

## 10. The Two-Sector Growth Models:

- A. The Neoclassical Two-Sector Model; Basic Assumptions; The Framework; Fundamental Equations and their Interpretations; Stability of Balanced growth in the Two-Sector Model; Technical Change in the Two-Sector model.
- B. The Marxian Two-Sector Model: Basic Assumptions and the Framework.
- C. The Feldman Model: Basic Assumptions and the Framework; Fundamental Proportions; Operation of the Feldman Model; A Comparison of the Feldman Model; The Lewis Model and the Mahalanobis Model.
- D. The Uzawa Two-Sector Model; Basic Assumptions and Derivation of the Equilibrium Conditions.

## 11. Planning

- A. What is Planning? Objectives and Instruments of Planning.
- B. Role of Planning in an Underdeveloped Country
- C. Project Evaluation Techniques

### *Basic Text*

Todaro, M. P. (1997). *Economic Development in the Third World*. New York: Longman.

### *Books Recommended*

1. Branson, W. H. (1989). *Macroeconomic Theory and Policy* (3rd ed.). New Delhi: Indus.
2. Ghatak, S. (2012). *Introduction to Development Economics*. Hoboken: Taylor and Francis.
3. Gillis, M., Perkins, D. H., Radelet, S., Roemer, M., & Snodgrass, D. R. (2001). *Economics of Development*. New York: Norton.
4. In Meier, G. M. (1995). *Leading Issues in Economic Development*. New York: Oxford University Press.
5. Jaffee, D. (1998). *Levels of Socio-economic Development Theory*. Westport, Conn: Praeger.
6. Jones, H. G. (1984). *An Introduction to Modern Theories of Economic Growth*. Wokingham, Berkshire: Van Nostrand Reinhold.
7. Ray, D. (2010). *Development Economics*. Johannesburg: TPB.

## **ECON 306: Economics in Islam**

**Credit Hours: 04**

**Rationale:** About 23 percent of the world population is Muslim and the percentage is 90 for Bangladesh. A large portion of the Muslim population is interested to lead their life in conformity with the ideology of Islam. Imbued with Islamic ideology, consumers and producers act in different ways compared to their counterparts in capitalist and socialist economies. It is important to know how resource allocation is determined in a system with Islamic ideology and its welfare implications.

**Prerequisite:** None

**Course Objectives:** The course aims at differentiating the behavior of a consumer and a producer in an Islamic system from the counterpart agents in other systems. Explaining the role of state in distributing wealth and reducing poverty are other objectives of this course.

**Intended Learning Outcomes:** After successful completion of the course, students will be able to:

1. distinguish an Islamic consumer and a producer from the counterparts in other systems;
2. derive demand and supply curves for a consumer and a supplier with Islamic values;
3. understand determination of market price through Islamic approach;
4. describe the purposes of consumption; and
5. differentiate between need based utility and want based utility.

### **Course Content:**

1. **An Introduction to Islamic Economics:** Definition; Sources of Knowledge of Islamic Economics; Islamic Economics and Shari'ah; Assumptions of Islamic Economics; Basic Principles; Scope of

