law from Lincoln Inn, UK and practiced in Indo-Pak subcontinent. Khurshid's father, Nazir Ahmad also had attended the Aligarh University for some period but chose the trade as his profession. Nazir Ahmad had a great interest in learning and had a clear leaning towards the political manifesto of Muslim League and participated actively in independent movement and other socio-political activities. Besides academia, Nazir Ahmad was a close friend of Moulana Abul 'Ala Mawdudi since his very youth.

Khurshid's own education had been very traditional and simple; he completed his early education in Delhi until they migrated to Pakistan on 12th February 1948. First he entered in a college at Lahore then moved to Karachi where he obtained, with distinction, two Masters Degrees from University of Karachi in economics (in 1955) and Islamic Studies (1964) respectively. Khurshid succeeding his elder brother Zamir Ahmad, joined Islami Jam'iate-Tulaba in 1949, the student wing of Moulana Mawdudi's party Jama'at-e-Islami, where he served at key positions soon after his joining. Islami Jam'iat-e-Tulaba he expanded his exposure and deepened his understanding of Islam. During this period he came to know the significance of the media for the propagation of one's thoughts and ideas, he launched Student Voice, a 15 day English news paper of Islami Jam'iat-e-Tulaba (1952-55), a weekly newspaper New Era (1955-56), a monthly The Voice of Islam (1957-64), and Chiraghi Rah (1957-68), all these publications, with clear Islamic orientation and reflections, show his creative capacity and ability of writing in variety of subjects and issues. Khurshid successfully applied his abilities of writing for the propagation of his ideas and perceptions; he combined the intellectual and

religious aspects and strike at the roots of secularism through the platform of Islami Jam'iat-e-Tulaba and Jama'at-e-Islami which he joined in 1959. His meeting with Moulana Abul 'ala Mawdudi during the 1950s proved to be turning point in his life, ideologically as well as intellectually. This perhaps set a goal of his life and that was to struggle incessantly for realizing the Islamic reforms into the contemporary time -an agreed upon concept among Muslim Neo-Revivalists. Later on, Khurshid proved to be a protégé and dedicated disciple of Maulana Abul 'Ala Mawdudi. Khurshid is also strongly convinced by the work and efforts of Muhammad Iqbal [1877–1938] and Moulana Muhammad 'Ali Jouhar [1877–1931] for the renaissance of Islamic sovereignty. These dare Muslim soles showed a coherent Islamic world view to Khurshid and brought a radical change in his very early age and helped for determining the future plan of his life. Khurshid expressed that: “My first and foremost debt to Dr. Muhammad Iqbal and Mawlana Sayyid Abul A'ala Mawdudi whose thoughts and contributions changed the course of my life and inspired me to dedicate my life to the pursuit of Islamic values and ideals. They gave to me and my generations a new idealism and a clear vision of a future anchored in Islam.”<sup>1</sup>

## 2. Khurshid on Western Economic Approaches

Khurshid, as an advocate of Islamic Economics, agrees to accept what is good or beneficial in Capitalist or Socialist models, he does not call for a total rejection of the West and wants to recognize what is good and avoid what is bad. “Muslims, who number more than one billion, form a significant part of the contemporary international political and economic system, so making good relations are necessary for developing a better relationship and improved cooperation with the West”.<sup>2</sup> In this context he expresses concern for the

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<sup>1</sup> Mehboob ul Hassan. “Islamic Approach of Economics” in *Kyoto Bulletin of Islamic Area Studies*, 3-2 (March 2010). p 220.

<sup>2</sup> Ibid p 221.

religious aspects of human life, and stands firmly by them, saying “If the only practical ground for cooperation is the assimilation of Western culture and the rejection of Islam as we understand it, then there is no ground for any meeting. But if the cooperation is to be achieved on an equal footing, then it is most welcomed.”<sup>3</sup>

