Market Analysis from an Islamic Perspective and the Contribution of Muslim Scholars

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Abstract

The first part of this paper examines the concept of market from an Islamic angle in which market is not a value-free concept of exchanging goods and services between two parties (buyers and sellers). Rather, market is an institution or channel for achieving greater welfare in the world (called Dinia) and the world-hereafter (called Akhira)[2]*. Welfare in Islam is a function of maximizing production and consumption of Shariah permitted goods and services. Market is an embodiment of ensuring "falah" – greater well being of mankind. The second part of this paper examines the contribution of the early Muslim scholars in the development of the "market" concept and finds that the Muslim scholars made a significant contribution in explaining the fluctuation of market price centuries ahead of Western economists.*

1. Introduction

Islam is a complete way-of-life package for guidance to the believers, including economic, social, and political dimensions. In Islam, there is no separation of transactions for achieving success in this world and the world here-after. All transactions whether they are economic, political, or social are integrated into ensuring greater welfare (called Falah) of mankind and are an integral part of God's unity. The "ordinary business of life" (from Marshall's point of view) is not separated from religious transactions. Rather life business is an integral part of God's worship.

The concept of worship in Islam is very wide and is not confined to five compulsory prayers. All activities and transactions—production consumption, and exchange—are considered worship[3], as long as they are performed in the way God permits. Human beings were created to implement God's vision on this earth through their behavior and transactions supported by the economic, social, and political institutions or organizations. Therefore, a socio-economic institution or organization, such as market, that ensures or increases the welfare of mankind is not an alien concept in Islam.

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[2] In Islam, the achievement of success means the ultimate achievement of paradise (Jannah) through the right deeds of this world.

[3] God said " I have created men and Jins to worship to Me" Quran

Market is an important and necessary institution for all human beings whether they live in a barter economy or monetized economy. Without market, the smooth existence of human life would be difficult. God's vision to settle human beings as His vice-gerent on the earth would not materialize, and human beings would experience much suffering. Such an important institution as the market should not and cannot be a value-free concept. Social and economic conducts and its interactions must reflect moral and ethical order. Thus, market in Islam is viewed as a mechanism or institution in which buyers and sellers interact with goods and services in establishing prices and ensuring welfare in this world and achieving success in the world hereafter.

Market is not just an institution for exchanging goods and services between two parties for maximizing profits. In Islam, market is an institution which balances the conduct of buyers and sellers in ensuring greater welfare in this world, as well as the greatest reward in the world hereafter through transactions involving maximization of profits.

This paper is structured as follows: Section 2 outlines the conventional view of market. Section 3 discusses the concept and character of market from the ethical and business conduct of Islam. Section 4 examines the contribution of early Muslim scholars. Section 5 provides conclusions

2. The Conventional View of Market

All texts of microeconomics and managerial economics (by Boumol & Blinder 1979, Samuelson 1980, Parkin 1997, McConnell & Bruce 1999, Brickly, Smith & Zimmerman 1997, Maurice & Thomas 1995, Chamberlain 1933) define market as a place where buyers and sellers establish a price through the exchange of goods and services. Meaning market, in a conventional sense, is a formal or informal arrangement in which a group of economic agents (individuals and/or firms) exchange goods and services, or exchange productive resources with each other in a buyer-seller relationship. Highlights of the conventional market are as follows:

i. Maximization of profits and utility is the main objective of market participants. Any exchange that maximizes utility or profit is the domain of the market. Participants of the conventional market do not face any constraint of permissible or not permissible. That is, buyers and sellers do not face the issue whether the goods transacted in the market are permissible to trade. For example, the issues of whether goods or services are conductive to Divine concepts are not considered.

    a) The price in a market is the result of an interaction between two parties—buyers and sellers. Both buyers and sellers together determine market prices. In a conventional market, price is value free. It is immaterial whether the price is morally and ethically desirable. A seller is a free agent and is free to charge any price for his product or service.

