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Abstract

Economic choices influenced by animalistic instincts in an ethically neutral framework have not only resulted in huge disparity in distribution of income, wealth and standard of living, but, as we now realize, it has also resulted in unprecedented loss to ecology and environment with catastrophic consequences for future generations. More than ever, Economics as a discipline of knowledge needs an ethical base to rekindle spiritual rationality that can enable us to take into account equity considerations more explicitly. This paper explains how Islamic economics can help in bridging the gap. Section 1 explains the philosophy of Islamic economics and the role of market mechanism in an Islamic economy. Section 2 explores briefly the environmental issues faced currently and provides a brief literature review. Section 3 discusses the teachings of Islam on different environmental issues and how Islamic teachings can help in encouraging and reinforcing environmental friendly choices and behavior.

Keywords *Environmental Economics, Resource Economics, Welfare Economics, Climate Change, Stern Review, Islamic Economics*

JEL Codes *Q2, Q3, Q5, I3*

1. Philosophy of Islamic Economics

As per Islam, this worldly life is a test for humans. Design of this test requires human interdependence which then requires difference in ranks, i.e. endowments, abilities etc. This consequently results in difference in wealth and incomes people have. But, then, both, the rich and the poor as part of this test are going to be judged on the basis of how they each individually act on the benchmarks of thankfulness, patience, obedience and upholding ethical guidelines prescribed by their Creator for them through an inbuilt conscience and through guidance provided via sending Prophets (peace be upon them all).

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Humans are much more than utility maximizing machines. They are capable of using both material rationality and moral rationality to differentiate right from wrong and need reinforcement to adopt virtues influenced by an inner urge other than just material interests.

This inner urge can be reawakened by looking beyond utility maximization models to re-acknowledge the principal fact that humans are moral being than just an instrument for maximum material advancement for self.

History of economic man is fascinating. He has used the nature's blessings to find and create new and innovative ways of maximizing utility. But, nonetheless, at all points in time, he does not feel satiated. He remains poor 'relatively' to the limitless desires and nature's limitations. The dream of being absolutely apart only remains a dream in everyone's life. But, then, everyone achieves it one day. There is one place that everyone reaches where he is not accompanied by anyone. It's his or her grave. Belief in life hereafter is the only thing that gives meaning to this world and life and this is the most important pillar of Islamic economics.

1.1. Market Mechanism in an Islamic Economy

In an Islamic economy, market mechanism is filtered by divine injunctions. The divine injunctions are binding, but they do not disallow market mechanism to work after following these injunctions.

All that these divine injunctions do is to regulate certain actions, provide broad guidelines and through which certain restrictions are imposed on humans for their own benefit. But beyond that, market mechanism is allowed to work and in fact regarded as a just way of organizing economic exchange in society.

1.2. Islam & Welfare Economics

In the mainstream economics, utility (satisfaction) is assumed to be attained when the person consumes the material goods and services which bring satisfaction. Even though, there is room in utility maximization models to incorporate empathy, altruism etc, but, the models remain neutral and perhaps rightly so as long as their objectives are confined to 'description' and 'prediction' than 'prescription'.

With belief in Allah, a Muslim's scope of life and objective is different. His principal goal is to seek Allah's pleasure and succeed in the life hereafter. So, a Muslim is supposed to make every decision in a way to seek Allah's

pleasure rather than pursuing self-pleasure and satisfaction "*as an end in itself*".

As per Islam, this world is a place for test and this test requires some people to be privileged and some to be deprived. The deprived and privileged are both tested for patience and thankfulness to Allah and how they take care of society and its needs. Hence, this worldview put the focus of all human beings towards the fact that material resources they enjoy are all blessings of Allah and these are instruments for this test.

Islamic economics incorporates ethical values and excludes from the consumption bundle various goods which bring either private loss or welfare loss to the society. Furthermore, the ethical values in Islamic economics are more comprehensive.

Second, Islamic economics brings a long term perspective to the pursuit of self-interest by informing humans about the positive and negative consequences of their actions and choices in the life hereafter. Resultantly, an Islamic economy will have to rely less on regulation and legal governance to encourage ethical behavior.

