

# ISLAMIC ECONOMIC MATH MODEL

# IEM

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## *In the name of Allah, Most Gracious, Most Merciful*

*﴿Thus have we made alluring to each people its own doings. In the end will they return to their Lord, and we shall then tell them the truth of all that they did﴾ {AL- AN`AM: 108}*

## ***Introduction***

Since the middle of the last century, the Islamic economic scholars took upon themselves an attempt to lay down the Islamic economic roots, in order to distinguish it from the conventional economic. A lot of them succeeded and had the favor of being the priors.

Some researches foxed on the ethical economic, some on spirituals, and some imitates the conventional economic.

However, the Islamic economic has special, and unique characteristics distinguishes it from other economics, due to the unique Islamic legislative basis. For that reason, the scientific founding movements could not truly prove its preference and priority.

Conventional economic scholars were interested in studying the phenomena among individuals i.e. microeconomic, and the general phenomena i.e. macroeconomic. Then, the countries number increases, and interests among companies overlaps, which result in the emerge of the global economic as a unified macroeconomic. Thus, people return to their lives before wars i.e. living on the same land producing and exchanging.

Since the Islamic economic emerges from the science and rules of the Islamic Shariah (law), and while this Shariah is based upon the unity of the universe and its obedience of the creator, as Allah says: *﴿He it is Who created for you all that is on earth. Then He Istawa (rose over) towards the heaven and made them seven heavens and He is the All-Knower of everything﴾* [AL BAQARAH: 29]. Then, dealing with one partial in the universe and leaving other partials, is like dealing with microeconomic and leaving macroeconomic, which will result in incapable understanding and comprehension. Therefore, we must deal with the economy of the whole universe.

## *Determinants of the Model*

The model suggests a set of determinants:

1- National and international economics are parts of the global economic. Thus, the economic must base on the integrated unity of the world. The world is similar to a "ship" no one has the right to destroy his side, and then claim that he has nothing to do with the others. This is what our prophet peace and grace be upon him said: " The example of the person abiding by Allah's order and restrictions in comparison to those who violate them is like the example of those persons who drew lots for their seats in a ship. Some of them got seats in the upper part, and the others in the lower. When the latter needed water, they had to go up to bring water (and that troubled the others), so they said, 'Let us make a hole in our share of the ship (and get water) saving those who are above us from troubling them. So, if the people in the upper part left the others do what they had suggested, all the people of the ship would be destroyed, but if they prevented them, both parties would be safe "<sup>1</sup>.

2- There is axiomatic things, taken for granted, i.e. if a person is considered Muslim, it is taken for granted that he must resigned himself to the will of Allah, believe in Allah, His angels, His Books, His Messengers, and in the decree and destiny(*Qada wa Qadar* ) in all its entirety.

Thus, the study of Islamic economic starts from axiom and basic priorities that should not be ignored, then extent to interact with the economic phenomena.

3- The basis of Fiqh AL-MUAMALAT (Transactions Fiqh) is permissibility, except what is prohibited by the Islamic law, which all based on mental reasons, and while the economy is a part of transactions, it must be ruled by the mental reasons.

4- It is possible to apply the marginal utility function, and the total utility function of the microeconomic, in the macroeconomic, as a society utility function.

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١ صحيح البخاري: ٢٣١٣.

## *The Basics of the Economic Axioms*

Axioms are things taken for granted, and do not need a proof. The Muslim believes in the book of Allah (Qur'an) and the guidance of his prophet Muhammad peace and grace be upon him, and consider them to be axioms, cause verses of the Holy Qur'an are the speech of Allah revealed to His Messenger (Muhammad peace and grace be upon him) by Jibrael (Gabriel) (peace be upon him).

Allah, the Great and Almighty, has guarded his book from falsification, as He says: ﴿We have, without doubt, sent down the message; and we will assuredly guard it﴾ [AL HIJR: 9], generations learn it by heart, so it is guarded through lines of the Holy Qur'an, and by the heart of Muslims, that no false can come to it. Allah, Almighty, says: ﴿No falsehood can approach it from before or behind it: it is sent down, by One Full of Wisdom, worthy of all Praise﴾ [FUSSILAT: 42].

We have deduced the Islamic economic axioms from the Holy Qur'an, and presented them in a way that suits the Model:

- 1) Everything is under the dominion of Allah, ﴿It is He Who created the heavens and the earth in true (proportions): the day he saith, be, behold it is. His word is the truth. His will be the dominion the day the trumpet will be blown. He knoweth the unseen as well as that which is open. For he is the wise, well acquainted (with all things)﴾ [AL- AN`AM: 108].
- 2) The treasures of this Lord are endless, thus, He Almighty, does not suffer any problem or crisis: ﴿For to anything which we have willed, we but say the word, be, and it is﴾ [AL NAHL: 40].
- 3) Allah, Almighty, created the humankind: ﴿Behold thy Lord said to the angels: I am about to create man, from sounding clay from mud moulded into shape﴾ [AL HIJR: 28]. Then, Allah describes the creation stages: ﴿Then We made the sperm into a clot of congealed blood; then of that clot We made a (foetus) lump; then We made out of that lump bones and clothed the bones with flesh: the We developed out of it another creature. So blessed be Allah, the Best to create!﴾ [AL MU'MINUN:14].

4) Allah encourages people to marry and breed, and warn them not to solve density of population issue by killing their children, or stay childless in order not to suffer an economic crisis. Because Allah the donor and forbiddler, provided the sustenance for them: ﴿Kill not your children for fear of want: we shall provide sustenance for them as well as for you. Verily the killing of them is a great sin﴾ [AL ISRA':31]. Thus, Malthus Theory - and his counterparts - does not match the Islamic faith, yet contradicts it.

Positive systems depends on experiments and intellect to reach its conclusions. They bind their science to a limited observations, so their conclusions where limited too. Muslims who left what they have (the Holy Qur'an), and follow the achievements and failures of the others without reviewing them with what they have, where wrong, and lost when their imported theories failed.

5) Allah, Almighty, Has created everything:

- ﴿And cattle he has created for you (men): from them ye derive warmth, and numerous benefits, and of their (meat) ye eat﴾ [AL NAHL: 5].
- ﴿And (he has created) horses, Mules, and donkeys, for you to ride and use for show; and he has created (other) things of which ye have no knowledge﴾ [AL NAHL: 8].
- ﴿It is Allah who made out of the things he created, some things to give you shade; of the hills he made some for your shelter; he made you garments to protect you from heat, and coats of mail to protect you from your (mutual) violence. Thus does he complete his favours on you, that ye may bow to his will (in Islam)﴾ [AL NAHL: 8].
- ﴿It is He Who created the night and the day, and the sun and the moon: all (the celestial bodies) swim along, each in its rounded course﴾ [AL ANBIYA':33].
- Allah, Almighty, Has created food and drink for people: ﴿With it We grow for you Gardens of date palms and vines: in them have ye abundant fruits: and of them ye eat (and have enjoyment), Also a tree springing out of Mount Sinai, which

produces oil, and relish for those who use it for food. And in cattle (too) ye have an instructive example: from within their bodies We produce (milk) for you to drink; there are in them, (besides), numerous (other) benefits for you; and of their (meat) ye eat; And on them, as well as in ships, ye ride» [AL MU'MINUN: 19-22].

- The holy verses that indicate the greatness of Allah are much more.
- 6) Then Allah Has settled the humankind on the Earth and makes it their residence: ﴿He said O my people worship Allah: ye have no other Allah but him. It is He Who hath produced you from the earth and settled you therein: then ask forgiveness of him, and turn to him (in repentance): for my Lord is (always) near, ready to answer﴾ [HUD: 61].
- 7) Allah Has exploit everything to the humankind: ﴿We have honoured the sons of Adam; provided them with transport on land and sea; given them for sustenance things good and pure; and conferred on them special favours, above a great part of our creation﴾ [AL ISRA:70].
- 8) Allah, The Omnipotent, never leaves anything for coincidence or nature, but He measured everything, created the humankind and their needs, measured their nourishment:
- ﴿He set on the (earth), mountains standing firm, high above it, and bestowed blessings on the earth, and measured therein all things to give them nourishment in due proportion, in four Days, in accordance with (the needs of) those who seek (sustenance)﴾ [FUSSILAT:10].
  - ﴿Verily, all things have We created in proportion and measure﴾ [AL QAMAR: 49].
  - ﴿Allah doth know what every female (womb) doth bear, by how much the wombs fall short (of their time or number) or do exceed. Every single thing is before his sight, in (due) proportion﴾ [AL RA'D: 8].

- ﴿He sends down water from the skies, and the channels flow, each according to its measure: but the torrent bears away the foam that mounts up to the surface﴾ [AL RA`D: 17].
  - ﴿Allah doth enlarge, or grant by (strict) measure, the sustenance (which he giveth) to whom so he pleaseth. (The worldly) rejoice in the life of this world: but the life of this world is but little comfort in the Hereafter﴾ [AL RA`D: 26].
  - ﴿And there is not a thing but its (sources and) treasures (inexhaustible) are with us; but we only send down thereof in due and ascertainable measures﴾ [AL HIJR: 21].
- 9) Confidence in Allah is the key for resources increment and vice versa. ﴿If the people of the towns had but believe and feared Allah, we should indeed have opened out to them (all kinds of) blessing from heaven and earth; but they rejected (the truth), and we brought them to book for their misdeeds﴾ [AL A`RAF: 96].

According to what we said earlier, We can deduce that the universe is set to be the residence of the humankind in a balanced way: ﴿And the earth we have spread out (like a carpet); set thereon mountains firm and immovable; and produced therein all kinds of things in due balance﴾ [AL HIJR:19]. However, the human's tyranny, greed, and following their own lusts had damaged the earth: ﴿Mischief has appeared on land and sea because of (the meed) that the hands of men have earned, that (Allah) may give them a taste of some of their Deeds: in order that they may turn back (from Evil)﴾ [AL RUM: 41]. Allah notified people that they were not created in jest, rather they were created for a mission in which they are responsible (accountable) for: ﴿Did ye then think that We had created you in jest, and that ye would not be brought back to Us (for account)?﴾ [AL MU'MINUN: 115].

## *Economic Phenomena*

Allah created all resources, and this resources increases or decreases according to the human's behavior and conduct. This behavior may be rational at times and greedy at other times, which will bring about the damage.

The available resources in the world are limited after all, and the human needs, if set free, are unlimited; hence there is instability. Allah, Almighty, named this instability "Mischief": ﴿Mischief has appeared on land and sea because of (the meed) that the hands of men have earned, that (Allah) may give them a taste of some of their Deeds: in order that they may turn back (from Evil)﴾ [AL RUM: 41].