b) An exchange of goods and services is a voluntary decision by the participants.

ii. Each participant in a market engages in exchange out of his other own voluntary choice. Both buyers and sellers perceive gains, and this perception of mutual gains leads them to trade goods and services between each other. Adam Smith perceives this exchange as self interest. Smith states, *"It is not from the benevolence of the butcher, the brewer or the baker that we expect our dinner but from their regard to their own interest"*.[4]

iii. Thus, the conventional market encourages self interest. The accomplishment of self interest is the prime of the conventional market.

iv. The conventional market is an exchange of goods and services of an open ended production set. This includes the production and trading of any goods and services. It does not matter whether the goods or services (such as pornography, alcohol, etc.) are socially beneficial or harmful. The jurisdiction of production and exchange of goods or services is not restricted by any Divine code, such as "halal." As long as the production and exchange of goods or services maximizes profits, the definition of market is defined and satisfied by maximizing profits. Profit is the driving force of production in a conventional market.

v. In a conventional market, consumption bundles faced by buyers are an open set. A buyer in a conventional market is free to choose any kind of goods and services, even gambling, alcohol, magic, etc., if it maximizes his or her utility. It does not matter if the good is harmful or beneficial to the buyer. The only thing that matters in the market is the ability to maximize consumption.

Market from an Islamic Perspective

From an Islamic point of view, market is not just an exchange of goods or services between the two parties.. The objectives and functions of market are fundamentally different than those of the conventional market.

The participants in an Islamic market face dual objectives: (i) maximization of the profits and utilities of the parties concerned and (ii) maximization of the welfare of the world and the world hereafter. Market is a combination of transactions that serve enough financial incentives to parties to engage themselves in the transaction, and

TP[4]PTAdam Smith, 1776: Wealth of Nation.

also delivering social welfare in this world and the world hereafter. When participants of a market engage in the marketing of goods and services, they are supposedly marketing these worldly goods not only for the happiness or comfort in this world, but also for the eternal happiness of the world hereafter. God said: “and whatever good ye send forth for yourselves, you shall find it with Allah. Yea, better and greater, in reward” (Quran, 73:20). The market from an Islamic perspective is an institution or a channel of delivering maximal objectives. These objectives are maximizing financial goals (by providing greater well-being for mankind in this world) as well as ensuring a reward in the world hereafter. The objectives are not simply an exchange of goods between the two parties as implied in conventional wisdom. Market is considered a sacred institution that combines worldly transactions with a reward hereafter. Market exhibits the following characteristics:

(i) Production and consumption in an Islamic market are not unrestricted sets of goods and services. A participant in an Islamic market—buyer or seller—is a submissive slave of God. He is respectful and fearful of God’s command. The participants are duty bound to implement God’s order on the earth as God’s representatives (Khalifa). Participants in the market are not free to choose transactions of any goods and services. The goal is to meet the maximize goals if they are not prescribed by the Divine order. The pursuit of productions and exchange of goods are guided by the Islamic code of conduct, Shariah. A seller or buyer is not permitted to exchange goods or services which are not approved by Shariah. The exchange of goods or services, such as alcohol, gambling, magic, etc., are not permitted to be exchanged in the market even if they meet the maximization goals of profits and utilities. Transaction of these types of activities is undesirable from a moral stand of social welfare.

(ii) Similarly, the consumption set in an Islamic market is not an unrestricted bundle of goods and services. Consumption consists of the bundle of goods and services that are strictly regulated and guided by “Shariah.” A buyer in the Islamic market is not free to choose any goods or services if the goods and services are not recommended by the Divine code. Market participants will not demand and buy goods and services that are forbidden to consume. So, the goods and services that buyers and sellers exchange in the market are not an open and unrestricted set.

(iii) In the Islamic market, each participant should and must observe due measure in the delivering goods. The violation of due measure is punishable by legal, as well as Divine law. It is a sin in Islam if the participants do not observe due measure and/or weight (Quran: 55:9).