As per Islam, the tendency to seek worldly pleasures from certain goods and services is natural. The test is to nurture one's conscience and fight these tendencies so that they do not grow beyond a certain level. This test is for each person in individual capacity. We cannot completely deny those tendencies. Neither Muhammad (peace be upon him) nor the pious caliphs (rta) used any means other than moral persuasion to inculcate a parallel righteous behavior alongside these natural tendencies so that they remain mere tendencies, i.e. weak enough to not influence important choices humans make in matters involving a moral issue.

Rather than complimenting humans in their animalistic instincts to keep having one-eyed focus on material well-being only, Islam inculcates piousness, kindness, cooperation and communal responsibility in humans. In some instances, Islam guides explicitly to avoid extravagance, lavishness and using certain products and services which harm a human's ethical existence and well being either individually and/or harm the society in the process.

Religion provides such meaningful conditioning which enables bringing the right balance between human aspirations and their physical limits. Religion also promises salvage from the limitedness of this worldly life in heaven which will be awarded to the most righteous people. This, in turn, provides a

permanent incentive to choose righteous behavior as an end with the hope and fear of deterministic results in life hereafter.

Economics says that there is a tradeoff in every resource use as any resource has alternate uses. One may feel that striving for success in life hereafter would require a drastic tradeoff between material pursuits and following Allah's will. Indeed, if material lust is preferred over Allah's will, there will be permanent loss in life hereafter, but that does not preclude us from not having the ability to benefit from Allah's blessings in this world.

Islam does not discourage seeking Allah's bounty in the temporal world. One prayer in Quran reads as follows:

"...But of mankind there are some who say: "Our Lord! Give us (Your Bounties) in this world!" and for such there will be no portion in the Hereafter. And of them there are some who say: "Our Lord! Give us in this world that which is good and in the Hereafter that which is good, and save us from the torment of the Fire!"

(Al-Baqarah: Verse 200-201)

In economics terminology, Islam does not ask us to have a corner solution when the two goods in question are '**worldly benefits**' and '**investment for life hereafter benefits**'. Islam does not require us to completely abstain from blessings of this world, but to have a balanced life and a balanced composition of the two goods mentioned above.

Afterlife accountability encourages observing ethical values which are not easily enforceable through legal systems made by humans after all. Question of fairness and equity can only be sufficiently dealt with and incorporated into the preferences and behavior with belief in religion. Islam besides having a comprehensive perspective on justice, also recommends 'Ihsan' which requires people to bring about fairness and equity with resources they have as blessings of Allah and which they should regard as a trust and act always with spiritual rationality of afterlife accountability.

2. Environmental Issues & Economics

In a World Bank report, it was highlighted that the use of energy per capita in high income countries is more than 5 times as much as in developing countries, and with only 15% of the world's population, high income countries use more than half of its energy (World development Indicators, 2006).

In Stern Review, it was highlighted that United States is found to be the most polluting country in the world together with Europe which accounts for around 70% of World's pollution.

Mortazvi (2004) pinpoints the root of the problem and states that the concern over the tragedy of the commons emanates from the fact that Western economics has become a discipline devoid of values. Exploitation of the natural environment can be abated when individuals consider intergenerational welfare and justice to be important factors in their economic decisions. Islamic economics, unlike its Western counterpart, is a value-driven discipline replete with moral values that limits individual's consumption, and imposes significant social and religious responsibilities on individuals as guardians of the natural environment for future generations.

Khalid (2002, pp. 332) explaining the effect of growth led by fiat money expansion that has speedily deteriorated the environment writes:

"These tokens of value that we create from nothing and use everyday grow exponentially ad infinitum. But we know that the natural world, which is subject to drastic resource depletion, has limits and is finite. This equation is lopsided and the question is for how long can we continue to create this infinite amount of token finance to exploit the real and tangible resources of a finite world? Looked at from this perspective, money, as the modern world has contrived it, assumes the characteristics of a virus that eats into the fabric of the planet. The consequences of this become visible as global environmental degradation."