Conventional economic deals with the above problem as an economic problem caused by the scarce resources. Thus, the conventional economic concentrates on resources i.e. supply, and releases the lust with no control. Hence, scarce oil means limited production in the market, and while the available amount is not enough for the consumption in the West, they will buy it from its owners. However, if they felt fear towards them, then the solution is to occupy the resources origins, and make sure of their advantages, careless about others, *"it is me ...and then the destruction "*.

On the other hand, marketing philosophy in the conventional economic depends on guiding people towards more expenditure, stimulates their desires continuously, and made the marketing fun through advertisement.

Whereas, the Islamic economic is totally deferent, since it seeks to rationalize expenditures and control it, i.e. it concentrate on the demand by keeping it under control. Allah describes the believers (AL MUMINON) as: ﴿And those, who, when they spend, are neither extravagant nor niggardly, but hold a medium (way) between those (extremes)﴾ [AL FURQAN: 67].

And the well-known story of OMAR IBN ALKHATAB and GABER "May Allah be pleased with them" in the year of starvation, where resources became exhausted. He motivated people to buy just the satisfying necessities. Hence, if a person owns money, he will be able to give up more

than others i.e. he will pay more, and prices will increase accordingly, the thing which causes poor and weakness to become worse.

During one of his rounds, OMAR saw GABER IBIN ABDULLAH "May Allah be pleased with them" holding a coin (*Dirham*). Omar said: what is this? GABER said: I want to buy meat for my family, they desire it. OMAR said: whenever you wish for something, you buy it! Don't you prefer to keep something for your cousin or neighbor, don't you know the verse: *«Ye received your good things in the life of the world, and ye took your pleasure out of them»* [ALAHQAF: 20]. As Omar "May Allah be pleased with him" was seeking to control the high level of prices, and to rationalize expenditures. He mentioned the Holy verse to control Muslims behavior, cause Muslim adheres to Shariah and comply with the group. He also meant to fight greed, and excessive consumption when connected the "purchase" with the "desire".

AL-MAWARDY (450A.H-1058A.D) explains the economic problem, when he discussed extravagance and wastefulness (*AL-SARAF, and AL-TABTHER*). He explained how extravagance and wastefulness takes the money away.

AL-MAWARDY defined "extravagance" as the ignorance of the rights quantity, while wastefulness is the ignorance of the rights place. He puts the role of mind as an inferrer and inductee, on the same level with religion as an analogy (*Keas*) reference. He said: *(For that reason materials weren't required by inspiration, but mind guides towards it, and religion controls it to achieve happiness and advantages. Then Allah, The Omnipotent, put the satisfaction of their (humans) needs, and reaching the benefits in tow points: (Madah, and Kassb) material and earn.*

*Material* resulted from having self-growing assets: growing plants, and reproducing animal. It is taken from The Holy Verse: *«That it is He Who enriches and gives to acquire»* [AN-NAJM: 48]. *That is Allah enriches his creatures with money, and gives them assets to acquire. Acquisition is buying the assets in order to own. Such things are created by Allah, and humans just raise and take care about.*

*In SURAT AL WAQI'AH(The Inevitable), Allah demonstrated to us that He created the plants, and we - humankind - just have to sow seeds and*

*plow them, so if Allah neutralize the planting cause, there will be no plants: ﴿See ye the seed that ye sow in the ground? ﴿71 Is it ye that cause it to grow, or are We the Cause? ﴿72 Were it Our Will, We could crumble it to dry powder, and ye would be left in wonderment﴾. Then in the same Surah, water is the cause of living, so if it was salt and undrinkable what would happen? ﴿See ye the water which ye drink? ﴿73 Do ye bring it Down (in rain) from the Cloud or do We? ﴿74 Were it Our Will, We could make it salt (and unpalatable): then why do ye not give thanks﴾.*

*Fire, in the same SURAH, whether it is oil, gas, or firebrand: ﴿See ye the Fire which ye kindle? ﴿75 Is it ye who grow the tree which feeds the fire, or do We grow it? ﴿76 We have made it a memorial (of Our handiwork), and an article of comfort and convenience for the denizens of deserts﴾.*

*For that reason, the Messenger of Allah peace and grace be upon him pointed out the minimum limits in which all people share, and consider them to be the least responsibility that the state must undertake towards its people. He said: "people are partners in three: water, grass, and fire"<sup>2</sup>. We can reckon, that the responsibilities which any state or its representative must undertake towards the society, are the basic benefits which are shared between all people, and they are the available water, food, and the means of producing energy in all of its types. We can see that the Messenger of Allah, peace and grace be upon him, meant all people, not just Muslims or believers, because he considered all people to be the creatures of the same Lord "Allah".*

*While **earn** gained by actions leads to material, and activities carries out the need. There are two points for earn: The first; moving around for trade. The second; activities for industry. Both of them are branches of the material. Thus, causes of the known materials, and ways of gaining earn are: growing plant, reproducing animal, trade profit, and industry earn.)<sup>3</sup>*

Hence, material is the base of earn, via acquiring it, and earn resulted from moving from place to another for trade, or by industrial transferring.

Religion controls the earn in order to clarify the corrupted part, and avoid it.

٢ سنن ابن ماجه: ٢٤٧٣

٣ الماوردي، أبي الحسن علي بن محمد بن حبيب البصري، أدب الدنيا والدين، مطبعة الحلبي بمصر، ١٩٥٥، ص ٢٠٦.

While the guidance for material was mind and experience. That was an indication for discovery, since in the deductive approach, mind actions precedes senses actions, while in the experimental approach senses precedes mind in discoveries.

The Holy Quran urges people to learn, and the first verse revealed to the Messenger was: ﴿Read! In the name of thy Lord and Cherisher, who created﴾ [AL'ALAQ: 1]. The order was "read", while the guide was one of the Attributes of Allah "The Creator", as if Allah asking man to read the creatures and learn.

﴿Taught man that which he knew not﴾ [AL'ALAQ: 5]. This Holy Verse from the same SURAH, is an infinite open door. Allah, The Lord of Honor, says that He teaches the man, and since Allah's knowledge is infinite, and cannot known thoroughly, then the door is opened for man to learn as much as he work.

Science urges people to learn more by discoveries. Thus, the feature AL-MAWARDY used, when he said the mind guides towards material, that the guidance will be by discover new uses for this resources through agriculture, breeding, industry, transporting, and other means. Figure (1).

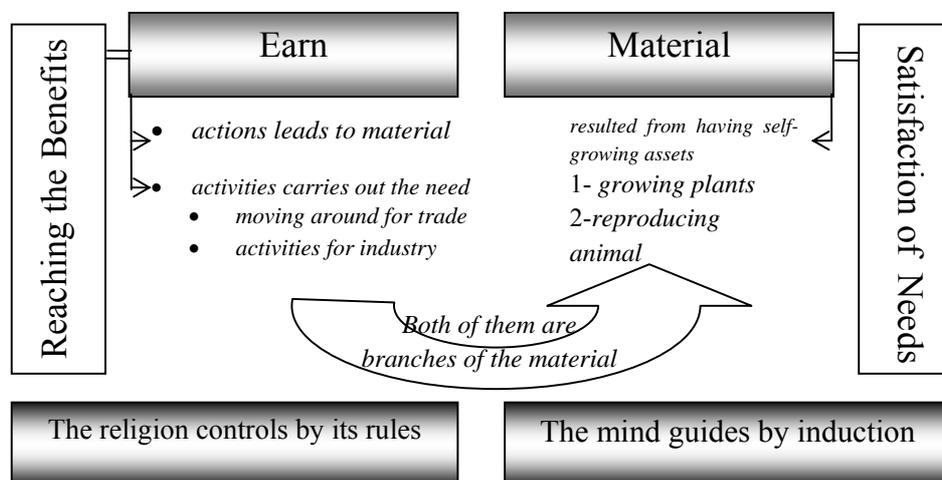


Figure (1): The economic problem according to AL-MAWARDY

Resources constitutes the supply's side in the economy, and needs constitutes the demand's side. In order for supply to met demand, there must be an exchange between who own things, and who own effort. Hence the

supply and demand law occur, each time the supply increases; prices goes down, and each time the demand increases; prices gets higher.

The Judge ABDULGABAR (415A.H-1024A.D) explains the causative, and ascribes the **cheapness causes** to the increment in supply, or the decrease in demand<sup>4</sup>:

1. Large quantities: like abundance. Abundance makes supply more than demand, so the price lows down.
2. Increment in supply: if people needed another good, they will sale a "thing", this "thing" will gets cheaper. Again if the animals died the supply of fodder increases. Changing in the taste of consumers will increase the supply of the goods they do not desire any more. If an epidemic attacks a productive stage, it will breakdown the other related stages, by an increment in supply resulted in depression, and therefore the price will be cheaper.
3. Shortage in need: like the decrease in demand caused by fulfillment i.e. the consumers satisfaction will decreases their demand, thus the prices gets lower.
4. Shortage in needy: because of the decrease in population, like a plague, and destruction.

He ascribes high prices to the market elements, or the deliberated elements. The market elements are:

1. The shortage of a needed thing, which mean a lack in supply and a surplus in demand, which resulted in higher prices.
2. Excess in needy i.e. surplus in demand.
3. Excess in need and desire: the causes of dissatisfaction, or changing in the consumption's habits, like luxury.
4. Fear of lose it: like physiological elements, and consumers expectations.

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٤ القاضي عبد الجبار، المغني في أبواب التوحيد والعدل، ج ١١ ص ٥٦-٥٧.

While the deliberated elements, might be from Allah (out of will circumstances), or by the *A'imma*- Islamic community leaders - (political elements), or by the producers (economic elements like monopoly).

Agriculture and animal husbandry are the material to satisfy needs, and can be reached by such works like industry and transferring, but all that requires an exchange between sources and needs i.e. between demand and supply. For that reason the Islamic economic had developed means to allow the exchange, since the second thing the Messenger of Allah did in the Medina was creating an independent market, because the Islamic Shariah needs a special infrastructure to insure the enforcement of its controls. The Messenger of Allah peace and grace be upon him said: "This is your market, it should not be Invalidate, and you must not impose a tax on it"<sup>5</sup>.

Market is the place in which goods are transferred into, and buyers and sellers are gathered in to exchange goods by goods, or goods by money whether immediate or deferred, also the ways of payments may vary according to situations. The price occur when demand and supply meet together, and the exchange between them happened.