(iv) A seller in the Islamic market is not entitled to cheat his counterpart by showing one kind of goods and then delivering another kind (inferior) of goods. Market participants are prohibited from telling a lie while selling and buying goods and services.

(v) A seller is not entitled to engage in the adulteration of food. Adulteration of food is an act of abomination and is a sin.

(vi) A market participant in Islam is prohibited to engage in an act of bribery in a mode of production and transaction (Quran: 2:188).

(vii) Each participant in a market is guided by his or her self-interest. Islam recognizes the spirit of self-interest in its own domain. When the self-interest of a person or persons becomes impediment to his or her well-being in society or in the world hereafter, then the notion of "self-interest" is replaced by a notion of greater self-interest.

(viii) Each participant in the market is guided by two motivational forces—one material another spiritual and or moral. Islam provides a balance between material and spiritual wellbeing. This balance is because Islam recognizes the welfare of individuals in this world and the world hereafter. The real attainment of happiness lies in the success of achieving eternal happiness in the world hereafter.

3. Classification of Markets and Islam

Based on the number of sellers and buyers, the degree of substitution of goods and the easiness of entry and exit, a market is classified into three broad categories: perfect competition, monopoly, and monopolistically competitive markets. In each of the categories of market, Islam holds a distinct position. We will further explore the position of Islam in each of these categories.

Perfect Competition

Pure competition is a market characterized by (a) the freedom of enterprise (b) private ownership (c) free entry and (d) the homogenous product. In each of the above characteristics in the competitive market, Islam holds a distinctive attitude. Three characteristics—the freedom of enterprise, private ownership free entry, and the homogenous product—are viewed within the context of a greater objective of mankind called "*Falah*[5]*.*" These elements are neither isolated nor studied in the context of maximizing profits only.

In Islam, the freedom of enterprise, production, and ownership is not absolute. Islam provides a sacred code of life which integrates Islamic ethics and values into the

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TP[5]PT *Falah* is a broad concept in Islam. It refers to a good deed, which brings "hasanah" i.e. well-being in this world and the world hereafter. It is done purely for the sake of the pleasure of Allah.

mundane aspects of life. A producer or seller must behave within the sacred code prescribed in the *Quran* and in the *Shariah, the laws of Islam*. A producer (seller) is not free to choose any enterprise or product which is prohibited in the Islamic faith. For example, the enterprises of alcohol, pig farming, opium production, prostitution, etc. are inconsistent with the Divine code of "Shariah". These enterprises are strictly prohibited for Muslim market participants. Thus, from an Islamic perspective, the freedom of enterprise and production is confined to a set of products and services which are permitted in the *Quran* and in the *Shariah*. The production set is not an unrestricted and open-ended set for the buyers and sellers in a competitive market.

Secondly, the key element in a competitive market is that a firm or seller is a "price taker." He or she sells at a minimum marginal cost price. Regarding the marginal cost pricing principle and the price taking behavior Islam is neither prejudiced nor biased. The marginal cost pricing principle enables a competitive firm to produce a large volume of goods at a minimum cost and, thus, helps the consumers to consume more at a minimum price. Economic efficiency is reached when production and consumption are obtained at a minimum cost price. The efficiency of production and consumption is socially desirable. However, the marginal cost pricing principle should not be misused in production and consumption.

Islam holds a different attitude on marginal cost pricing. Since all resources—water, human, and environmental --in the heaven and the earth belong to Almighty Allah (Quran 3: 189, 2:284), market participants being a viceroy of Allah are trustees and caretakers of these resources. It is through trust that the economic agents—producer/ seller and buyers—cannot and should not neglect the cost for pursuing these resources. Market participants must internalize the cost. The internalization of the cost for these free gifts (resources) of Allah is a welfare cost or resource preserving cost. Those trusted with the resources must take care of them. Taking care of the resources includes the cost of keeping the environment clean, water resources pure and human resources safe and efficient. Therefore, the resources are welfare-oriented costs. A firm in a competitive market, from the Islamic point of view, must incorporate these costs in the marginal cost pricing principle and produce the quantity of output where price is equal to marginal cost (the cost which includes free resources). Then the participant must deliver the right amount of production. In a conventional competitive market a firm does not include these costs in its marginal-cost pricing. As a result, marginal costs to a firm in a conventional competitive market are found to be very low and production is over expanded. In other words, a conventional firm tends to over produce.