Hassan (2006) shares the same line of thought and states that in the international arena, nothing can help except realization of common danger, discipline and sacrifice for common good. Free riding can hardly be condoned. Instead of preservation and restraint, we are borrowing from the future to consume now via the credit card culture. In a word, we are jeopardizing the future of our children let alone leaving them in at least the same position as ours.

ASTRÖM (2011) explains that one of the problematic points of view of today's generation is that they have the rights of limitless ownership without taking into account the responsibilities towards society and humanity.

Na'iyā (2007) suggests that the effective solution to the environmental problems lies on the overall worldview which spells out the relationship

between man, nature and his Creator as well as the implications of one's actions in the hereafter.

3. Islam & Environmental Economics

With the concept of afterlife accountability, Islam immensely influences intertemporal choice and behavior. It helps in private economic agents (consumers, producers etc.) modifying their actions in such a way that takes the externalities into consideration and also their own welfare, both in this world and afterwards. Afterlife accountability stimulate positive change in behavior in a much more comprehensive and permanent manner than any regulation or material incentive could possibly do.

Below, we mention several verses from Quran and sayings of Prophet Muhammad (peace be upon Him) which discuss the responsibilities to the environment.

3.1. Incorporating social cost in private actions

Prophet Muhammad (peace be upon Him) said:

"I swear by Allah, one cannot become fully Muslim until he (or she) likes for others whatever he (or she) likes for himself (or herself)."

(Sahih al-Bukhari, Vol. 1, p. 14)

Prophet Muhammad (peace be upon Him) said:

"He who cuts a lote-tree [without justification], Allah will send him to Hellfire."

(Narrated in Al-Tirmidhi, Hadith No. 5239)

3.2. Promising private rewards to socially desirable actions

Prophet Muhammad (peace be upon Him) said:

"There is none better amongst the believers who plants a tree from which a person, or an animal eats thereof. It is regarded as having given a charitable gift for which there is great recompense."

(Narrated in Sahih Al-Bukhari, Vol 3: 513)

Prophet Muhammad (peace be upon Him) said:

“Whoever plants trees, God will give him reward to the extent of their fruit.”

(Narrated in Musnad, v, 415)

3.3. Ensuring Equity, Absolute Justice & MSB=MSC

The Holy Quran says that:

“He who does good of an atom's weight, he will see it. And he, who does ill of an atom's weight, he will see it.”

(Az-Zilzaalaha: Verse 7-8)

3.4. Promising private rewards to socially desirable actions

Prophet Muhammad (peace be upon Him) said:

“Whoever reclaims and cultivates dry, barren land, will be rewarded by God for the act. So long as men and animals benefit from it, He will record it as almsgiving.”

Al-Munawi, Fayd al-Qadir, vi, 39; Haythami, Majmau al-Zawaaid, iv, 67-8.

Prophet Muhammad (peace be upon Him) said:

“If a Muslim plants a tree or grow grains and a bird, a person or an animal eats from it, it will be counted as a charity for him.”

(Bukhara, "al-Khars ve'l-Muzara", Muslim, "Musakaat", H. No: 12)

Prophet Muhammad (peace be upon Him) said:

“Whoever plants a tree and diligently looks after it until it matures and bears fruit, will be rewarded.”

(Narrated in Ahmad b.Hanbal, Musnad, IV, 61, 374)

Prophet Muhammad (peace be upon Him) said:

“Whoever plants a tree and it matures, Allah plants a tree in paradise for that person.”

(Narrated in Ahmad b.Hanbal, Musnad, IV, 61)

Prophet Muhammad (peace be upon Him) said:

"If the Hour is imminent and anyone of you has a palm shoot (to plant) in his hand and is able to plant it before the Hour strikes, then he should do so and he will be rewarded for that action."

(Narrated in Sahih Al-Bukhari)

Prophet Muhammad (peace be upon Him) said:

"Removing harmful things from the road is an act of charity (Sadaqah)."