Abo Jâfar Al-Demashkee (327A.H-939A.D) had mentioned the mechanism of determining the average value, and changing the price names according to its degree, he said <sup>6</sup>: the way to know the average value, is by asking one of the trustworthy experts about the price of the commodity in his country according to the conventions:

1. Most continuous times
2. The common increases and decreases
3. The rare increases and decreases

And made a comparison among them in addition to:

4. The rate of their safety and fear situations.
5. Abundance or deficiency.

٥ سنن ابن ماجه: ٢٢٢٤

٦ دمشقي، أبي الفضل جعفر بن علي، الإشارة إلى محاسن التجارة ومعرفة جيد الأعراض ورديها وغشوش المدلسين فيها، دار صادر ببيروت، طبعة ١، ١٩٩٩، ص ٢٢.

Then, by your talent, you should reach the average value, or you can ask the trustworthy experts about it. Each commodity, and any thing able to sell has a value, an average value known by the experts.

After the latest global economic events, the International Accounting Standards believed in the necessity of applying the average value, which equals the "Equity Just Value" (*Thaman Al-mithl*) in the Islamic economic, and we can determine it through the techniques innovated by Abo Jâfar Al-Demashkee.

The Islamic economic contains all kinds of exchange, whether it was goods exchange (barter) or money exchange, thus *Zakaah* bases might be goods or money, in each 100 SP there is 2.50 SP *Zakaah*, and in each 40 sheep there is one sheep *Zakaah*. In brief *Zakaah* equals 2.50% and it does not matter if the Muslim pay it as goods or money.

Even so, Islam encourages the monetary economic, because it is more justice, as Abu Huraira Narrated: the Messenger of Allah peace and grace be upon him appointed somebody as a governor of Khaibar. That governor brought to him an excellent kind of dates (from Khaibar). The Prophet asked, "Are all the dates of Khaibar like this?" He replied, "By Allah, no, O Messenger of Allah! But we barter one Sa of this (type of dates) for two Sas of dates of ours and two Sas of it for three of ours." the Messenger of Allah said, "Do not do so (as that is a kind of interest) but sell the mixed dates (of inferior quality) for money, and then buy good dates with that money."<sup>7</sup> In this way, when money was a part of the exchange process the problem of barter had solved. As if the Messenger of Allah peace and grace be upon him is teaching us how it is necessary to move towards the monetary economy instead of the barter economy in order to avoid the problems of *Reba Al-bay* (interest based on sale).

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٧ صحيح البخاري: ٢٠٥٠

AL-FUQAHAÀ had prepared a financial statements in both goods and money, like the ABBASIAN vizier Ali Bin ISAA (307A.H - 920A.D) AL-NOAIRY (733A.H - 1333A.D) AL-KULQSHANDY (821A.H - 1418A.D).<sup>8</sup>

The Islamic economic also developed a financing instruments to help exchange, by legislating work, possession, and financing. Also clarifies the prohibited and permitted things related to them. The Islamic economic urges the collective work compatible with the Islamic law, Allah, Almighty, says: ﴿And hold fast, all together, by the rope which Allah (stretches out for you), and be not divided among yourselves﴾ [AL'IMRAN: 103]. And the prophet peace and grace be upon him said: "Allah, Most High, says: "I make a third with two partners as long as one of them does not cheat the other, but when he cheats him, I depart from them."<sup>9</sup> So the company and blessing of Allah are with the partners as long as they are obeying Allah; doing the orders, and avoiding the forbidden.

The Islam legislates *AL-WJOOH* (Trust partnership) and *AL-ABDAAN* (Works partnership); which are participating between work and work.

Also the *INAN* (Equal partnership) and *MUFAWADA* (General partnership); which are participating between money and money.

Moreover, *MUDHARABAH* (Profit Sharing), *MUGHARASAH* (Planting partnership), *MUZARA'AH* (Crop sharing partnership), and *MUSAQAT* (irrigation<sup>10</sup>); which are participating between money and work.

The Islam legislates Al-Salam (Forward Sale) to finance the merchants and farmers, *AL-ISTISNA'* (Order To Manufacture) to finance the handicrafts worker, and manufacturer, the deferred sale and installment sales to finance the consumers, *AL-JWALAA'* (Payment Wages) and *AL-IJARAH* (Leasing), all the previous techniques are appropriate to finance fixed and working capital.

As usual, the Islamic Shariah accustomed to enclose the harm area by prohibition, in order to open the wide horizon for innovation and creation.

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8 For additional information, see (فقه المحاسبة الإسلامية (المنهجية العامة)، مؤسسة الرسالة ناشرون )  
 .٢٠٠٤، (بدمشق)، or for soft copy see: <http://kantakji.com/fiqh/Files/Accountancy/Methodism.rar>  
 ٩ سنن أبي داود: ٢٩٣٦

10 The literal meaning of MUSAQAT is irrigation, but in the concept it means to hand over "the trees" to a person in order to take care of them, and the outcome is a partnership between them( the trees owner and the worker).

Thus, it clarifies what to avoid, and that resulted in a financial engineering innovative insight, which is not familiar in the conventional markets.

Due to that, the financial engineering innovated new financial techniques - in addition to what we said- like *MURABAHAH*, *MURABAHAH for the ORDERER of a purchase*, *Parallel Istisna'*, *Parallel Salam*, *Parallel JWALAA'*, *Parallel IJARAH*, *Sukuk*, and investment funds. In spite of all that, those techniques are able to use in a simple market, as well in a sophisticated market, like the stock exchange market, and there is still more.

Returning to the Islamic economic axioms to complete the picture, that is man is the vicegerent of Allah in earth, his role is to build the civilization that complies with the well of Allah. Allah, Almighty, says: ﴿ He said O my people worship Allah: ye have no other Allah but him. It is He Who hath produced you from the earth and settled you therein: then ask forgiveness of him, and turn to him (in repentance): for my Lord is (always) near, ready to answer ﴾ [HUD: 61]. So the worship of Allah is the main part, and we can achieve it by building the earth which Allah produced us from and settled us therein to build (i.e. to build the civilization), and honored us by exploiting everything in the universe. Allah, Almighty, says: ﴿We have honored the sons of Adam; provided them with transport on land and sea; given them for sustenance things good and pure; and conferred on them special favours, above a great part of our creation ﴾ [AL ISRA:70].

IBN KHALDUN used the concept "*AL-A'MARA*" in his *MUQADDIMAH* defining its reasons through this story: "*O King, the might of royal authority materializes only through the religious law, obedience toward Allah, and compliance with His commands and prohibitions. The religious law persists only through royal authority. Mighty royal authority is achieved only through men. Men persist only with the help of property. The only way to property is through cultivation (AL-A'MARA). The only way to cultivation is through justice. Justice is a balance set up among humankind. The Lord set it up and appointed an overseer of it, and that is the king*"<sup>11</sup>.

IBN KHALDUN puts the Shariah as the bias, and the worship of Allah as the goal. The royal authority persists only by both of them, and it needs

11 ابن خلدون، المقدمة، ج ١، دار يعرب بدمشق، ص ١٢٩.

human and financial recourses. The financial recourses grow only by cultivation, which does not defect justice rules between people.

We can conclud that there is no economy except with the law of Allah, and it will not last for long except through appling its dogmas, in order for justice to prevail in, and the foster of mischief "injustice" to exclude.

Then he talked about the cultivation, of earth in the South Pole, the North Pole, the Equator, and in deferent regions and districts. He talked about the corruption of the Sultan (ruler), and its effects about spreading unemployment and damaging the cultivation. Cultivation according to IBN KHALDUN equals the concept of development nowadays. He said: "*The benefit of your country will be improved. Cultural activity (AL-A'MARA) will expand in your region. The fertility of your districts will be evident. Your income from the land tax will be large. Your property will be extensive. You will have the power*". It is obvious that IBN KHALDUN meant all kinds of development, because the increment of benefits means the increment of recourses, and the increment of cultural activity, fertility, and property increases the power of economy.

But, according to him the dangerous thing is: "*It will later on become clear that sedentary life constitutes the last stage of civilization (AL-A'MARAN) and the point where it begins to harm. It also constitutes the last stage of evil and of remoteness from goodness*"<sup>12</sup>. This deduction is from both experiment and the saying of Allah: ﴿Nay! Verily, man does transgress all bounds (in disbelief and evil deed), because he considers himself self-sufficient﴾ [AL'ALAQ: 6-7]. So people exceeds the limits sets by Allah if they become thankless due to their richness.

Then, how the harm constitutes the last stage of civilization?

The suggested model of Islamic economic shows that supply, exchange, and demand each one of them has its own harms.

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12 IBN KHALDUN, op. cit, p: 248

**The harms of supply are:**

- The swine, because of the diseases approved by medicine, again and again, and the damages it cases to peoples life.
- The intoxication, including all kinds of smoke and alcohol, because of the diseases approved by medicine, again and again, and the damages it cases to peoples life.<sup>13</sup>
- The dead meat, due to the deadly germs which cause fatal diseases.

**The harms of demand are:**

- Extravagance and wastefulness, even from individuals, because when the behavior of extravagant and wasteful individuals get together, it will constitute the macroeconomic, and if its generalized over countries, it will affect the global economy, and the result is inflation and prices increment, which ruins the peoples life.
- Niggardliness, even from individuals, because gathering the behavior of stinginess individuals constitutes the macroeconomic, and if it is generalized over countries, it will affect the global economy, and the result is deflation, which ruins the people's life.

**The harms of exchange are many, but the most important:**

- *AL-NAJASH* (outbidding in order to raise the price), it is a distortion of the demand and supply circumstances.
- *TALAQEE AL-ROKBAN* (to meet the traders in the way for getting undue advantage), it is a plying in the supply circumstances.
- Sale against another sale, it is a plying in the supply circumstances.
- Bargaining against another, it is a plying in the demand circumstances
- *AL-REBA* (Interest). *AL-REBA* results in a harm fall upon the weaker part in the exchange process. Its harm on the microeconomic can hardly be seen, while on the macroeconomic and global economic its clear and obvious.
- The robbery, results in a harm fall upon one specific part in the exchange process.

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13 2009 statistics shows that Syria is the most country whose people are smokers 20% from its population i.e. 5 million person are smokers, and its value equals 500 million USD. They might need more than that for medical treatment of the smokes effects .

- Cheat and deceit, results in a great harm due to the demand and supply misleading and distortion circumstances.
- Monopoly, it is a distortion of the supply.
- Gambling and **GHARAR** (uncertainty), results in harm fall upon the weaker part in the exchange process. Its harm on the microeconomic can hardly be seen, while on the macroeconomic and global economic it's clear and obvious.
- **AL-INA sale** (same-item sale-repurchase), results in a harm fall upon the weaker part in the exchange process. Its harm on the microeconomic can hardly be seen, while on the macroeconomic and global economic its clear and obvious.
- **AL-TAWARRUQ** results in a harm fall upon the weaker part in the exchange process. Its harm on the microeconomic can hardly be seen, while on the macroeconomic and global economic it's clear and obvious.

