



THE CONCEPT OF SCARCITY AND ITS
IMPLICATION ON HUMAN BEHAVIOUR:
A QUR'ANIC PERSPECTIVE

BY

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ABSTRACT

This paper studies the concept of scarcity in the context of conventional economics perspective and how it was developed to be the main pillar of the definition of mainstream economics. Likewise, the Islamic economists attempted to define Islamic Economics from mainstream economics perspective that relays heavily on the concept of scarcity. However, the concept of scarcity arose within the era of the rise of the secular movement that tried to exclude religion from economics, which resulted in the spread of materialism. Consequently, the concept of scarcity tends to stem from a non-religious basis as it appeared in the writings of Malthus and Robbins who advocated the concept of scarcity from its different dimensions. Nevertheless, it proved psychologically that the belief in scarcity creates the so-called scarcity mentality that perceives lack, fear and conflict which results in aggressive behavior. On the contrary, the concept of God Power that is based on the abundance mentality and is advocated by all religions conveys cooperation, trust, safety, love and results in generous behavior, which creates social intimacy among people. Moreover, this paper investigates verses from the Qur'an pertaining to the concept of God Power and the Divine rule. Finally, this research paper attempts to devise a concept in the conceptual framework of Islamic Economics based on the concept of God Power that motivates the fulfillment of the Divine rule.

ملخص البحث

يهدف هذا البحث إلى دراسة مفهوم الندرة من منظور الاقتصاد التقليدي إلى جانب تطور هذا المفهوم ليصبح العمود الفقري لتعريف علم الاقتصاد فيما بعد. وفي موازاة ذلك، فلقد تأثر علماء الاقتصاد الإسلامي في تعريفهم لعلم الاقتصاد الإسلامي بالتعريف السائد لعلم الاقتصاد التقليدي. علما بأن تعريف علم الاقتصاد التقليدي يبنى على أساس مفهوم الندرة. بالرغم من تبلور مفهوم الندرة في حقبة نشوء العلمانية التي عزلت الدين عن الاقتصاد مثلما عزلت الدين عن الدولة. من أجل ذلك، فقد كان على عاتق هذا البحث دراسة علاقة مفهوم الندرة بانتشار المادية في تعامل الناس بين بعضهم البعض مما أدى إلى تفتت الصدقات والتبرعات من قبل الأغنياء تجاه الفقراء. لذا وبما أن مفهوم الندرة ظهر في زمن العلمانية، فإنه يقوم على أساس علماني لا ديني، وكما هو جلي في كتابات مالتيس وروبينس اللذان أطلقا مفهوم الندرة من أبعاده المختلفة. وعلى الصعيد الآخر، فلقد أثبتت الدراسات النفسية أن الاعتقاد بالندرة يولد التفكير بالندرة أو كما يسميها البعض بعقلية الندرة التي تؤدي إلى الانطباع بالقليل، والشعور بالقلق، وتولد النزاع، و السلوك العدواني. يبدأ أن مفهوم قدرة الله عز وجل يبنى على وفرة الموارد والأرزاق والذي يؤدي بدوره إلى التعاون، والثقة، والأمان، والحب، وانتهاءً بالسلوك السخي الذي يزرع المودة بين بني البشر. وأيضا من أهداف هذا البحث، دراسة الآيات القرآنية المتعلقة بمفهوم قدرة الله عز وجل في بسط أو تقدير الموارد والأرزاق، بالإضافة إلى الأحكام الربانية المتعلقة بالاقتصاد. وفي نهاية هذا البحث يضع الباحث اللبنات الأساسية لمفهوم علم الاقتصاد من خلال مفهوم قدرة الله عز وجل الذي يحفز على تحقيق الأحكام الربانية.

APPROVAL PAGE

I certify that I have supervised and read this study and that in my opinion, it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a dissertation for the degree of Master of Science in Finance.

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DECLARATION

I here declare that this dissertation is the results of my own investigation, except where otherwise stated. I also declare that it has not been previously or concurrently submitted as a whole for my other degree at IIUM or other institutions.

Wahbalbari Amir Ahmed

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**THE CONCEPT OF SCARCITY AND ITS IMPLICATION ON HUMAN
BEHAVIOUR: A QUR'ANIC PERSPECIVE**

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In the name of Allah, the most Compassionate and the Most Merciful. *Alhamdulillah!* Thanks to God for all of His Attributes! All Praises be to Allah, Lord of the Universe, the Creator, the Provider and to Him belongs all the knowledge and wisdom. Blessing and peace be upon Prophet Muhammad (s.a.w), his family and companions.