The Western models, mainly the Capitalist and Socialist, pitifully offer only two institutions for governing the distribution and allocation of resources, i.e. the market and the government, which are alternatively referred to as the private and the public sectors. In the Capitalist model, the private sector is characterized by the forces of demand and supply, price and profit motive, and the public sector, i.e., government or state, acts as a corrective mechanism and as a supplement to protect the motives of the private sector. The Socialist economic model reverses these roles, i.e., public sector or state is the prime allocative and distributive mechanism while the private sector acts as a minor partner. Both economic models suffer from serious flaws and consequently fail to solve the fundamental economic problems of mankind. Another sad aspect of Capitalism is that the overall global movement in the present phase of capitalism is from physical economy to financial economic expansion, with the result that in last 20 years by and large, there has been an enormous expansion in financial assets not commensurate with the physical expansion of the economy. The whole business of dealing and derivatives is not in value-added or the creation of real assets, but trading in claim of the financial nomenclatures. This trading is taking place at everywhere; a financial expansion is taking place as its result which is leading towards greater financial instability all over the world, making rich a few and poor in abundance. How can one investor make hundred billion dollars at the cost of shaking the

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<sup>3</sup> Idem.

economy...What type of distribution of wealth and power is taking place through this process?<sup>4</sup>

### 3. Foundation of Islamic Economics

Modern Islamic economists such as Khurshid have developed a multidisciplinary and multidimensional approach that forms the conceptual foundation of Islamic economics where ethical and moral standard of Islam are firmly integrated with economic motive. Opposing to conventional economics, this modern Islamic approach presents a socio-ethical vision of economics for solving the economic problems of human. Modern Islamic economics aims to developing a new system based on the following features: (i) Islamic economics is a sub-system of a larger domain of religion of Islam, hence its sources are derived from the fundamental sources of Islam; (ii) It deals with all economic matters and activities as in the case of prevailing economic systems; and (iii) It obliges individuals to constrain their choices within the Islamic ethical limits.

Khurshid defines: "Islamic Economics deals with the economic problems of man from a new perspective, spelling out an approach for solving the society's problems that draws upon the sources of Islamic faith, culture and tradition, while availing itself of the whole experience of humanity in the field, past and present. The uniqueness of the Islamic approach lies in the integration of moral and material, spiritual and mundane, ethical and socio-physical aspects of life. Islam stresses the development of humanity with social values, instead of only materialistic development"<sup>5</sup>

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<sup>4</sup> Ahmad, Khurshid. "Poverty in the World: Some Points to ponder," in Mohib ul Haq Sahibzada ed. *Poverty Alleviation in Pakistan*. Islamabad: Institute of Policy Studies. 1997. P 23.

<sup>5</sup> Ahmad, Khurshid. "Keynote Address," in Zia ud din Ahmed, Munawar Iqbal and Khan F. (eds.), *Fiscal Policy and Resource Allocation in Islam*, Islamabad: IPS. 1986. pp 339-40.

Khurshid's assertion of Islamic economics is founded on the following conceptual axioms, which is entirely different than Capitalism and Socialism:

- (i) Tawhid (unity and sovereignty of Allah)
- (ii) Rububiyah (that Allah is the provider and sustainer of creation)
- (iii) Khilafah (man as vicegerent of Allah and is accountable in front of Allah) and
- (iv) Tazkiyah (the purification, sacrifice, charity i.e., Infaq).

Islamic worldview is based on Tawhidic axiom: the absolute monotheism is the essence of Islam; the belief that Allah is omnipotent, omnipresent Lord of the universe, creator and sustainer of the world. This axiom correlated to next axiom of equality; all humans are His creation and are equal by inherent. The next axiom of Rububiyah refers to "divine arrangements for nourishment, sustenance and directing things toward their perfection".<sup>6</sup> Khilafah explains that human is the vicegerent and trustee of the bounties of Allah in the creation, and holds the central position on this Earth. All humans are equal in their essence and man is responsible for establishing peace, justice, prosperity and tranquility on earth, he is accountable for his deed before God. Khilafah include the conception of universal solidarity, best possible application of resources and having freedom to conduct his private life. The axiom of Tazkiyah is concerned with and growth towards perfection through purification, sacrifice, charity i.e., Infaq. This axiom directs the individual towards self-development, which leads to prosperity in economic and social dimension in a harmonized way. "The result of Tazkiyah is Falah, prosperity in this world and hereafter".<sup>7</sup>

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<sup>6</sup> Ahmad, Khurshid. *Economic Development in an Islamic Framework*. Leicester: Islamic Foundation. 1979. p 12.

<sup>7</sup> Ahmad, Khurshid. *Islamic Approach to Development: Some Policy Implications*. Islamabad: Institute of Policy Studies. 1994. p 20.