Thirdly, the mode of financing is not value free. Enterprises and productions which are financed by interest are not consistent with the principle of Islam. In the Islamic mode of production and exchange, the use of interest, called "*riba,*" is strictly prohibited (Quran: 2: 75). With regard to other characteristics of the competitive market, such as homogeneous production, Islam is not prejudiced or against it.

Monopoly

A monopoly market is a market which is dominated by a single seller. In many cases this monopoly is created and maintained by artificial entry barriers and unfair practices, such as bribery, localized price-cuts, buying of competitors, false advertisement campaigns, sabotage, fake infringement, lawsuits, coercion of supplier of raw materials, etc. The Islamic position is unambiguous on these issues. All such practices which are immoral and unethical are not permitted in Islam. Hence, Islam prohibits monopolies which are created and sustained by such unfair practices.

With regard to a discriminating monopoly which practices price discrimination, the position of Islam is unequivocal. The practice of price discrimination—selling the same goods at different prices to different customers—is considered equivalent to exploitation or *riba*. As such, such practices are prohibited in Islam. Some Islamic scholars, however, argue that the practice of selling certain goods and services such as baby milk to poor parents (rural market) at a lower price as opposed to selling the same baby milk to well-off parents (urban market) at a higher price to maintain a normal profit might not be inconsistent with the Islamic principle of welfare. But Islam does not allow the sale of a commodity at a lower price to those who haggle and for a higher price to those who do not haggle (in Arabic this is called *mustarsils*[6]) or those who are ignorant of the current price. Prophet says "To cheat the easy-going customer constitutes illicit gain. Ibn Taimiyyah held a similar attitude on this issue. According to Taimiyyah, it is a kind of exploitation and is similar to the practice of intercepting the market supplies[7].

A distinguishing feature of a monopoly market is that a monopolist usually charges exorbitant prices and produces less output for maximizing profit. Profit maximization is the single objective in a monopoly. In order to maximize profits, the firm restricts output much below the minimum point of the average total cost, and charges a higher price than its marginal cost. Continuation of this policy is possible because the monopolist faces no competition, and his competitors are either wiped out or are not allowed to compete by means of unfair practices.

From an Islamic perspective the monopolist's sole objective of profit maximization is in violation of Islamic principles. A market agent is not guided by the sole objective of profit. Rather he is driven by the spirit of ***Falah***, which is more than the mere maximization of profit. Secondly, the monopolist's policy of restricting output and charging an exorbitant price is unethical and un-Islamic because such policies hurt the well being of the society in the form of unsatisfied needs. The opportunity of increased production and gainful employment is deliberately prevented from taking place at a higher level. So, the firm's behavior of restricting output for the sake of maximizing profits at the cost of the consumer's suffering is not permissible in Islam.

TP[6]PT"*Mustarsils*" are easy going customers who trust sellers.
TP[7]PTIbn Taimiyyah, Al Hisba fi'l Islam, Cairo, Dar Al-Sha'b, 1976

Islam holds a different, but clear view on a natural monopoly. A *natural* monopoly in the production of such services as electricity, water and gas, etc., has economies of scale, i.e. decreasing average total cost. This type of *natural* monopoly, which aims at achieving scale economics and charging competitive prices (that is, marginal cost pricing), is preferable to a market (private) monopoly which aims at restricting output and charging exorbitant prices. The natural monopoly, which follows the policy of a marginal cost pricing, can deliver more output, and yet can make a reasonable economic profit. A natural monopoly can bring and deliver more well being to the society. From an Islam point of view this is not an inconsistent practice. However, if a natural monopolist wants to restrict output, according to Islamic jurisprudents, the *Muhtasib i.e.* regulator of market[8] can play a greater role by forcing the monopolist to follow a marginal cost pricing policy. That is, it can force the monopolist to produce output at a level where marginal cost equals price. It should be noted that the monopolist can still make enough financial profit by undertaking such a policy.