The harms are elements leads to a simple or great damage in the economy according to the harm area, whether on one individual or some individuals or groups.

Accordingly, we can draw a model for the Islamic economic as follows, figure (2):

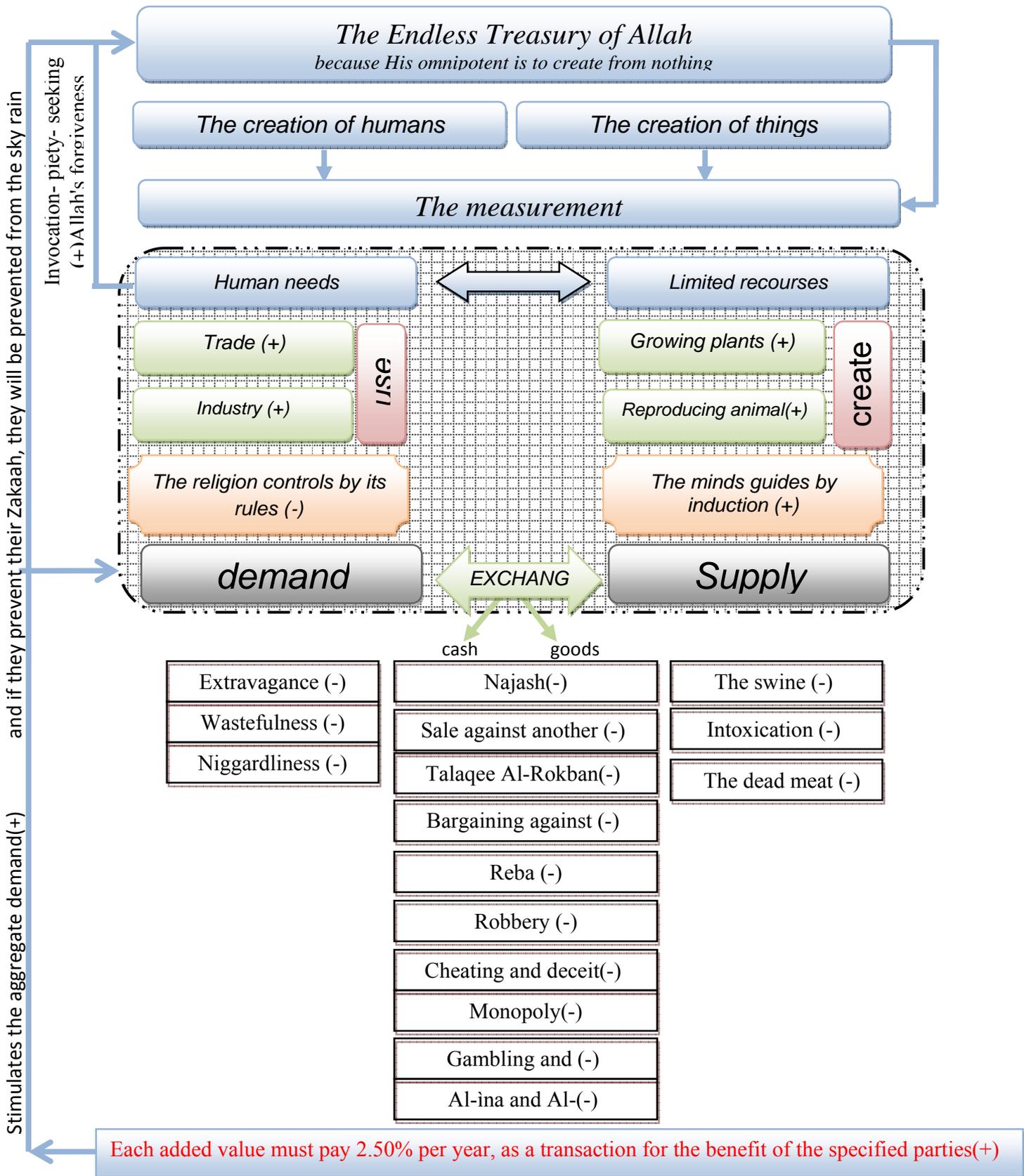


Figure (2)

Thus, how the development or civilization will be from the Islamic economic perspective, and in what way it will be ruined according to the suggested model?

Economic development<sup>14</sup> can be defined as: efforts that seek to improve the average per capita income over time, or it is the increase in the amount of the goods and services produced by an economy.

This is what meant by:

- AL-MAWARDY when said: (*to achieve happiness and advantages*), so the advantage achieved by benefit, and the happiness achieved by satisfying people's needs and desires within the Shariah, where the whole benefits lays, because the Islamic Shariah seeks to achieve people's benefit, and averting the harms. AL-SHATEBEE (790A.H-1388A.D) said about this idea: "*imposing the religious laws is for the people's benefit sooner and later*"<sup>15</sup>.

- IBN KHALDUN when he indicates the increment of benefits in the country, expanding the cultural activity, fertility, and property increases.

Therefore, we will consider any work achieves an "Added Value" as a developmental work.

In the model, we put a (+) sign next to each work achieves an added value, and a (-) sign next to each work causes harm, and results in a recourses decreasing, damaging the environment and the human surroundings.

**The supply side:** or the recourses side.

Recourses has the feature of being created, as AL-MAWARDY said, since Allah created it, man is merely a mean:

- Agriculture achieves an added value to the environment.
- Animal husbandry achieves an added value to the environment.

While the harms of the supply side are: swine, intoxication, alcohol, and the dead meat, because they decreases recourses and damage it.

**The demand side:** or the needs side.

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14 The economic growth is a process by which the real income increases in a cumulative and continuous way over time. So that, this increase must be greater than the rate of population growth, with the provision of social and productive services, and protecting the environmental resources

١٥ الشاطبي، أبي إسحاق، الموافقات في أصول الشريعة، دار الكتب العلمية بلبنان، مجلد ١ جزء ٢ ص ٦.

Needs has the feature of being used, as AL-MAWARDY said, since the human intervention is the added value achiever.

- Transportation achieves an added value, by transporting things from its source location to the location of use, and from the produce location to the consumption location. Thus it achieves a positive added value.
- Industry achieves an added value, by transferring things from less satisfying form to more satisfying one. Thus, it achieves a positive added value.

While the harms of the demand side are: leaving needs without rules, which results in gluttony and voracity, because the human soul leans to luxury. Therefore, if the greed increases and the demand of needs expanded, it will turn into a habit, and consequently lead into the destruction of the overall equilibrium between resources and needs.

**The exchange side:** has benefits and harms. The basic rule in exchange is the freedom which comply with the Islamic Shariah rules. This freedom is settled by the Messenger peace and grace be upon him: "leave the people alone, Allah will give them provision from one another"<sup>16</sup>. If any harm corrupted this freedom, there will be fault and damage.

Then, how can we distinguish that?

Harms are subjected to the Holy verse: ﴿They ask thee concerning wine and gambling. Say in them is great sin, and some profit for men; but the sin is greater than the profit they ask thee how much they are to spend, say: what is beyond your needs. Thus doth Allah make clear to you his Signs: in order that ye may consider ﴾ [AL BAQARAH: 219].

Thus, gambling which is a kind of *MAYSER*<sup>17</sup>, may result in a harm or a benefit, as in table (1):

Microeconomic	Part (P <sub>1</sub> )	Part (P <sub>2</sub> )	Sum	Macroeconomic
Achieving benefit for (P <sub>1</sub> )	+1000	-1000	0	The result is: Zero Equation
Achieving benefit for (P <sub>2</sub> )	-1000	+1000	0	

Table (1)

١٦ صحيح مسلم: ٢٧٩٩

<sup>17</sup> *AL-KIMAR* (gambling) and *AL-MAYSER* are almost synonyms, with a slight different, that is: *AL-MAYSER* contains any hazard, while *AL-KIMAR* (gambling) just with money

The exchange based on gambling between two parts, results in one part get the benefit against the other parts lost. So the algebraic sum at the macroeconomic level is zero i.e. there will be no add value achieved between people from such an exchange. For that reason Allah, Almighty, said *in them is great sin* i.e. harm, *and some profit; but the sin is greater than the profit*, thus it is prohibited.

Likewise:

- **AL-NAJASH**: where one part took more than another, due to distorting the supply circumstances by the mediator. By that the seller and the Najesh (mediator) benefits the same amount which the buyer lost. Then, there is no add value at the macroeconomic level; therefore it is prohibited.
- **TALAOEE AL-ROKBAN**: where the part that meet the traders in the way and buy from them, before they knew the normal price resulted from demand and supply circumstances, will benefit the same amount that the other lost i.e. the importer. Then, there is no add value at the macroeconomic level; therefore it is prohibited.
- **Sale against another sale**: where the part which Sales against another sellers sale will benefit the same amount which the other seller lost, and there is no add value at the macroeconomic level; therefore it is prohibited.
- **Bargaining against another**: where the part that buy against another buyer, will benefit the same amount that the other buyer lost. Then, there is no add value at the macroeconomic level; therefore it is prohibited.
- **AL-REBA**: where the part which finances the exchange, will benefit the same amount which the other lost, with no add value at the macroeconomic level; therefore it is prohibited.
- **The robbery**: the thief will get the same amount which the stolen pearson lost, with no add value at the macroeconomic level; therefore it is prohibited.
- **Cheat and deceit**: where the cheater and deceitful part help a beneficiary part, and the cheated part lost the same amount, with no add value at the macroeconomic level; therefore it is prohibited.
- **Monopoly**: where the monopolist part get the same amount the people under monopoly lost, with no add value at the macroeconomic level; therefore it is prohibited.

- *AL-I'NA*: where the seller part (the owner of the exchange) will benefit the same amount which the other lost (just like shylock), with no add value at the macroeconomic level; therefore it is prohibited.
- *AL-TAWARRUQ*: where the seller part and the mediator get the same amount that *AL-MTAWARRUQ* lost, with no add value at the macroeconomic level; therefore it is prohibited.

So, how can we form the utility function to result in real civilization and development, in a genuine rather than the fictitious economic?.

## Model Formatting

At the end of the nineteenth century, the conventional economic scholars studied the utility function, namely: Menger, Jevons, Walras, Fisher.