- Islamic Economics; Usefulness or Importance of the Study of Islamic Economics; Difference between Islamic Economics and Conventional Economics; Conclusion.
2. **Theories of Behaviour of Islamic Consumer:** A Critical Appraisal of the Conventional Theory of Consumer Behaviour; Concept of Islamic Consumer; Difference between Islamic Economic consumer and the Western economic consumer; Difference between Worldly Spending and Spending for the Cause of Allah; Want-utility versus Need-Maslaha; Classification of Needs; Model of Islamic Consumer Behaviour; Contributions of Fahim Khan, Monzer Kahf and Anas Zarqa; A Critical Appraisal.
  3. **Theory of Islamic Demand and Supply:** A Critical Appraisal of the Conventional theory of Demand and Supply from Islamic Viewpoint; An Introduction to the Theory of Islamic Demand and Supply; Nature of Demand and Supply Curves in Islam; Effective Need-Based Demand and Potential Capacity-Based Supply; Elasticities of Demand and Supply from Islamic Viewpoint; Equilibrium Price; Islamic Price Policy Options; Conclusion.
  4. **Factors of Production and Pricing of Factors from Islamic Viewpoint:** Factors of Production in Conventional Economics; Objectives and Principles of Production in Islamic Economics; Concepts of Factors of Production in Islam; Comparison between Factors of Production in Conventional Economics and Islamic Factors of Production; A Critique of the Conventional Theory of Factor Pricing; Factor Pricing and Income Distribution in Islam; Basic Principle; Land and Rent; A Tentative Model of Wage Determination in Islam; Profit and Loss Sharing for Capital and Entrepreneurship.
  5. **The Behavior of the Firm and its Objectives in an Islamic Framework:** Characteristics of Islamic Firm; Difference between Firm in an Islamic Society and in a Non-Islamic Society; Objectives and Goals of Islamic Firm; Limited Role of Profit; Sales Maximizing and Satisfying Behavior and their Consequences; Marginal Cost and Revenue Analysis; Average versus Full Cost Pricing; Metwally Model; Conclusion.
  6. **Islamic Market Structure:** Market and Economic Freedom; A Brief Review of the History of Economic Freedom in the Muslim Society; Ibn Taimiyyah's Writings and their Implications; Islamic Approach to Market Price and Allocations; Co-operation and the Government Role in the Market; Al-hisbah; Islamic Perspectives on Market Imperfections: Monopoly, Price Discrimination, Oligopoly; Advertising and Islam; Spot, Forward and Futures Markets, Arbitrage and Hedging in Islam.
  7. **Islamic Perspectives on National Income:** Concept of National Income in Islamic Perspective; Content of GNP; National Income as a Measure of Distribution in Income, Rural Sector Development, Economic Welfare and Social Welfare.
  8. **Consumption Policy and Theory of Consumption Function in Islam:** Concept of Consumption in Islam; Principles of Consumption; Meaning of Moderation in Consumption; Consumption Function in Conventional Economics: Some Observations; Theory of Islamic Consumption Function; Relationship between Conventional Consumption Function and Islamic Consumption Function; Contribution of Mannan to Islamic Consumption Function; Determinants of Islamic Consumption Function ; Debates Regarding APC and MPC; Expected Desirable Income Hypothesis and Consumption; Contribution of Ausaf Ahmed to Islamic Consumption Function; Consumption Function of the Payers and Recipients of Zakah and Infaq; Conclusion.
  9. **The Saving and Investment Behavior in Islam:** Saving and Investment Behavior in Conventional Economics; Behavior of Saving and Investment in an Islamic Economy; Efficiency in Resource Allocation, Investment Decisions and Welfare Criteria in Islam; Conclusion.
  10. **Money and Monetary Policy in Islam:** Money in Islamic Economy; Commodity Exchange and Use of Money in Islam; Classification of Money; Sources of Expansion of Money; Islamic Monetary Policy; Objectives; Instruments; Conventional Quantitative and Qualitative Credit Control Measures and their Acceptability in an Islamic Framework; Pure Islamic Instruments; Conclusion.
  11. **Interest and Islam:** Capital and Interest or Riba; Concept of Riba; Classification of Interest; Interest, Profit and Rent; Why is Interest Paid? Arguments of Conventional Economists in Favor of Interest and their Limitations; Why is interest prohibited in Islam? Views of Philosophers,

Thinkers and Researchers Regarding Interest; Socio-Economic, Moral and Political Arguments against Interest; Pre-conditions / Possible Measures for Establishing Interest-Free economy in Bangladesh.