Monopolistic Competition

A monopolistically competitive market is a combination of a perfectly competitive market and a pure monopoly market, and thus combines some essential characteristics of both markets. A monopolistically competitive market has two most distinguishing features: (i) Non-homogeneity of the product and (ii) Advertisements.

(i) Non-homogeneity of the product:

The products in the monopolistically competitive market are neither homogenous nor unique. That is, products are not identical (non-homogenous). Each firm’s product is different than that of its rival. The non-homogeneity character of the product gives rise to market imperfection. Since each firm’s product is different, each firm tends to convince its customers that its product is different than that of the rivals’. There is also a difference in product price. If product differentiation is real, it is not unethical or immoral to charge a different price for a different product. Genuine product differentiation adds more variety and utility to the market. Islam is not against the principle of genuine product differentiation and price variation. Islam is, however, totally against deception and fraud. Spurious or deceptive product differentiation is not permitted in Islam. False product differentiation is considered deception and cheating. According to Imam Bukhari, Prophet (SWS) said: “He who deceives or cheats (customers) is not among us.”

(ii) Advertisements:

An advertisement is one of the most key elements of the monopolistically competitive market. Advertisement is an important strategy through which each firm tries to convince its customers that its product is different than that of his rivals. Firms spend

[8] The government of the country has the right to regulate for the benefit of the consumers

huge sums of money for advertisements and campaigns. If the product differentiation is genuine, there is nothing wrong to inform its customers through advertisement. An advertisement that provides correct information is helpful to consumers. Islam does not prohibit informative advertisements. However, Islam is against the principle of false product differentiation campaigns.

Similarly, Islam is against the advertisement campaigning that induces or pushes consumers to consume the goods or services such as alcohol, gambling, smoking, etc., which are socially and morally undesirable and are not approved by the Shariah. Thus, all campaign advertisements are not valid from an Islamic point of view. The advertisement that provides the information of genuine product differentiation and helps increase moral values is welcome.

4. Contribution of Muslim Scholars in Market during the 8th through 13th Centuries

Market price as seen by Abu Yusuf

As early as the 8th century when the whole of Europe was unaware of the market mechanism and price determination, Abu Yusuf provided a deep insight into market pricing mechanisms. Yusuf explains why the price of some goods is high while the price of others is low. Without mentioning the modern terminology of "demand" and "supply", Yusuf, in his book on taxation, "Kitab Al-Kharaj", explained that the high price or low price of a product is not the result of "too little" production or "plentiful" production. He wrote, "Sometimes food is plentiful but still very dear and sometimes it is too little but it is very cheap"[9]. In modern terminology, this could be equivalently interpreted as a "decrease in supply" or an "increase in supply." In the 8th century, Yusuf rightly realized that supply alone cannot determine price.

However, Yusuf failed to mention the role of demand in a market. He admitted this by saying that there was something in the high or low price that he knew not. So, he wrote that the high price or price might be caused by "heaven" or a "principle" which he knew not. He stated that "They are subject to the command and decisions of God."

Market as seen by Abu Hamid Al-Ghazali (1058 -1111 AD)

In the 12th century, Abu Hamid al Ghazali made an important contribution in the revelation of the market and its price determination. He observed that the market was the development of voluntary exchanges of goods and services. The evolution of markets, in his observation, was "the result of natural order." Guided by mutual dependence and self-interest, buyers and sellers made voluntary exchanges which, in turn, lent to the emergence of markets. Al-Ghazali wrote:

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[9] Abu Yusuf, Kitab al Kharaj. Beirut: Dar al Ma'rifah, 1979.page 48

> "*….The farmers need the blacksmiths and carpenters, and they in turn need farmers. Naturally, each will want to satisfy his needs by giving up in exchange a portion of what they possess. Therefore, pressures emerge which lead to the creation of trading places where various tools can be kept for exchange and also warehouses where farmer produce can be stored. Then the customer comes to obtain these goods, and markets are established*" (Al Ghazzali, Vol.3 page 227).