Where goods and services get the feature of being benefit in the economic context of the word, not in the common meaning. Since, if it were detriment, whether in the concept of health or morals, it will gain the satisfying feature as long as it satisfies human needs or desires, such as tobacco and opium.<sup>18</sup> Does it agree with the Islamic economic?

### Utility doctrine:

Utility (U): is the amount of satisfaction that a specific consumer gains from consuming a successive units from the same commodity within a specific time.

While total utility ( $U_T$ ) is the total satisfaction obtained by the consumer from the consumption of a successive units from the same commodity within a specific time. According to table (2) the total utility increases due to the increment in the number of consumed units from a specific commodity until it reach the maximum limits i.e. ( $U_T=32$ ) Utilion, that happens at the seventh unite, and after that the consumption of any other unit will decrease the total utility. Figure (3).

Quantity	Total Utility $U_t$	Marginal Utility $U_m$
1	3	3
2	9	6
3	18	9
4	26	8
5	31	5
6	32	1
<u>7</u>	<u>32</u>	<u>0</u>
8	30	-2
9	27	-3

Table (2)

١٨ السيد حسن، د. موفق، التحليل الاقتصادي الجزئي، مطبوعات جامعة دمشق، ٢٠٠٤، ص ٣٨، بتصرف.

While the marginal utility ( $U_m$ ) is the deference in the total utility divided on the deference in the number of consumed units. Thus, we can note the utility increment till the second unit, then the marginal utility decreases until it reaches zero, and that happened when consuming the seventh unite ( $U_m=0$ ). At that point, the total utility will be at the maximum level while the marginal utility is negative. The marginal utility:

1. Increases at the beginning, till it reaches the maximum level,
2. Decreases after the maximum level,
3. Decreases till it reaches the zero point (the total utility is at the maximum level),
4. Then it will turn negative (the total utility is decreasing).

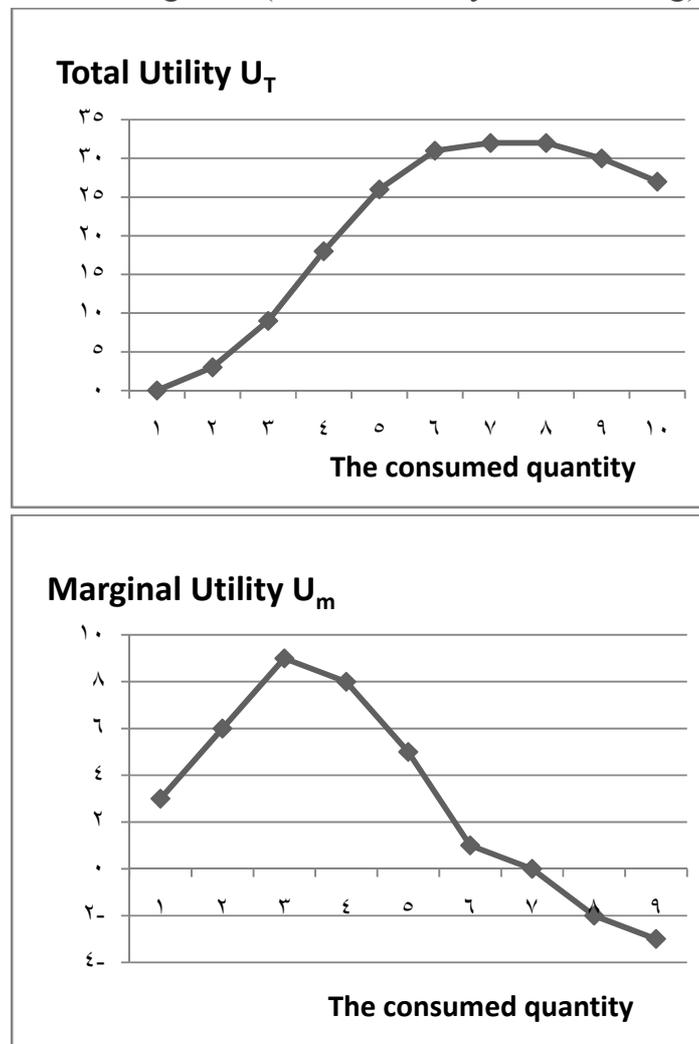


Figure (3)

### Utility and microeconomic:

The utility theory studies and analysis the behavior of a specific consumer, and the way in which he achieves the equilibrium. Each commodity has a specific degree of utility when consumed, this utility is the motive for demanding a commodity instead of another, within his income, and the available capability. We distinguish the marginal utility  $U_m$  and total utility  $U_T$ .

### Utility and macroeconomic:

We will use the concept "Society Utility ( $U_S$ )" to indicate how benefit the consumer achieve for the whole society, and this is what AlMawardi meant by saying: (*to achieve happiness and advantages*), hence advantage is utility, and that must reflect as an increment in the Gross Domestic Product (GDP). We will consider the (GDP) as the measuring unit in the model.

The Gross Domestic Product (GDP) is defined as the total market value of all final goods and services produced by the economy in a given period usually a year, equal to total added value according to the International Monetary Fund (IMF). The added value calculated as follows:

$$\text{Added Value} = \text{Output Value} - \text{Production Requirements Value} \quad (1)$$

So, the Islamic economic conditions the achievement of an added value for each work a person does, to be effective positively in the community in order to achieve development.

For that reason, there must be an added value in any process of exchange, or transformation, or production, or conversion, according to the equations term (2):

$$\text{Added Value} \in ]0, +\infty[ \quad (2)$$

Any work belongs to the range, exactly greater than zero and exactly smaller than infinity, is a work accomplish an added value i.e. real development. Thus:

- The exchange harms (as we explained )result is zero, so it is prohibited.
- The supply and demand harms (as we explained ) result is negative, so it is prohibited.

While the processes which are far away from harms ( transformation, production, and conversion) have a positive impact, and achieve an added value, so they are permitted. If they becomes a necessity, they will be obligatory (collective duty) until somebody achieve it.

Marginal Utility:

As we said the marginal utility  $U_m$  is measured by dividing the deference in the total utility on the deference in the number of consumed units, equation(3):

$$Um_x = \frac{\Delta UT_x}{\Delta x} \quad (3)$$

Total Utility:

Total utility ( $U_T$ ) is measured by the total satisfaction obtained by the consumer from the consumption of successive units from the commodity within a specific time, equation (4):

$$U_{Tx} = \sum_{i=1}^n U_{m_x} \quad (4)$$

Society Utility

Society utility ( $U_S$ ) is measured by the total utility in macroeconomic, which the society acquires, and it is reflected as an increment in the Gross Domestic Product (GDP) within a specific time. The added value calculated with equation (1).

From an Islamic perspective, the utility function, must achieve the imperative condition of this equation (5):

$$(U_S. U_T) > 0 \quad (5)$$

$U_S > 0$

Utility Function in the Islamic concept defined as each work leads to positive utility (individual or collective), and local society utility at the same time, that is:

Economic activity € positive activity → generate additional wealth → more efficient economy

We mean by society, all the muslims Regardless of their geographical regions, and that does not contradicts with the local community. Because the

individual muslim, is a positive muslim in his local community, and the whole total communities Includes the global community.

We can add to the previous financial techniques, the loan technique. Since Islam prohibited **REBA**, the loan will be a good loan (**QARD HASAN**) i.e without any material return, but rather its return is hereafter reward from Allah, Almighty, for the Messenger of Allah peace and grace be upon him said: " the day I was taken for a journey by night, I saw a phrase at the heaven's door: charity rewarded ten times, and loan eighteenth, I said: why loan is better than charity? He said: Because the person who asks for charity have money while the borrower don't borrow unless he need."<sup>19</sup>

So in loan: the lender  $T_1$  does not has any benefit, because he gave up his rights to someone else  $T_2$  for free, and  $T_2$  gets the actual benefit. the borrower must achieve an added value like others, equation(5). This is an altruism which exceeds the benefit, the conventional economic is not familiar with such a concept. Thus we can Write the equation(5) in the following formula:

$$U_{T1} = 0 \wedge (U_S \cdot U_{T2}) > 0 = \text{true} \quad (6)$$

According to the results of the previous model, any activity may considered permissible if achieves the equation (5), and by that the development which is for the good of mankind completed. Allah, Almighty, says: ﴿ Thus doth Allah ( by parables ) show forth truth and vanity. For the scum disappears like forth cast out; while that which is for the good of mankind remains on the earth. Thus doth Allah set forth parables﴾[AL RA`D:17].

To complete the Islamic economic model, we'll be backe to figure (2):

The Islamic law (Shariah) conditions on each activity an 2.50% added value, for the benefit of the spicified parties in the Holy Verse: ﴿Alms are for the poor and the needy, and those employed to administer the (funds); for those whose hearts have been (recently) reconciled (to the Truth); for those in bondage and in debt; in the cause of Allah; and for the wayfarer:

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١٩ سنن ابن ماجه: ٢٤٢٢.

(thus is it) ordained by Allah, and Allah is full of knowledge and wisdom﴾ [AL TAWBAH: 60].

We can benefit from this transmissions ( cash and goods) in increasing the needy's class income, which tend to consume by nature, due to the continuous lake in its necessary needs, as a result its marginal propensity to consume = 1. i.e they spend what they get. This continuous spending will lead to an increment in the effective demand, stimulates the market, and activates all the production kinds. So, the final result of **ZAKAAH** is increasing the added value in an indirect way, because it will support and motivate the economic cycle.

Another benefit for **ZAKAAH** comes from being an instrument to achieve the consent of the Creator, the Messenger peace and grace be upon him said: " ... and if they prevent their **ZAKAAH**, they will be prevented from the sky rain..."<sup>20</sup>, thus preventing the **ZAKAAH** is a cause for preventing the rain, and paying it will refflict as donations and benefits from Allah, because it will increase the estimated quantities for people, and thus there will be an increment in their resourses.

Also, some of the Muslims faith aspects like invocation (**DU`AA**), piety (**TAQWA**), and seeking Allah's forgiveness (**ISTIGHFAAR**) are positive elements in achieving added value because they help in achieving the consent of Allah. Allah, Almighty, says on behafe of His Messenger Hud peace and grace be upon him: ﴿And O my people ask forgiveness of your Lord, and turn to him (in repentance): he will send you the skies pouring abundant rain, and add strength to your strength: so turn ye not back in sin﴾ [HUD: 52]. Paying the **ZAKAAH** will refflict as donations and benefits from Allah, because it will increase the estimated quantities for people, And thus there will be an increment in their resourses.

Too many veares indicates what we said:

- ﴿Verily thy Lord doth provide sustenance in abundance for whom he pleaseth, and he provideth in a just measure. For he doth know and regard all his servants﴾ [AL ISRA': 30].