Khurshid is not agreeing with the prevailing assertion that Islamic economics would unite the strengths of capitalism with those of socialism; overcoming their weaknesses. In his opinion the aim of Islamic Economics is not to find some space within the paradigm of conventional economics, or to become part of its matrix or simply to add one more feather in its cap. It represents a revolutionary departure from the dominant paradigm -aiming not for a shift within the existing paradigm but seeking the development of a new prototype to resolve the economic problems of man from a different value perspective. Khurshid emphasizes that “Islamic economy is not capitalism minus interest plus Zakat. Nor does it resemble a socialistic system after making a few corrections here and there. Islam does not aim at the abolition of private property and enterprise. Instead, it has changed the system by transforming the rights of ownership into the revolutionary concept of trusteeship, making the individual and the society conform to the norms of moral behaviour laid down by God and His Prophet (peace be upon him) and by developing a system of social regulation and accountability”.<sup>8</sup>

Khurshid characterized Islamic economic as a ‘three-sector economy’ where these three sectors will be entrusted to work together: (i) The Private Sector, motivated by profit, “the Market”, (ii) The Altruistic Sector, motivated by moral values and social welfare of the people, without any profit motive, i.e., “the Volunteer”, and (iii) The Public Sector, or “the Government or State”. All these sectors will work in mutual accord and within the limits; private ownership rights will assure with the caveat of social responsibilities, price mechanism and the law of market will work within the coherent boundaries. Where serving of self-interest will be emphasized with the moral obligation of moral restraints and brotherhood. “There is nothing wrong in private firms attempting to seek profit, under a perfect competition, because

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<sup>8</sup> Ahmad, Khurshid. *Islami Nazriya-e-Hayat (Islamic Vision of Life)*. Karachi: Karachi University. 1993. p 248.

that does not necessarily lead to exorbitant profit or exploitation, but if there is a monopoly or oligopoly then the firm may get an abnormal profit. This implies that under an Islamic system private monopolies would not be tolerated".<sup>9</sup>

#### 4. Prerequisites for Realizing the Socio-Economic Order

Recent outcomes of global economy shows that market fundamentalism with virtual withdrawal of the state from the economic affairs failed to achieve what was so confidently and loudly proclaimed by the Washington Consensus, embodying neo-liberal principles. Now a new sense of awareness has emerged which support the active role of state, and demand the state to come with stimulus package to pull up the economy from its systemic crisis. Khurshid considers the needs to re-fabricate the whole framework of the economy and society for realizing the Socio-Economic Order and establishing an Islamic society. If one segment of society, e.g. the political sector, or education has been Islamized, while the judiciary and legislation are remained unchanged, the overall result will be void. For this purpose the change should come from the top to down and the state legislature should take a bold initiative by inducting Islamic provisions into the constitution and judiciary and eliminating un-Islamic elements from the judiciary and legislative codes of the country. Khurshid opines that political authorities exercise a tremendous influence on the individual, directly or indirectly. Thus, he argued that it was the foremost duty of the parliament to Islamize the existing financial system of the country. He stated that the state lacked the political will and was neglecting the work that had already been done for the transformation of the existing banking structure into an interest-free system. He appreciated the work of the Council of Islamic Ideology and suggested Profit and Loss Sharing system as an ideal method for ensuring economic development and growth and the distribution of justice and stability, while the interest based

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<sup>9</sup> Ahmad, Khurshid. "Poverty in the World: some Points to ponder," op.cit. pp 13-15.



economic system had only encouraged exploitation. “We would have to tolerate some kind of a co-existence of the two systems. It would be a policy objective to introduce the new system so as to replace the old one, as far as Muslim countries are concerned. A *modus vivendi* would be worked out for dealing with the outside world”.<sup>10</sup>

Khurshid states that the contemporary socio-political milieu of the society to be imperfect for establishing a true Islamic Order and calls for the complete re-fabrication of prevailing societal norms and suggests the implementation of religious injunctions. This, he believes, requires a clear recognition of the impact of the sociopolitical environment in which Islamic principles are to be articulate. He considers the Islamic economic system as an integral part of the Islamic Socio-Economic Order and considers that any effort to establish the Islamic order or any aspect of it without aiming at the restructuring of the whole prevailing sociopolitical setting is not going to deliver the goods. He desires to reconstruct Islamic society in the image of Madinah, established by the Prophet (peace be upon him). Khurshid wants to develop a new paradigm in which individual gain should take place in the context of collective well-being; freedom must be coupled with responsibility, profit should be tempered with equity, competition must be supplemented by cooperation and there should be a happy balance between the operations of private enterprise, voluntary civil society actors and institutions and the public sector.<sup>11</sup>