- 12. Islamic Banking:** Definition; A Brief Background of the Origin of Islamic Banking; Rationale for Islamic Banking; Characteristics, Objectives and Functions; Sources and Uses of Funds; Modes and Mechanics of Deployment of Fund; Trade/Debt and PLS–Based Investment Financing; Saving and Investment Policy; Zakah Fund and Qard-e-Hasana; Foreign Trade Transactions; Role of Shari'ah Council; Role of Central Bank in Islamic Banking; A Comparison between Conventional Banking and Islamic Banking; Experiences of Islamization of Banking in Selected Countries: Malaysia, Iran, Pakistan and Sudan and Lessons for Bangladesh; Role of Islamic Banks in Bangladesh and their Problems and Prospects; Problems and Prospects of Islamization of Banking in Bangladesh; Role of IDB and Islamization of Banking in the Muslim Countries.
- 13. Public Finance in Islam:** Past and Present: Islamic Principles of Public Finance; Public Expenditure in the Early Age of Islam; Heads of Government Expenditure and Sources of Revenue; Relationship between the Sources of Revenue and Heads of Expenditure in the Light of the Holy Qur'an; Public Finance in the Modern Islamic State; Activities of Modern Islamic State; Principles of Government Expenditure; Heads of Government Expenditure in Modern Islamic State; Permanent Heads of Expenditure; Sources of Revenue of Modern Islamic State; Conclusion.
- 14. Islamic Fiscal Policy:** The Case of Tax: Objectives of Islamic Fiscal Policy; Rationale for Tax in an Islamic Economy; Taxation System in the Early Age of Islam; Some Relevant Concepts; Infaq, Sadaqah and Tax; Objectives and Structure of Tax in an Islamic Economy; Tax and Subsidy; Conclusion.
- 15. Islamic Fiscal Policy:** The Case of Zakah: What is Zakah? Why is Zakah? Importance of Zakah in the Light of the Holy Qur'an and Al- Hadith; Zakah, Sadaqah and Tax; Basic Principles of Zakah; Eligibility Criteria for Zakah Payer; Zakahable Assets; Zakah-Free Assets; Debate Regarding Scope and Rate of Zakah; Zakah Recipients; Utilisation of Zakah Money; Zakah and Poverty Alleviation; Zakah and Growth; Zakah and Economic Development: The Role of Appropriate Zakah Distribution Policy; Zakah and Poverty Alleviation in Bangladesh.
- 16. Islamic Fiscal Policy:** The Case of Ushar: Concept of Ushar; Philosophical Base of Ushar; Land Eligible for Ushar; Crops Eligible for Ushar; Nisab for Ushar; Rules for Ushar; Ushar and Land Tax; An Evaluation of the Role of Ushar in the Agricultural Development of the Muslim Countries with Special Reference to Bangladesh.
- 17. Land and Land Policy in Islam:** Concept of Land; Kinds of Land Ownership; Debates Regarding Private Ownership of Land; Classification of Land from Distributive Point of View; Conventional Land Policy and Islamic Land Policy with Special Reference to the Sharecropping System; Characteristics of Land Policy in Islam with Special Reference to the Land Policy Pursued by Caliph Hazrat Omar (RA); Law of Inheritance of Land in Islam; Basic Principles and their Implications; A Critical Appraisal.
- 18. Labor Policy in Islam:** Basic Characteristics of Labor Policy; Employee-Employer Relationship; Rights and Responsibilities of the Employer towards the Employee and Rights and Responsibilities of the Employee towards the Employer.
- 19. Insurance Policy in Islam:** Definition of Conventional Insurance; Islamic Attitude towards Conventional Insurance; Insurance and Tawakkul Allah; Insurance and Akila System; Insurance and Gambling; Life Insurance and Islam; Characteristics of Islamic Insurance (Takaful); Islamic Insurance and Conventional Insurance: A Comparison; Islamic Insurance in Selected Countries: Malaysia, Sudan and Saudi Arabia; Islamization of Insurance in Bangladesh.
- 2. Capital Market and Stock Exchange in Islam:** A Critical Appraisal of the Conventional Capital Market and Stock Exchange; Objectives, Characteristics, Importance and Operation of Islamic Capital Market and Stock Exchange; Islamic Capital Market Versus Conventional Capital Market; Islamic Stock Exchange versus Conventional Stock Exchange; Conclusion.
- 21. Foreign Exchange Market in Islam:** Conventional Foreign Exchange Markets and their Classification: Spot, Forward, Swap and Futures Markets; Islamic Viewpoints on Each of These Types of Markets; Final Remark.