Al-Ghazali observed that the development of the market and the marketplace was the result of self-motivation

With regard to price determination, Al-Ghazali was much advanced in his observation than his predecessor, Abu Yusuf. He rightly realized that both buyers and sellers play a role in determining market prices. Al-Ghazali wrote:

> *"The farmers bring produce to the market and if they cannot readily sell or exchange what they possess, they sell them at a lower rate to traders who in turn store the produce and sell to buyers at a profit. That is true for all kinds of goods". (*(Al Ghazzali, Vol.3 page 227). *With regard to low price, he observed that "if the farmer does not get a buyer for his produce he sells at a low price"*[10].

In modern terminology, "supply" plays an important role in determination of a price, although Al-Ghazali did not clearly mention the word "supply" in his observation. He was much concerned with the high price of foodstuff and as such advocated for the policy of state intervention. Al-Ghazali did not mention the word "market failure" but he observed that markets do not always function smoothly. Therefore, he laid down a well-defined business and ethical code for fair trade[11].

Market forces as seen by Ibn Taimiyah (1263-1329 AD)

Ibn Taimiyah was one of the greatest scholars in early Islam. Ibn Taimiyah made a significant contribution to the development of the concept of market mechanism during the 14th century. His knowledge in grasping market mechanism superceded others of his age. Muslims were in the forefront of knowledge. In the early 14th century, Taimiyah clearly understood that the price of an item was determined neither by demand nor by supply alone. This was the result of the interaction of both demand and supply not due to 'Zulm'(injustice) of sellers. Thus, he ruled out the then misconception that the high price of food was due to 'Zulm' (injustice) or the malpractice of sellers. Taimiya wrote:

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[10] Al Ghazzali, Vol.3 page 227
[11] Al Ghazzali, Vol.2, pp 75,78,79

> *"Rise and fall in prices is not always due to the injustice (Zulm) of some people. Sometimes its reason is deficiency in production or decline in import of the goods in demand. Thus if the desires for the goods increases while its availability decreases, its price rises. On the other hand, if the availability of the goods increases and the desire for it decreases, the price comes down. This scarcity or abundance may not be caused by the action of any people; it may be due to a cause not involving any injustice, or sometimes, it may have a cause that involves injustice"*. (Ibn Taimiyah, 1381)

Although Ibn Taimiyah did not use modern terminology, "shifting demand curve" or "shifting supply curve", his observation of the "increase in desire" and "scarcity" or "abundance" could be synonymously interpreted as "shifting demand" and "shifting supply." He mentioned several factors for the increase in demand. The factors include a rise in population, in his word "kathrat al Khalq" (Ibn Taimiyah, 1976), and an increase in the desire for goods, in his language "Raghabat –fil sahri".

With regard to the availability of product, "supply" in modern terminology, Taimiyah clearly found two important factors. He observed: (a) domestic production, (b) import. Taimiyah states that supply increases when either of the above two or both increase. Thus, he observed that the increased price in the market could be either due to an increase in desire (i.e. demand) or due to a decrease in availability (i.e. supply). Price was not due to the injustice or malpractice of sellers that the price was high or low, the concept that was prevalent during the this time.

Taimiyah was a strong believer of price regulation because, according to him, market mechanism is not efficient. For example, when the high price was due to hoarding or other malpractice of sellers, Taimiyah recommended price control in his book "Al-Hisbah fi'l Islam," and supported market forces in general for the determination of prices. The discovery of an unambiguous market force, the increase in demand or the decrease in supply determining high prices, was an important contribution of Ibn Taimiyah during the 14^{th} century.