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CHAPTER ONE

INTRODUCTION

1.0 INTRODUCTION

The discipline of economics is one of the social sciences and is considered as one of the fields that has a relationship with human behaviour. Economics is sometimes termed as the science of efficiency. It was named so as a result of scarcity that has two dimensions: limited resources against unlimited human wants. Consequently, the science of economics will manage these limited resources to achieve maximum human satisfaction. (McConnel & Bruce, 1999)

However, a human being's behaviour is determined by different internal and external; – apart from the mind-set – factors. Therefore, this research will examine critically the concept of scarcity from the conventional economics perspective as well as the Islamic economics perspective. The researcher is of the opinion that niggardly human behaviour, widespread poverty, materialism and conflicts in society can be related to the dominance of the concept of scarcity in people's mentality. This study will investigate the reason for the rise of the concept of scarcity in the literature of economics and how it became the driven concept in economics, so much so that the definition of the science of economics lies within the doctrine of scarcity.

1.1 THE RESEARCH PROBLEM

Widespread materialism is one of the challenges in the Muslim World in particular and in the other parts of the world in general. The materialistic life has spread all over the Muslims World and has become serious and alarming. As a result, the spirit of

cooperation in terms of universal brotherhood between the Muslims has tended to disappear. As a result, it has led to the increase in the gap between the rich and poor in many countries, and it is the byproduct of materialistic system, which had negative implications in reducing the amount of charity and donations given to the poor and needy. Therefore, this research paper attributes such niggardliness and materialistic life to the conceptual framework of conventional economics that is based on the concept of scarcity. Several questions are raised in this study investigating the relationship between the concept of scarcity and its implications for economic life.

1. Is the concept of scarcity a religious compliant concept?
2. Does the concept of scarcity reflect the economic problem?
3. What is the psychological impact of the concept of scarcity on human behaviour?
4. What is an alternative concept to scarcity?

Therefore, religion must intervene in the world of materialism to revive the spiritual aspect in economics and to stop the alarm raised out of widespread niggardliness and materialism.

1.2 THE RESEARCH HYPOTHESIS

The dominance of the concept of scarcity in people's mentality might be the cause of widespread materialism.

1.3 THE RESEARCH OBJECTIVE

1. To explore the concept of scarcity.
2. To investigate the rationale behind the dominance of scarcity in the definition of the science of economics.

3. To determine the psychological impact of scarcity on human mentality.
4. To determine a Qur'anic concept as an alternative to the concept of scarcity.

1.4 THE RESEARCH SIGNIFICANCE

This research is meant to contribute to the philosophical and the conceptual framework of Islamic economics literature that is so far lacking. I hope that this kind of research will contribute to Islamic economics in attempting to define economics, establish theories and models from the Islamic perspective. In contrast to the previous studies that have been conducted in the field of Islamic Economics, which set conventional economics as a benchmark, this research will set the Qur'an as the benchmark to establish the conceptual framework of Islamic economics.

1.5 THE LITERATURE REVIEW

According to Vaknin (n.d.), the classical concept of scarcity – unlimited wants vs. limited resources – is lacking. Anticipating much-feared scarcity encourages hoarding which engenders the very evil it was meant to fend off. Ideas and knowledge – inputs as important as land and water – are not subject to scarcity, as the work done by Nobel laureate Robert Solow and, more importantly, by Paul Romer, an economist from the University of California at Berkeley, clearly demonstrates. Additionally, it is useful to distinguish natural from synthetic resources. The scarcity of most natural resources (a type of “external scarcity”) is only theoretical at present. Granted, many resources are unevenly distributed and badly managed. But this is a man-made (“internal”) scarcity and can be undone by Man. It is true to assume, for practical purposes, that most

natural resources – when not egregiously abused and when freely priced – are infinite rather than scarce.

Stephen P.A. Brown and Daniel Wolk (2000), stated in their writing *natural resource scarcity and technological changes*: This essay examines whether the potential scarcity of non-renewable natural resources is a reason for concern. Previous research (Barnett and Morse, 1963; Jorgenson and Griliches 1967; Nordhaus 1973; Brown and Field 1978; Fisher 1979; Hartwick and Olewiler 1986; and Schmidt, 1988) is mixed, but it has generally found that the economic evidence is inconsistent with the increasing scarcity of non-renewable natural resources. In fact, technological changes driven by free market forces have increased natural resource availability. Given the time elapsed since the previous research was conducted, however, it is appropriate to reexamine the evidence.

Furthermore, Julian L. Simon, (1981) questioned the following: Are we now “in crisis” and entering an age of scarcity? The answer to the above question can be as such since one can see anything he or she likes in a crystal ball. But almost without exception, the relevant data (the long run economic trends) suggest that natural resources have been less scarce over the long run, right up to the present.