Zakat is regarded as the most significant tool in the Islamic economy for equal income distribution and the elimination of poverty and economic

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<sup>10</sup> Ahmad, Khurshid. “Towards the Monetary and Fiscal System of Islam,” A Personal Report on Some Pertinent Questions and Seminar’s Response to them, Based on Seminar on *Monetary and Fiscal Economics of Islam*, held in Islamabad on 6-10 January 1981. pp 14-15.

<sup>11</sup> Ahmad, Khurshid. “Speech at the 22nd Convocation Ceremony,” on the Occasion of the conferment of the Honorary Degree of Doctor of Philosophy (Islamic Economics) at Kuala Lumpur (August 26–27, 2006). p 10.

exploitation from society. It creates awareness in the individual of his responsibility towards the upholding of, justice and the welfare of his fellow men. Zakat is a broad term of which Zakat al-Mal is one component. Ushr, Khums, Kharaj and other levies are also an integral part of this Islamic fiscal tool. Islam fully recognizes private ownership of property and the government is not permitted to forcibly confiscate one's property. Khurshid opines that the state should be empowered to levy additional taxes or even can take the idle money of rich by force or can ask the people for contribution if there are chronic disparities of income and wealth, in order to establish social equity and a more dynamic equilibrium.<sup>12</sup> The role of the state should be as a caretaker and safeguard of the system and it should use its power only when absolutely necessary. In conformity with the broad concepts of a stable economy, prosperity, and the redistribution of income and wealth, Khurshid favored giving broader powers of taxation to the government.

##### **5. Self-Reliance: Khurshid's Approach for Economic Sovereignty**

Khurshid condemned the resulting contrast between wealth and poverty and says that the humanity has been plunged into number of dire problems as a result of the forcible imposition of the Judeo-Christian economic and political framework, where, for the interests of skillful riches, keeping the poor nations remains in a number of problems becomes a cliché or policy per se. He strongly advocates the self-sufficiency and confidence in Islam as a role model and rejects the capitalist and socialist models because of their exploitative nature, value-neutrality and unjust outcomes. "Muslims are fed up with all the models of imitation; they want to have something that is their own, something that is unique; something that represents their own historical and cultural flowering. That is why establishment of the Islamic social order,

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<sup>12</sup> Ahmad, Khurshid. "Towards the Monetary and Fiscal System of Islam," A Personal Report on Some Pertinent Questions and Seminar's Response to them, Based on Seminar on Monetary and Fiscal Economics of Islam, held in Islamabad on 6-10 January 1981. pp 14-15.

revival of the Shari'ah and unity and solidarity of the Ummah constitute the rallying points in all the parts of the Muslim World."<sup>13</sup>

The world has become a global village and all countries and territories are its elements. No country can be self-sufficient in all matters, nor can it be isolated. But for the sake of a nation's sovereignty and honour, Khurshid demands freedom to control the disposal of its own resources and output and set its own economic and political priorities. He states that "Self-reliance signifies the capacity and capability of the country to face any crisis on the basis of internal strength. It implies self-confidence and the capacity for autonomous goal setting and decision-making, rejecting all forms of dependence, invited or imposed".<sup>14</sup>

Khurshid suggested a strategy of "radical-changing" or "economy-shocking" course of action for eliminating interest from the economy instead of a long term amnesty period, and he took an unwavering fundamentalist attitude wherever the rule of necessity had no place. He strongly criticized the past measures to eliminate Riba as devices to avoid any serious and sustained efforts to bring the system into conformity with Islam. He claimed that they were used as a cloak for inactivity and inaction, and stressed the need for a radical departure from the practices of the past. "In my submission while the domestic economy may be cleansed of all forms of Riba within a period of one year or so, international transactions may take longer ...in the past such time-based transitional paths have been misused and even abused...some kind of shock treatment to the economy is required".<sup>15</sup> He suggested eliminating interest in two stages, first from the domestic economy and then from the

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<sup>13</sup> Mehboob ul Hassan. op.cit. p 230.