- 22. International Trade and Co-operation among the Muslim Countries:** An Introduction to Islamic Commercial Policy; International Trade and Dumping; Problems and Prospects of International Trade among the Muslim countries; Needs for Economic Cooperation among the Muslim Countries; Institutional Structure; Problems and Prospects of Islamic Common Market among the Muslim Countries; Some Recommendations.
- 23. Economic Development and Islam:** Concept of Islamic Economic Development; Poverty and Al-Qur'an; Indicators of Economic Development; Priority in Development: Growth versus Equity; Role of Government in Islamic Economic Development; Goals and Strategies of Islamic Economic Development; Resource Mobilization in Islamic Economic Development; Financial Assets and Human Resources; Role of Micro Credit; Women and Islamic Economic Development; Economic Activities of Women in the Modern Society; Role of Women in the Economic Development of Bangladesh; A Comparison between Conventional Concept of Development and Islamic Development: A Critical Analysis.
- 24. The State in Market, Command and Islamic Economy:** Characteristics and Assumptions of the Orthodox Neo-Classical Paradigm; Role of State in the Market Economy on the Basis of Orthodox Neo-Classical paradigm; Marxian Radical Paradigm; Role of State in the Command Economy on the Basis of Marxian Radical Paradigm; Characteristics of Islamic Paradigm: Underlying Assumption and Guiding Economic Philosophy; Nature and Scope of Individuals; Society-State Relationship: Moral, Social, Economic and Political Dimensions; Structure of Social Justice in Islam; Role of State in Islamic Society on the Basis of Islamic Paradigm.
- 25. Islamic Worldview and the Response of Islam towards the Solution of the Socio-economic Problems of the Third World:** Islamic Worldview and Rationalism; Economic Rationalism versus Utilitarianism; Elements of Islamic Rationalism; Islamic Viewpoints: the Unity of Allah (SWT); Vicegerency and Justice; Islamic Response: Development of Human Resource, Economic Reforms for Individual Consumption, Public Revenue and Expenditure, Development of Environment for investment, Fixing up Priority for Production, Development of Agricultural and Rural Sectors, Growth of Small and Micro Entrepreneurship, Distributive Reforms for Land Ownership and Financial Reforms; Present Problems, Tomorrow's Solution and the Future of Islamic Economics; A Final Remark.

### Books Recommended

1. Afzal-ur-Rahman (1996). *Economic Doctrines of Islam*. Lahore.
2. Ahmad, K. (ed.) (1984). *Studies in Islamic Economics: A Selection of Papers, Presented to the First International Conference on Islamic Economics*. Delhi: Amar Prakashan.
3. Ahmad, A., & Awan, K. R., (eds.) (1992). *Lectures on Islamic Economics: Papers and Proceedings of An International Seminar on "Teaching Islamic Economics for University Teachers"*. Jeddah: Islamic Research and Training Institute, Islamic Development Bank.
4. Ahmed, Z., Iqbal, M., & Fahim, K. M. (eds.) (1983). *Fiscal Policy and Resource Allocation in Islam*. Islamabad: Institute of Policy Studies.
5. Aidit, G., & Omar, S. (eds.) (2007). *Readings in the Concept and Methodology of Islamic Economics*. Kuala Lumpur, Malaysia: CERT Publications.
6. Bhuyan, A. R. (1996). *Towards an Islamic Common Market*. Dhaka: Islamic Economics Research Bureau.
7. Chapra, M. U. (1986). *Towards a Just Monetary System: A Discussion of Money, Banking and Monetary Policy in the Light of Islamic Teachings*. Leicester: Islamic Foundation.
8. Haq, I. (1996). *Economic Doctrines of Islam: A Study in the Doctrines of Islam and Their Implications for Poverty, Employment, and Economic Growth*. Herndon, Va: International Institute of Islamic Thought.
9. Khan, M. A. (1999). *An Introduction to Islamic Economics*. New Delhi: KitabBhavan.
10. Khan, M. S., & Mirakhor, A. (2005). *Theoretical Studies in Islamic Banking and Finance*. North Haledon, N.J: Islamic Publications International.
11. Mannan, M. A. (1984). *The Making of Islamic Economic Society: Islamic Dimensions in Economic Analysis*. Jeddah, Saudi Arabia: International Association of Islamic Banks.
12. Mannan, M. A. (1987). *Islamic Economics: Theory and Practice*. Boulder: Westview Press.

13. Sadeq, A. H. M., Pramanik, A. H., & Mustapha, H. N. H. (eds.) (1991). *Development and Finance in Islam: International Seminar on Islamic Economics: Papers*. Petaling Jaya, Selangor, Malaysia: International Islamic University Press.
14. Siddiqi, M. N. (2006). *Banking without Interest*. London: Islamic Foundation.
15. Tahir, S., & Ghazali, A. (eds.) (1992). *Readings in Microeconomics: An Islamic Perspective*. Petaling Jaya: Longman Malaysia.