Moreover, R. David Simpson and Michael A. Toman, (2005) wrote that according to the Old Testament, “God is supposed to have been a resource optimist”.

1.6 THE RESEARCH METHOD

This research is a qualitative type of research that relies mainly on library resources such as books, journals, articles in periodicals and Islamic primary sources such as the Qur’an and Sunnah. In analyzing the Qur’anic verses, the researcher will refer to the Qur’anic meaning or interpretation which is commonly known as *Tafsirul-Quran*. The

Tafsir that is chosen for this research is *Safwat Al-Tafasir* by Muhammad Ali Al-Sabouni who summarized the view of great scholars in the field of *Tafsir* such as Ibn-Kathir, Al-Alusi, Al-Qurtubi, Al-Kashaf, Al-Tabari and Al-Bahr Al-Muhit. As a result of this combination of great scholars, this *Tafsir* is chosen and it will appear as a“Commentary” after the mentioned verses.

1.7 THE RESEARCH OUTLINE

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CHAPTER TWO

THE SCIENCE OF ECONOMICS

2.0 INTRODUCTION

Economics as a social science emerged as a response to the basic questions, which rose out of the sphere of the economic problem. The economic problem comes in the form of three questions: what to produce, how to produce and for whom to produce. These are nothing but a reflection of the concept of scarcity. Therefore, whenever economics is taught, the concept of scarcity is the preliminary. In most contemporary economic textbooks, economics definition stem from the basis of the concept of scarcity. However, such a concept has appeared recently in the science of economics and mainly in the twentieth century as it appeared in Robbins essay. (Fischer, Dornbusch & Schmalense, 1988)

2.1 CONVENTIONAL ECONOMICS: DEFINITIONS

According to Robbins (1945), Marshal, Davenport, Cannon and Beveridge, economics defined as follows:

Marshal¹ defined economics as the study of mankind in the ordinary business of life; it examines that part of individual and social action, which is the most closely connected with the attainment and with the use of the material requisites of well-being.

Davenport stated that Economics is the science that treats phenomena from the standpoint of price.

¹ For further explanation on the concept of material wealth and welfare, refer to Kirzner (1976).

Cannon's definition postulated that the aim of Political Economy is the explanation of the general causes in which the material welfare of human beings depends.

Beveridge claimed that it is too wide for a definition to speak of economics as the science of the material side of human welfare. However, economics is the study of general methods by which men co-operate to meet their material needs.

From the above definitions, it becomes apparent that the views of thinkers, mainly classical economists from the late eighteenth and early nineteenth centuries revolved around material, wealth and welfare. According to Kirzner (1976), classical writers expressed themselves about the nature of economics either in defining it as a subject matter of political economy, or defining it as the science of wealth. Furthermore, Robbins (1945), in his essay on *The Nature and Significance of the Economics Science*, classified the definition of economics into the Materialist and Scarcity definitions of economics. Consequently, Robbins attributed the material and welfare based definitions to Cannan and Marshall, which relate economics to the study of the cause of material welfare. However, Robbins examined the materialists' definition of economics critically and he began with the following statement:

No doubt there are some matters falling outside this definition which seem to fall within the scope of Economics, but at first sight these may very well seem to be of the order of marginal cases inevitable with every definition. (Robbins, 1945:4)

Furthermore, Robbins incorporated the theory of production by using wage analysis in which some wages are the price of work that may be described as conducive to material welfare. However, some wages, like a member of an orchestra, are paid for work which does not bear material welfare. Therefore, according to Robbins, one of the main problems of the theory of production lies outside the

materialist definition of economics. As a result, Robbins defined the science of *economics as the science, which studies human behaviour as a relationship between ends and scarce means which have alternative uses.*²

However, despite the criticisms raised about Robbins' definition; it became popular and it represented the economic point of view of the twentieth century through the transition from Type A definition to Type B definition, as it was classified by Kirzner (1976). The essence of the Type A definition has usually been wealth or material welfare as it investigates a particular department of affairs, while the essence of the Type B definition investigates the reconciliation between the numerous conflicting ends under the shadow of scarcity (Kirzner, 1976) .

Equivalently, the Type A definition is equivalent to Robbins' terminology of the Materialists' definition of economics, while the Type B definition is equivalent to the Scarcity definition of economics. As a result, Robbins's Scarcity definition or Type B definition of economics represents the mainstream or standard definition of the science of economics. Consequently, most economics textbooks are influenced by Robbins definition as it can be seen from the selected works below.