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٢٠ سنن ابن ماجه: ٤٠٠٥.

- ﴿And We send down water from the sky according to (due) measure, and We cause it to soak in the soil; and We certainly are able to drain it off (with ease)﴾ [AL MU'MINUN: 18].

- ﴿Allah enlarges the sustenance (which He gives) to whichever of His servants He pleases; and He (similarly) grants by (strict) measure, (as He pleases): for Allah has full knowledge of all things﴾ [AL `ANKABUT: 62].

- ﴿Say: Verily my Lord enlarges and restricts the Provision to whom He pleases, but most men understand not﴾ [SABA': 36].

- ﴿Say: Verily my Lord enlarges and restricts the Sustenance to such of His servants as He pleases: and nothing do ye spend in the least (in His Cause) but He replaces it: for He is the Best of those who grant Sustenance﴾ [SABA': 39].

- ﴿To Him belong the keys of the heavens and the earth: He enlarges and restricts. The Sustenance to whom He will: for He knows all things﴾ [AL SHURA: 12].

- ﴿If Allah were to enlarge the provision for His Servants, they would indeed transgress beyond all bounds through the earth; but He sends (it) down in due measure as He pleases. For He is with His Servants well acquainted, Watchful﴾ [AL SHURA: 27].

- ﴿And He provides for him from (sources) he never could imagine. And if any one puts his trust in Allah, sufficient is (Allah) for him. For Allah will surely accomplish His purpose: verily, for all things has Allah appointed a due proportion﴾ [AL TALAQ: 3].

- ﴿Let the man of means spend according to his means: and the man whose resources are restricted, let him spend according to what Allah has given him. Allah puts no burden on any person beyond what He has given him. After a difficulty, Allah will soon grant relief﴾ [AL TALAQ: 7]

Finally... the economic problem is inherent in the creatures (non-creators), while the Creator does not have any economic problem, because He creates from nothing, He says: ﴿What is with you must vanish: what is with Allah will endure. And we will certainly bestow, on those who patiently persevere, their reward according to the best of their actions﴾ [AL NAHL: 96].

## *Model Applications*

We will try to do some virtual applications on the model, including some models imitates the practical life, agrees with the Mawardy's model and the exchange means prohibited or permitted by the Islamic economic. In order to prove the model's results.

### **AGRECULTURE:**

#### Process description:

Farmer  $P_1$  has planted tomato, the cost was 600 SP.

He sale it to  $P_2$  for 800 SP.

#### Process analysis:

$P_1$ :the productive Farmer has got 800 SP.

$P_2$ : the consumer has lost 800 SP, and satisfys his need from the specified foodstuffs with the same amount.

Society: new goods worth 600 SP add to the GDP

According to equation (1):the add value =  $800 - 600 = 200$

#### In brief:

	<b><math>P_1</math> producer</b>	<b><math>P_2</math> buyer</b>	<b><math>U_T</math></b>	<b><math>U_S/GDP</math></b>	<b><math>(U_S \cdot U_T)</math> equation(5)</b>
<b>value</b>	+800	-800	+800	+200	+160000
<b>satisfyed</b>		+800			
<b>sum</b>	+800	0	+800	+200	+160000 > 0

Note:the buyer  $P_2$  paid 800 SP for a commodity at that value, and satisfys his needs at the same level. Thus his  $U_T$  equals what he paid for, so we neutralizes him out of the equation.

#### The religion judgment:

The equation's (5) result  $>0$ , so the production process is permitted.

### **INDUSTRY:**

#### Process description:

A factory for conserves  $P_1$  prodused Tomato paste, the cost was 1200 SP.

He sale it to  $P_2$  for 1800 SP.

#### Process analysis:

$P_1$ :the producer has got 1800 SP.

$P_2$ : the consumer has lost 1800 SP, and satisfies his need from the specified foodstuffs with the same amount.

Society: new goods worth 600 SP add to the GDP

According to equation (1): the add value =  $1800 - 1200 = 600$

In brief:

	<b>P<sub>1</sub> producer</b>	<b>P<sub>2</sub> buyer</b>	<b>U<sub>T</sub></b>	<b>U<sub>S</sub>/GDP</b>	<b>(U<sub>S</sub>·U<sub>T</sub>) equation(5)</b>
<b>value</b>	+1800	-1800	+1800	+600	+1080000
<b>satisfied</b>		+1800			
<b>sum</b>	+1800	0	+1800	+600	+1080000 > 0

Note: the buyer  $P_2$  paid 1800 SP for a commodity at that value, and satisfies his needs at the same level. Thus his  $U_T$  equals what he paid for, so we neutralizes him out of the equation.

The religion judgment

The equation's (5) result > 0, so the production process is permitted.

### SPECIAL CASE

If we supposed that the factory produces alcoholic products, with other things being equal, what is the Islamic economic attitude towards this situation?

Society: new goods worth 600 SP add to the GDP as a new value, but this addition was for a substance that ruins people's mind and health according to the testimony of doctors and specialists. The loss of reason causes a lot of accidents resulted in a loss of lives and money without any benefit for society, so it is a negative value.

The Islamic economic prohibits this substance due to its harm, and consider it as a valueless Bad earning.

According to equation (1): the add value =  $-1800 - 1200 = -3000$

In brief:

	<b>P<sub>1</sub> producer</b>	<b>P<sub>2</sub> buyer</b>	<b>U<sub>T</sub></b>	<b>U<sub>S</sub>/GDP</b>	<b>(U<sub>S</sub>·U<sub>T</sub>) equation(5)</b>
<b>value</b>	+1800	-1800	+1800	-3000	-5400000
<b>satisfied</b>		+1800			
<b>sum</b>	+1800	0	+1800	-3000	-5400000 > 0

The religion judgment

The equation's(5) result $<0$ , so the production process is prohibited.

**TRADE:**Process description:

A merchant  $P_1$  has imported a commodity, the cost was 1200 SP.

He sale it to  $P_2$  for 1800 SP.

Process analysis:

$P_1$ :the importer has got 1800 SP.

$P_2$ : the consumer has lost 1800 SP, and satisfys his need from an imported stuff with the same amount.

Society: new goods worth 1200 SP add to the GDP

According to equation (1):the add value =  $1800 - 1200 = 600$

In brief:

	<b>P<sub>1</sub> producer</b>	<b>P<sub>2</sub> buyer</b>	<b>U<sub>T</sub></b>	<b>U<sub>S</sub>/GDP</b>	<b>(U<sub>S</sub>·U<sub>T</sub>) equation(5)</b>
<b>value</b>	+1800	-1800	+1800	+600	+1080000
<b>satisfyed</b>		+1800			
<b>sum</b>	+1800	0	+1800	+600	+1080000 $>0$

Note:the buyer  $P_2$  paid 1800 SP for a commodity at that value, and satisfys his needs at the same level. Thus his  $U_T$  equals what he paid for, so we neutralizes him out of the equation.

The religion judgment

The equation's (5) result  $>0$ , so the production process is permitted.

**MONOPOLY:**

In the previous example, if the trade leads to monopoly i.e. there were no add value for socitey, because the incerment in the value resulted from monopoly equals the lost of the people under monopoly.

According to equation (1):the add value =  $1800 - 1200 = 600$

While the profit rate is more than the normal profit resulted from a fair exchange price, and while the exceeded profit resulted from exploitations the peoples need (supposedly it is 200), it is considered a negative value from

the society perspective, because the exceeded amounts which the monopolizer took equals the exploitation that falls upon people.

In brief:

	<b>P<sub>1</sub></b> monopolizer	<b>P<sub>2</sub></b> buyers	<b>U<sub>T</sub></b>	<b>U<sub>S</sub>/GDP</b>	<b>(U<sub>S</sub>·U<sub>T</sub>)</b> equation(5)
<b>value</b>	+2000	-2000	+1800	-200	-360000
<b>satisfied</b>		+1800			
<b>sum</b>	+2000	-200	+1800	-200	-360000<0

The religion judgment

The equation's (5) result <0, so the production process is prohibited.

Accordingly, Al-Fuqahaà said that the monopolizer must be forced to sale at the "Equity Just Value" (*THAMAN AL-MITHL*), due to the harm and exploitation that falls upon buyers, which necessitates giving him the Equity Just Value, and providing the monopolistic materials in the market at fair price.

i.e. to restore the situation to what it should be without exceeding the limits of any of the parties.

	<b>P<sub>1</sub></b> monopolizer	<b>P<sub>2</sub></b> buyers	<b>U<sub>T</sub></b>	<b>U<sub>S</sub>/GDP</b>	<b>(U<sub>S</sub>·U<sub>T</sub>)</b> equation(5)
<b>value</b>	+1800	-1800	+1800	+600	+1080000
<b>satisfied</b>		+1800			
<b>sum</b>	+1800	0	+1800	+600	+1080000>0

In this way, the religion judgment will back to the previous one: The equation's (5) result >0, so the production process is permitted.

### **AL-ÌNA SALE (SAME-ITEM SALE-REPURCHASE)**

Process description:

P<sub>1</sub> has soled a commodity to P<sub>2</sub> for 800 SP as deferred sale. Then He repurchase it from P<sub>2</sub> for 600 SP cash.

Process analysis:

P<sub>1</sub>:the seller: solde a commodity for 800 SP (deferred).

P<sub>2</sub>: the buyer: purchased a commodity for 800 SP (deferred).

P<sub>2</sub>: the buyer became a seller: solde the same commodity for 600 SP cash.

$P_1$ :the seller: became a buyer: purchased the same commodity for 600 SP cash.

Society: no new value added to the GDP, and no new goods in the markets, but rather, the cash moved between two parties, one of them gained what the other lost.

According to equation (1):the add value = 0

In brief:

$P_1$ seller	$P_2$ buyer	$U_T$	$U_S/GDP$	$(U_S \cdot U_T)$ equation(5)
+200	-200	0	0	0

The religion judgment

The equation's (5) result = 0, so Al-ina sale is prohibited.

## **AL-TAWARRUQ**

Process description:

$P_1$  has purchased a commodity for 800 SP on credit from  $P_2$ . Then He sold it for 600 SP cash to  $P_3$ .

Process analysis:

$P_1$ :*AL-MTAWARRUQ*( the person who needs cash): got 600 SP in return for a commitment of 800 SP.

$P_2$ :the seller: sold a commodity for 800 SP.

$P_3$ : the buyer: purchased a commodity for 600 SP.

Society: no new value added to the GDP, and no new goods in the markets, but rather, the cash moved among three parties, one of them gained what the others lost.