Market price behavior as seen by Ibn Khaldoon (1332-1404 AD)

In his book "Muqaddimah," Ibn Khaldoon provided a somewhat modern explanation as to why the prices of some goods in some areas are high while the prices of other goods are low. He classified marketable goods into two categories: necessary goods and luxury goods. The necessary goods are those goods which are, according to Khaldoon, "foodstaffs" and "corresponding foodstaffs such as beans, chick-peas, peas and other edibale grains"(p. 276). People of all walks of life, whether nomadic, tribal, or urban need foodstaffs. Therefore, the goods that fall into this category command low prices. Khalddon said:

> "*When a city is highly developed and has many inhabitants, the prices for foodstaffs and corresponding items are low, and the prices for luxuries such as seasonings, fruits, and the things that go with them, are high" (p. 276)*

On the other hand, there are goods which are of little use to the people when they are living at subsistence level. These are luxury goods. The demand for luxury goods arises when people come to a city life and they have income higher than the subsistence level. Thus, only those people who have higher incomes can create a command for luxury goods. Therefore, prices of these goods are generally high. Khalddon said:

> "*When a city is highly developed and has many inhabitants, the prices for foodstaffs and corresponding items are low, and the prices for luxuries such as seasonings, fruits, and the things that go with them, are high" (p. 276*).

Khalddon's explanation for price differentials between necessary and luxury goods in a city is based on this statement:

> "*Everybody who procures food for himself has a great surplus beyond his own and family's needs. This surplus is able to satisfy the needs of the inhabitants of that particular city. No doubt, then, the inhabitants of a city has more food than they need. Consequently, the price of food is low, as a rule, except when misfortunes occur owing to celestial conditions that may affect the food supply in certain years" (p.276).*

Ibn Khaldoon is remarkable in his explanation of price differential between cities and non-cities. He explained:

> "*Prices in cities, thus, are higher than prices in desert, because customs duties and other duties and levies are few or nonexistence among (the Bedouins), while the opposite is the case in cities, specially in the later (years) of dynasty" (*p. 277).

Khaldoon provided an explanation for observing price differential between Spain and non-Spain regions. When Muslims were pushed to the region where cultivation required high labor cost to treat the fields and improve the tract of lands, "they calculated their expenditures in fixing their prices, and thus Spain has become an especially expensive region" (277). Thus, it is not a supply shortage that tends to increase price, rather it is the high labor cost, according to a 21st century's explanation in the writing of 15th century Muslim scholar.

> "*..."The cost of agricultural labor also enters into the prices of foodstaffs. It is reflected in these prices. ... When they hear about the high prices in (Spain), people think that they are caused by the small amount of foodstaff and grain in the country. This is not so" (*278).

With regard to price differential for imported and non-imported goods, Khalddon said that only a few goods are imported if distances are long and roads are dangerous and prices of goods are high. He writes:

> *"When goods are few and rare, their prices go up. On the other hand, when the country is near to road, and the road is safe for traveling, they will be found in large quantities, and the price will go down"(p310)*[12].

5. Conclusions

From the Islamic perspective, market is a sacred institution. It is not a value-free concept. Participating agents of markets, from the Islamic perspective, combine twin objectives: (i) maximization of profits/utility, i.e. welfare in this world and (ii) maximization of success in the world hereafter, i.e. achievement of Paradise. Market in Islam accomplishes the dual objectives buyers and sellers engaged in, transactions over the bundles of goods and services. Participants are subject to "Shariah law" in their transactions of production and consumption.

Muslim scholars such as Abu Yusuf, Al Ghazali, Ibn Taimiyah, and Ibn Khaldun made pioneering contribution towards the development of market mechanisms long before the concepts relating to market and price determination with its concomitant implications for producers and consumers were developed by the so-called father of conventional economics—Adam Smith in the later part of the18th century. From an historical retrospect, the whole of Europe was unaware of this concept.

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