<sup>14</sup> Ahmad, Khurshid. "Elimination of Riba: Concept and Problems," in Khurshid Ahmad (ed.), *Elimination of Riba from the Economy*, Islamabad: Institute of Policy Studies. 1995. pp 182-183.

<sup>15</sup> Ibid. p 184.

external economy, where individuals and governments were to be treated differently. He suggested that a mutual fund for “Debt Liquidation” should be created, and deadline should be fixed for the elimination of individual interest. For foreign debts, he suggested the idea of renegotiating and restructuring loans. He was confident of the success of this objective as these countries also realized that interest-based loans were becoming an unbearable burden for the Third World countries.<sup>16</sup>

## 6. Economic Development: an Imperative issue of State Policy

Islam is deeply concerned with economic matters, but it deals with these matters within the human development paradigm; it covers all aspects of economic development within the framework of total human development and never in a form divorced from this perspective. Khurshid asserts that “Islam is deeply concerned with the problem of economic development but treat this as an important part of a wider problem, that of human development....The first premise which we want to establish is that economic development is a goal-oriented and value-realizing activity, involving the confident and all-pervading participation of man and directed towards the maximization of human well-being in all its aspects”.<sup>17</sup>

Khurshid’s economic development model encompasses all aspects of human life, intertwining individuals and the society in an eternal way, and he considers total social reconstruction within an Islamic set of assumptions as an essential prerequisite for economic development. To achieve this objective, he proclaims that prevailing social fundamentals are to be replaced and that constitutional, political as well educational paradigms are subjected to restructuring in a gradual democratic framework. His economic development model is inter-connected with the moral, spiritual and social aspects of man

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<sup>16</sup> Ibid. p 188.

<sup>17</sup> Ahmad, Khurshid. *The Religion of Islam*. Lahore: Islamic Publication. 1970. pp 178-179.

and has no similarity to capitalist and socialist models. “Development would mean the moral, spiritual and material development of individuals and society leading to maximum socio-economic welfare and the ultimate good of mankind”. Since the Islamic concept of economics is founded on moral and ethical values with an overwhelming emphasis on humanity, brotherhood, equality, justice and the improvement of the individual, it is entirely different from the concepts of both capitalism and socialism. Thus, neither of these concepts can help Muslims actualize the Islamic visualization of economic development. Instead, Khurshid advocates the idea of economic development in a way that would ensure material prosperity on the one hand and spiritual development, on the other. Islam creates a divine relationship between individuals, and from whatever angle we look at Islam its final thrust is on human development and welfare. All the five pillars of Islam generate the spiritual strength to achieve human well-being through social, economic, political and spiritual aspects. “Islam does not admit any separation between ‘material’ and ‘moral,’ ‘mundane’ and ‘spiritual’ life, and enjoins man to devote all his energies to the reconstruction of life on healthy foundations. It teaches him that moral and material powers must be welded together and that spiritual salvation can be achieved by using material resources for the good of man, and not by living a life of asceticism”.<sup>18</sup>

## 7. Conclusion

Khurshid is actively involved in the establishment of Islamic Economics as an independent and distinct, discipline both at the domestic and international level. He earnestly undertook the responsibility of serving as the vice-president of First International Conference on Islamic Economics (held at Makkah on 21–26 Feb. 1976), and there he presented his approach to economic development from an Islamic perspective. This conference later became the landmark for the emergence of Islamic banking and financial institutions

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<sup>18</sup> Ibid p 8.

worldwide. And when in 1979, the Islamic Council of Europe organized the “International Economic Conference: The Muslim World and the Future Economic Order”, Khurshid advocated the Islamic approach and perspective of life. Khurshid served as chairman of the International Institute of Islamic Research (IIIR) at the International Islamic University, Islamabad (established in 1980). IIIR developed a strategic plan for eliminating riba (interest) from the economy of Pakistan, together with the Islamization of the financial system. Khurshid established a distinct think tank; Institute of Policy Studies, Islamabad, dedicated to research in the Islamic discipline. IPS succeeded in organizing the second International Conference on Islamic Economics (6–10 Jan. 1981). The conference revealed a comprehensive and viable approach for establishing an Islamic Financial and Monetary system. Khurshid rendered valuable assistance and patronage towards introducing an Islamic economic system to this and other forums. Khurshid is serving as member of executive and advisory boards to many national and international Islamic research centers and serving as president of the International Association for Islamic Economics.