Samuelson and Nordhaus (1985) defined economics as the study of how people and society choose to employ scarce resources that could have alternative uses in order to produce various commodities and to distribute them for consumption, now or in the future, among various persons and groups in society.

McConnel and Bruce (1999) defined economics as the social science concerned with the efficient use of limited or scarce resources to achieve maximum satisfaction of human material wants.

² This is Robbins' definition which has become the standard definition of the science of economics.

Kearl (1993) defined economics as the study of how individuals and groups of individuals deal with and respond to scarcity.

Fischer, Dornbusch and Schmalense (1988) defined economics as how society, with limited scarce resources, decides what gets produced, how and for whom.

Ekelund and Tollison (2000) defined economics as the study of how individuals, experiencing virtually limitless wants, choose to allocate scarce resources in the best to satisfy their wants. According to them, economics is a social science, the oldest and the best developed of the social sciences. As such, it studies human behaviour in relation to three basic questions about the economy: what goods and services are produced? How are goods and services are produced? And to whom are the goods and services are produced? Therefore, these three questions are raised due to the condition of scarcity in economics.

Finally, it becomes obvious that conventional or mainstream neoclassical economics agreed to define economics from the scarcity perspective. Likewise, does Islamic Economics definition operate from the scarcity point of view?

2.2 ISLAMIC ECONOMICS: DEFINITIONS

Islamic economics, according to Ahmed's (1981) definition, is the study of human behaviour in their attempts to satisfy their needs from the abundant resources, which Allah has provided, within the context of the stipulation of Allah with a view of maximizing the benefit for the self and the whole society both in their world and in the Hereafter.

Secondly, Zaman (1984) defined Islamic economics as the knowledge and application of the injunctions and rules of *Shariah* (Islamic law) that prevent injustice in the acquisition and disposal of material resources in order to provide satisfaction to

human beings and enable them to perform their obligations towards Allah and society. As a prerequisite for this definition, Zaman stresses certain features that shape the Islamic economics ways of life. Firstly, economic activity in Islam should not be affected by human desire and experience alone; it should be directed by the *Shariah* (Islamic law) orders and commands. Furthermore, the terms acquisition and disposal of material resources are suggestive of the subject matter of economics. Moreover, the *Shariah* contains two things: injunctions and rules. The injunction is what the person is supposed to do or not to do, while the rule is a set of principles that the *Fugaha*³ have derived from the injunction. For instance, no harm is to be done, nor any to be borne. Apparently, Zaman's definition does not stress the nature of the resources as he assumed it as given, whereas the emphasis was directed to the *Shariah* commands and rules pertaining the use of the resources.

Thirdly, the definition of Khan (1983) to some extent is in line with Zaman's (1984) definition in which he defined Islamic economics as the study of human *Falah*⁴ that is achieved by organizing the resources of earth on the basis of cooperation and participation. According to Khan, *Falah* is a worldly concept which represents three things: survival, freedom from wants, power and honor. In the Qur'an, Allah SWT mentions *Falah* and its derivations (40 times) which gives it a position at the spiritual, economic, cultural and political levels. Moreover, the definition tackles the resources and how human behaviour should deal with these resources in order to achieve *Falah*. Furthermore, Khan denies the cause of scarcity based on insufficient resources. However, it appears as a consequence of a lack of proper utilization of natural resources or imbalance distribution. Rather, Islamic economics studies the

³ Fugaha is an Arabic word which refers to Islamic Jurists.

⁴ Falah, comes from an Arabic word which literally means success or well-being and technically, it means material and spiritual success to gain the pleasure of Allah SWT (Aslinah, 2003) on (Radiah, 2001).

resources from the adequacy point of view, not on a scarcity basis. Despite the fact that the resources are abundant, the *Shariah* has laid down standards of propriety for the acquisition, utilization and transfer of resources because one is going to be accountable for one's deeds in the Hereafter. Not only this, the above definition stresses also the issue of cooperation, which is based on universal brotherhood.

Fourthly, Arif (1985) stressed in his article *Towards a definition of Islamic Economics* to the distinction between the definition of Islamic economics and its paradigm. According to his view, the definition of Islamic economics should be the statement of the basic economic problem and it should not include elements from the paradigm. As a result, the definition of Islamic economics is nothing but the statement of the economic problem, which was viewed by an economic agent in the Islamic society, as an integral part of human life. Consequently, it will lead the individual to develop a logical approach for its solution that is considered rational and normal. As a result, the rationality of the economic man represents his behaviour towards the basic economic problem. Likewise, in Islamic economics, there is a need to recognize human behaviour as the basis of the micro foundation of the Islamic Economics System. Finally, the natural outcome of studying the rational behaviour of the Muslim man will lead to the development of the *Shariah* Paradigm of Islamic economics. Therefore, according to Arif (1985), Islamic economics is the study of a Muslim man's behaviour who organizes the resources that are a trust to achieve *Falah*.