According to equation(1):the add value = 0

In brief:

$P_1$ AL-MTAWARRUQ	$P_2$ seller	$P_3$ buyer	$U_T$	$U_S/GDP$	$(U_S \cdot U_T)$ equation(5)
- 200	+800	-600	0	0	0

The religion judgment

The equation's (5) result = 0, so Al-tawarq sale is prohibited.

## **THE ROBBERY**

Process description:

$P_1$  has rob something worth 800 SP from  $P_2$ .

Process analysis:

$P_1$ : the thief: got 600 SP the value of the stolen things.

$P_2$ : the stolen pearson: lost 800 SP.

Society: no new value added to the GDP, and no new goods in the markets, but rather, the cash/good moved between two parties, one of them gaind what the other lost.

According to equation (1):the add value = 0

In brief:

$P_1$ seller	$P_2$ buyer	$U_T$	$U_S/GDP$	$(U_S \cdot U_T)$ equation(5)
+800	-800	0	0	0

The religion judgment

The equation's(5) result = 0, so The robbery is prohibited.

## **GAMBLING AND BETTING AND THE LIKE**

Process description:

A gambling between two parties, resulted in  $P_1$  win and took 800 SP from  $P_2$ .

Process analysis:

$P_1$ : benefits from the value they place on bet 800 SP.

$P_2$ : lost 800 SP.

Society: no new value added to the GDP, and no new goods in the markets, but rather, the cash/good moved between two parties, one of them gaind what the other lost.

According to equation(1):the add value = 0

In brief:

$P_1$ Gambler <sub>1</sub>	$P_2$ Gambler <sub>2</sub>	$U_T$	$U_S/GDP$	$(U_S \cdot U_T)$ equation(5)
+800	-800	0	0	0

The religion judgment

The equation's(5) result = 0, so gambling and betting and the like are prohibited.

## **AL-REBA (INTEREST)**

Process description:

$P_1$  has lend  $P_2$  1000 SP conditioning that  $P_2$  must return it after a year as 1500 SP.

Process analysis:

$P_1$ : Lender/ shylock gaind 500 SP.

$P_2$ : Borrower lost 500 SP.

Society: no new value added to the GDP, and no new goods in the markets, but rather, the cash/good moved between two parties, one of them gaind what the other lost.

According to equation(1):the add value = 0

In brief:

<b>P1</b> Lender <sub>1</sub>	<b>P2</b> Borrower <sub>2</sub>	<b>U<sub>T</sub></b>	<b>U<sub>S</sub>/GDP</b>	<b>(U<sub>S</sub>·U<sub>T</sub>) equation(5)</b>
+500	-500	0	0	0

The religion judgment

The equation's(5) result = 0, so Al-reba (the Interest) is prohibited.

**AL-NAJASH (Outbidding In Order To Raise The Price)**Process description:

In an auction or a real estate office,  $P_1$  was selling  $P_2$  a commodity,  $P_3$  intervenes the bargain and deceives  $P_2$  by increasing the price from 1000 SP to 1200 SP through conceiving him that the commodity worth it, and  $P_3$  gains 100 SP for his work.

Process analysis:

$P_1$ :the seller: gained 1100 SP.

$P_2$ : the buyer: lost 1200 SP.

$P_3$ :*Al-Najesh*( who misleads and raise up the price): gained 100 SP.

Society: no new value added to the GDP, and no new goods in the markets, but rather, the cash moved among three parties, two of them gaind what the other lost.

According to equation(1):the add value = 0

In brief:

<b>P<sub>1</sub></b> seller	<b>P<sub>2</sub></b> buyer	<b>P<sub>3</sub></b> Al-najesh	<b>U<sub>T</sub></b>	<b>U<sub>S</sub>/GDP</b>	<b>(U<sub>S</sub>·U<sub>T</sub>) equation(5)</b>
+1100	-1200	+100	0	0	0

The religion judgment

The equation's(5) result = 0, so Al-najash (outbidding in order to raise the price)is prohibited.

**SALE AGAINST ANOTHER SALE**Process description:

While  $P_1$  was purchasing a commodity from  $P_2$  for 1200 SP, another seller  $P_3$  intervenes the bargain and breaks the price down, and sales the same commodity for 1000 SP, while the cost was 950 SP.

Process analysis:

$P_1$ :the buyer: lost 1000 SP.

$P_2$ : seller<sub>1</sub>: lost an opportunity cost 200 SP.

$P_3$ : seller<sub>2</sub>: gained 1000 SP.

Society: According to equation (1):the add value =  $1000 - 950 = +50$

In brief:

<b>P1 buyer</b>	<b>P2 Seller1</b>	<b>P3 Seller2</b>	<b>U<sub>T</sub></b>	<b>US/GDP</b>	<b>(U<sub>S</sub>.U<sub>T</sub>) equation(5)</b>
<b>- 1000</b>	<b>-200</b>	<b>+1000</b>	<b>- 200</b>	<b>+ 50</b>	<b>- 10000</b>

The religion judgment

The equation's(5) result  $<0$ , so Sale against another sale is prohibited.

**BARGAINING AGAINST OTHERS**Process description:

While  $P_1$  was purchasing a commodity from  $P_2$  for 1200 SP, another buyer  $P_3$  intervenes the bargain and increases the price, he buys the same commodity for 1300 SP, while the cost was 950 SP.

Process analysis:

$P_1$ : buyer<sub>1</sub>: lost an opportunity cost 100 SP.

$P_2$ : buyer<sub>2</sub>:lost 1300 SP.

$P_3$ : the seller: gained 1300 SP.

Society: According to equation(1):the add value =  $1300 - 950 = +350$

In brief:

<b>P<sub>1</sub> Buyer<sub>1</sub></b>	<b>P<sub>2</sub> Buyer<sub>2</sub></b>	<b>P<sub>3</sub> Seller<sub>2</sub></b>	<b>U<sub>T</sub></b>	<b>U<sub>S</sub>/GDP</b>	<b>(U<sub>S</sub>.U<sub>T</sub>) equation(5)</b>
<b>- 100</b>	<b>-1300</b>	<b>+1300</b>	<b>- 100</b>	<b>+ 350</b>	<b>- 35000</b>

### The religion judgment

The equation's(5) result  $<0$ , so bargaining against others is prohibited.

## OPPORTUNITY COST AND RESOURCES UTILIZATION

Resources are available for utilization, and it might be fully utilized, or under-utilized. If a person bought a refrigerators production line, with a production capacity 10.000 refrigerator per year, and produced just 7.000 refrigerator, then, we can say that the utilized capacity of this factory is 70% from its production capacity, or the unutilized capacity is 30%.

The universe contains resources, and who owns this resources, may utilize it fully or not. For instance, the *FUQAHA* took into their consideration, while issuing decisions and judgments, the unutilized capacity at the nation's level.

For example, AL-NOAIRY talked about the investor's responsibility towards the opportunity cost, when counting the irrigation tax. Thus, if an investor left a part of the investment land waste, the surveyor will obligate him to pay its tax, because he left it without work in spite of his ability to utilize it and cultivate it<sup>21</sup>.

Supposedly, the investor had invested just 70% of the land. Then, by applying that to the model:

$P_1$ investor	$U_T$	$U_S/GDP$	$(U_S, U_T)$ equation (5)
+70%	+70%	-30%	-

### The religion judgment

The equation's (5) result  $<0$ , so leaving a part of the investment land waste, in spite of the ability to utilize it is prohibited, and (*BAYT UL-MAL*) the State Treasury in an Islamic State (i.e. society) deserves its share. That was the NOAIRY'S judgment.

While Ibn Rajab Al-Hanbaly, cleared that the opportunity cost is the "Equity Just Wage" (*Ojrat Al-mithl*), and must be took from the person who disabled the investment, " Also, imposing the land tax (*AL-KHARAJ*), if it were like a mear leasing, then it should include houses, and it is better to hand it -the land- over as *Muzara'ah* and *Musaqat*, and we should consider

٢١ النووي، شهاب الدين أحمد بن عبد الوهاب، نهاية الأرب في فنون الأدب، ج٨، مطبوعات وزارة الثقافة بمصر، ص ٢٥١.

*the equity just wage when dealing with*"<sup>22</sup>. Furthermore, he obligate the investor to invest the waste resorce, " *and its obligateory that he cultevates it in order not to waste the muslims rights*"<sup>23</sup>.

Supposedly, the investor had invested just 70% of the land. Then, by applying that to the model:

<b>P<sub>1</sub></b> <b>investor</b>	<b>U<sub>T</sub></b>	<b>U<sub>S</sub>/GDP</b>	<b>(U<sub>S</sub>.U<sub>T</sub>)</b> <b>equation(5)</b>
+70%	+70%	-30%	-

#### The religion judgment

The equation's(5) result <0, so leaving a part of the investment land waste, in spite of the ability to utilize it is prohibited, and the State Treasury (i.e. society) deserves its share. That was Ibn Rajab Al-Hanbaly's judgment.

## INVESTING THE WEALTH OF THE ORPHAN

It is necessary to invest this money, due to the need of its owner (the orphan), and in addition to that it is not free from **ZAKAAH**, for the Prophet peace and grace be upon him said: *(who guards an orphan's wealth must invest it in order that it not be consumed by ZAKAAH)*<sup>24</sup>, as well as keeping this money away from the circulation due to orphan's inability, is considered as money disablement, which causes damages to the community. If we keep this money out of the investment, then, the result is harm to the orphan along with society, according to the following table:

<b>P<sub>1</sub></b> <b>orphan</b>	<b>U<sub>T</sub></b>	<b>U<sub>S</sub>/GDP</b>	<b>(U<sub>S</sub>.U<sub>T</sub>)</b> <b>equation(5)</b>
.	.	.	0

#### The religion judgment

The equation's (5) result=0, so leaving the orphan's wealth without investment is prohibited. However, if the orphan's gardean invested it he must adhere to the Holy vearse: *﴿Make trial of orphans until they reach the age of marriage; if then ye find sound judgment in them, release their property to them; but consume it not wastefully, nor in haste against their growing up if the guardian is well off, let him claim no remuneration, but if*

٢٢ ابن رجب الحنبلي ، الخراج ، ص ٤٠

٢٣ ابن رجب الحنبلي ، الخراج ، ص ٥٦

٢٤- سنن الترمذي: ٥٨٠

he poor, let him have for himself what is just and reasonable. When ye release their property to them, take witnesses in their presence: but all sufficient is Allah in taking account» [AL NISA': 6]. So if the guardian is rich, it is desirable for him to abstain and take no wages, but if he is poor, let him have for himself what is just and reasonable (according to the customs), taking into consideration the performance of the good deeds ordered by Allah.