In addition, Aslinah (2003) cited a number of definitions of Islamic economics in her research paper, which aims at studying the conceptual approach of Islamic economics. The definitions are as follows:

1. Radiah Abdul-Kader (2001) who defined Islamic economics on the framework of allocation and distribution of economic resources from the Islamic perspective.
2. Mannan (1983) defined Islamic economics as a social science, which studies the economic problem of people imbued with Islamic values.
3. Ghanim (1986) states that Islamic economics is the knowledge that discusses human behaviour individually and collectively in his endeavor to satisfy the biological and social wants, maintaining a balance between them in using available resources.
4. Eldin Zaim (1989) postulates that Islamic economics is a systematic effort to study the economic problem and man's behaviour in relation to it from an Islamic perspective.
5. Kurshid Ahmad (1981) considered Islamic economics as a nascent social discipline whose concern is to reformulate economic principles and propositions in accordance with Islamic values and ideals.
6. Khaf (1987) said: Islamic economics can be seen as a branch of "the science of economics" which is a study based on the Islamic paradigm (i.e., its axioms, system of values and ethics), similar to the study of capitalist economics and socialist economics.
7. Siddiqi (1988) viewed Islamic economics as emanating from the Islamic worldview, dominated by revelation and having a flexible methodology which combines Western Neoclassical/Keynesian Economics with *Fiqh*.
8. Al-Arabi (1986) considered Islamic economics as a collection of general economic principles that we extract from the Qur'an and the Sunnah and

the economic structures that we construct on the basis of those general principles conforming to all situations and ages.

9. Abul Kalam's (1991) definition of Islamic economics resembles, to some extent Marshall's. He stated that economics is a science and art which deals with the daily routine of a Muslim's economic life (i.e. how he earns his income and how he spends it). It is a science in the sense that it involves many scientific methods in the production of material goods, their distribution and consumption definition.
10. Ahmad (1992) represents Islamic economics as a systematic effort to try to understand the human economic problem and the human's behaviour in relation to that problem from an Islamic perspective.
11. Aslam's (1997) definition of Islamic economics can be broadly defined as an approach to interpreting and solving man's economic problems based on values, norms, laws and institutions found in, and derived from, the source of knowledge in Islam.
12. Al-Sader (1981) postulated that Islamic economics can be viewed as "the way Islam prefers to follow in the pursuit of its economic life and in the solution of its practical economic problems in line with its concept of justice".
13. Chapra (1996) viewed economics as the branch of knowledge that helps to realize human well-being through an allocation and distribution of scarce resources that is in conformity with Islamic teaching without unduly curbing individual freedom or creating continued macroeconomic and ecological imbalance.

2.3 SCARCITY IN THE DEFINITIONS OF ISLAMIC ECONOMICS

Investigating the above mentioned definitions of Islamic economics, we will find that most of the definitions cited tended to be neutral towards resources except Ahmed's (1981) definition that obviously used the term abundant resources. In contrast, Chapra and Hasan used the term scarce resources. Consequently, Hasan (1996) in his review of Akram Khan's book *An Introduction to Islamic Economics*, commented on Akram's position pertaining to the discussion of resources as a little puzzling. According to Khan, the improper utilization of resources and distribution imbalance are the cause of rise of scarcity. As a result, Islam studies economics from the adequacy point of view. In the contrast to Khan, Hasan (1996) seems to be not contented with such treatment and in his comments, he says:

But to draw from this, as Akram and others do, the inference that scarcity becomes nonexistence for economics, whether secular or Islamic, is rather eristic, to put it mildly. The catch is in the failure to realize that the fact of the existence of ample resources for human beings and others at all points in time and space is one thing, while their availability to individual or groups at a given hour and location and in the required quantities is quite another. It is not the existence of resources per se, but the state of their availability that lends meaning to the idea of scarcity as a cornerstone of economics. The availability of resources is an increasing function of knowledge-knowledge of their existence, of the ways to extract or obtain them, of their use and of their cost. (Hasan, 1996: 581)

Therefore, Hasan (1996) defined Islamic economics, as the study of human behaviour concerning the use of scarce resources for satisfying multifarious wants in such a way as would maximize *Falah*.

Apparently, the above definitions of Islamic economics tend to exhibit a line with two poles or extremes. The first pole represents Ahmed (1981) who advocates the term abundant resources while the other pole represents Chapra (1996) and Hasan's (1996) postulation of scarcity point of view. However, there are a couple of