Thus, if the guardian abstain and invests the orphan's wealth with no wages, the table will be like this:

<b>P<sub>1</sub></b> orphan	<b>P<sub>2</sub></b> investor	<b>U<sub>T</sub></b>	<b>U<sub>S</sub>/GDP</b>	<b>(U<sub>S</sub>.U<sub>T</sub>)</b> equation(5)
+	·	+	+	+

And if he take what is just and reasonable due to his work, the table will be like this:

<b>P<sub>1</sub></b> orphan	<b>P<sub>2</sub></b> investor	<b>U<sub>T</sub></b>	<b>U<sub>S</sub>/GDP</b>	<b>(U<sub>S</sub>.U<sub>T</sub>)</b> equation(5)
+	+	+	+	+

#### The religion judgment

The equation's(5) result  $>0$ , so investing the disabled money is an Islamic obligations( wajib).

### **MANAGEMENT OF THE PRODIGAL'S MONEY<sup>25</sup>**

Money is the lifeblood, and investing the money of prodigals in a good way will help this powerless category to obtain the requirements of decent livelihood, as well as to take into account the social side of saying the words of kindness to them in order to ease the psychological effects, Allah says: «To those weak of understanding make not over your property, which Allah hath made a means of support for you, but feed and clothe them therewith, and speak to them words of kindness and justice» [AL NISA': 5]. The prodigal does not put his money in the right place, as a result he must not be left to invest and manage it by himself. His guardian must replace him faithfully, so he will be responsible about the investment in the way he considers it to be right due to the Holy Verse: « O ye who believe! when ye

<sup>25</sup> للمؤلف، فقه المحاسبة الاجتماعية، دار النهضة للنشر بدمشق، ٢٠٠٦، ص ١٠٨.

deal with each other, in transactions involving future obligations in a fixed period of time, reduce them to writing let a scribe write down faithfully as between the parties: let not the scribe refuse to write: as Allah has taught him, so let him write. Let him who incurs the liability dictate, but let him fear his Lord Allah, and not diminish aught of what he owes. If the party liable is mentally deficient, or weak, or unable himself to dictate, let his guardian dictate faithfully. And get two witnesses, out of your own men, ....» [AL BAQARAH: 282].

We can apply the previous treatment of managing the orphan's wealth here.

Hence, we can deduce that the concern of managing the money of orphans and prodigals, and not leaving them vulnerable to loss is a concern of an important resource of the nation's resources. Moreover, protecting them until they become adults and can invest their money by their own on the one hand, and managing their money and invest it on the other hand, make them productive members and not dependent on the society which took care of them for a period of time due to the mercy about what they had suffered.

### **FORCING THE SOLVENT DEBTOR TO PAY OFF**

The Prophet peace and grace be upon him had warned us from the social consequences of the exaggeration in debts, he said: " When a (person) incurs debt, (he is obliged) to tell lies and break promise"<sup>26</sup>. If the procrastination and not paying the debts spread, the economic life will be in disorder, and people will reluctant to deferred sell, which will restrict their transactions and disordered the market. The Prophet peace and grace be upon him called upon the whole nation to uphold the right, and said: "O Allah, do not purify the nation which do not give the right to its weak people with no hesitation (*TA'TA'*)"<sup>27</sup>. The *MUTA'TA'* is the person who got tired from hesitation and procrastination. For that reason, in addition to its great harm on the society, the solvent debtor forced to pay off.

### **THE REVIVAL OF THE DEAD LAND**

The Islam had put a very important rule to invest lands and utilize it, in order to eliminate the major problem experienced by many people, namely,

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٢٦ صحيح البخاري: ٧٨٩

٢٧ سنن ابن ماجه: ٢٤١٧

the problem of desertification, which resulted mostly from neglecting the agricultural land. The Prophet peace and grace be upon said: "He who has land should cultivate it himself, or let his brother cultivate it"<sup>28</sup>, so the Muslim demanded to cultivate his land by himself, or allow others to cultivate it for free, or give it to whom cultivates it, and bear some of the production expenses in exchange for part of the product, and this is the **MUZARA'AH** (Crop sharing partnership), besides the Prophet peace and grace be upon said: "He who cultivates land that does not belong to anybody is more rightful (to own it)."<sup>29</sup>

Leaving a land uncultivated and waste means the disruption of one of the nation's resources. Thus, to ensure the benefits of the community it must be cultivated.

Omar bn Abdul Aziz, may Allah be pleased with him, asked his agents to get the benefit of the whole utilized resources by the best operating of the assets, he said: " take AL-SAFEA Land into your consideration, and hand it as **MUZARA'AH** partnership in exchange for half of the production. If it does not work, hand it in exchange for the third and so on till you reach the tenth. If that does not work either then cultivate it at the expense of the State Treasury, and never leave a land waste and uncultivated".<sup>30</sup>

Supposedly, that the guardian of the Muslim have left a land without cultivation. Then, by applying that to the model:

$P_1$ investor	$U_T$	$U_S/GDP$	$(U_S \cdot U_T)$ equation(5)
.	.	.	.

#### The religion judgment

The equation's(5) result =0, so so leaving a part of the investment land waste, in spite of the ability to utilize it is prohibited, and that was the instructions of Omar bin Abdul Aziz, to his leaders.

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٢٨ صحيح مسلم: ٢٨٦٢  
 ٢٩ صحيح البخاري: ٢١٦٧  
 ٣٠ القرشي ، الخراج ، ص ٢٤ .

## *Results and Recommendations*

This Holy verse in the Quran is considered as the first to indicate the total and partial utility, demonstrating the preference of benefit to harm: ﴿They ask thee concerning wine and gambling. Say in them is great sin, and some profit for men; but the sin is greater than the profit they ask thee how much they are to spend, say: what is beyond your needs. Thus doth Allah make clear to you his Signs: in order that ye may consider﴾ [AL BAQARAH: 2<sup>٩١</sup>]. The conventional economists expanded the concept of benefit whether it satisfies a desire or a need, useful or harmful. And this contradicts the lexical and terminological meaning of the word (benefit), how it is benefit and contains harm? Thus, the Holy verse expressed the benefit and harm, preferred the benefit, and prohibited anything else. AL-MAWARDY was the first to take about the total benefit, and named it advantage.

The, previous and current, global financial crisis had proved that the local and international economics are parts of the global economic, so neither a state nor a specified economy has the right to sabotage as they please claiming that there is no relations with others, because the current crisis had plunged everybody.

The Islamic Economic Model (IEM) proved that the Islamic economic, as a vital part of the Transactions Fiqh (*Fiqh AL-MUAMALAT*) based on reasoning and able to formulation and mathematical abstraction.

The Islamic economic puts down the rules of production, exchange, distribution, usage, consumption, and discoveries. Studying these things from an Islamic perspective constitutes the terms of Islamic microeconomic, macroeconomic, and global economic equally.

In the future, we should examine and research the Econometrics, and the Mathematical economics, and not just stay within the descriptive statistics, in order to provide and develop an Islamic Economic Model that keep pace with the current and future needs of people in a systematic and objective manner, Figure: (4).

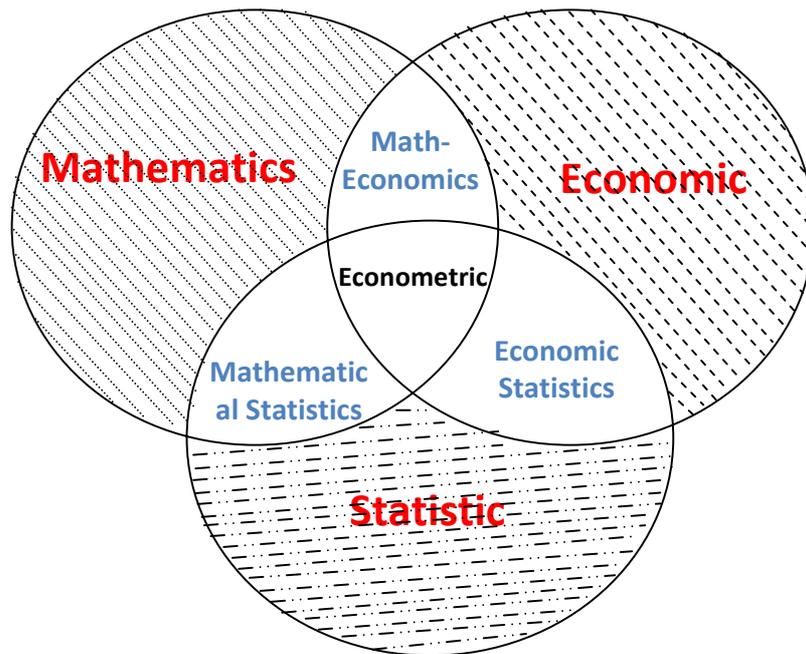


Figure (4)

The Islamic law (Shariah) interests in the limitation of the harm area, because averting harm is prior to acquiring benefits, for that reason the Shariah does not quarantine the innovations scope, but rather quarantines the prohibited scope, and let the permissible scope free for the human effort in innovation and renovation. The source of the Shariah strength is from being appropriate for any time and applicable in any place.

From the prophet peace and grace be upon him sayings: "There should be neither harming (*darar*) nor reciprocating harm (*dirar*)", and from the previous model we can conclude that any activity does not achieve the utility function (equation 5) is not permitted. Otherwise, it is absolutely permitted, because it achieves the development ordered by Allah.

It seems that there are so many reasons for prohibition in Islam. Some people consider the **GHARAR**, **REBA**, lying, gambling, cheating, misleading, and harm as prohibitive reasons by themselves. In my opinion the previous HADDETH:" There should be neither harming (**DARAR**) nor reciprocating harm (**DIRAR**)" in its partials and totals had put a general exhaustive frame to all prohibitions.

*And Allah knows best*

I have endeavored in this research, and spare no effort that Allah enabled me in and gave me strength to do. However, the human work is not free from fault or negligence, far from the Prophets. Thus, the right work is due to the favor of Allah, and the fault is due to me.

I ask Allah's pardon and forgiveness, and to help me rectifying my mistakes, inspire me the right, and provide me with appropriateness.

Oh Allah, accept my job, pure to you, and put the reward of blessing in the paper of my parents.

﴿(This will be) their cry therein: "Glory to thee, O Allah!" And "Peace" will be their greeting therein! And the close of their cry will be: "Praise be to Allah, the Cherisher and Sustainer of the Worlds!"﴾ [YUNUS: 10]

*Hama on 05-05-2009*

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