(Narrated by Abu Dharr Al-Ghafari)

Prophet Muhammad (peace be upon Him) said:

"A good deed done to a beast is as good as doing good to a human being; while an act of cruelty to a beast is as bad as an act of cruelty to human beings," and that: "Kindness to animals was promised by rewards in Life Hereafter."

(Mishkat al-Masabih; Book 6; Chapter 7, 8:178)

3.5. Protection of Bio-Diversity

Prophet Muhammad (peace be upon Him) said:

"On the day of Judgment, Allah will ask those who kill a sparrow unfairly."

(Narrated in Muslim, Hadith No 57)

Prophet Muhammad (peace be upon Him) said:

"If anyone wrongfully kills even a sparrow, let alone anything greater, he will face God's interrogation."

(Narrated in Mishkat al Masabih)

It is narrated in Sahih Muslim that:

"A man suffered from intense thirst while on a journey. He found a well, came to it, drank (water) and then came out. Suddenly, a dog appeared with

its tongue out due to thirst. The man said: This dog has suffered from thirst as I had suffered from it. He reached down the well and brought water for the dog. So, Allah appreciated this act of his and pardoned him. Then, the companions asked: 'O Allah's Messenger, is there reward even for (serving) such animals'? Prophet Muhammad (pbuh) said: 'Yes, there is a reward for the one who makes a service to any living being.'"

(Narrated in Sahih Muslim: Book #26, Hadith No. 5577)

"The Prophet (pbuh) was asked whether acts of charity even to the animals were rewarded by Allah or not. He replied: 'yes, there is a reward for acts of charity to every beast alive.'"

(Narrated by Abu Huraira, Bukhari, 3:322. Also Muslim, Vol. 4; Hadith No. 2244)

Prophet Muhammad (pbuh) said:

"The one to whom his horse is a source of reward and who keeps it in the path of God, and ties it by a long rope in a pasture or a garden. Such a person will get a reward equal to what the horse's long rope allows it to eat in the pasture or the garden. And if the horse breaks its rope and crosses one or two hills, then all marks of its hoofs and its dung will be counted as good deeds for its owner. And if it passes by a river and drinks from it, then that will also be regarded as a good deed on the part of its owner."

(Narrated in Sahih al-Bukhari, 3:559)

It is narrated in Sahih Muslim that:

"We were on a journey with the Messenger of God, and He (peace be upon Him) left us for a while. During his absence, we saw a bird called Hummara with its two young and so we took the young ones. The mother bird was circling above us in the air, beating its wings in grief, when the Prophet Muhammad (peace be upon Him) came back and said: 'Who has hurt the feelings of this bird by taking its young? Return them to her!'"

(Narrated in Sahih Muslim)

"The Prophet Muhammad (peace be upon Him) was seen wiping the face of his horse with his gown. When asked why He was doing that, He replied: 'Last night, I was reprimanded by God for having neglected my horse.'"

(Narrated in Muwatta Imam Malik)

In order to protect land, forests and wildlife, the Prophet Muhammad (peace be upon Him) created inviolable zones known as hima and haram, in which resources were to be left untouched. Hima applies particularly to wildlife and forestry and usually designates an area of land where grazing and woodcutting are restricted, or where certain animal species are protected.

3.6. Conservation of Natural Resources

The Holy Quran says:

“But waste not by excess: for Allah loveth not the wasters.”

(Al-Anam: Verse 141)

When the Prophet Muhammad (peace be upon Him) saw Sa’d performing wudu, He (peace be upon Him) said: “What is this? You are wasting water.” Sa’d replied: “Can there be wastefulness while performing ablution?” The Prophet Muhammad (peace be upon Him) replied: “Yes even if you perform it in a flowing river.”

(Narrated in Ibn-e-Maja)

Prophet Muhammad (peace be upon Him) said:

“(Among the)... three types of people with whom God, on the Day of Resurrection, will neither exchange words, nor look at ... is the one who possesses an excess of water but withholds it from others. God will say to him: ‘Today, I shall withhold from you my grace as you withheld from others the excess of what you had not yourself created.’”

(Narrated in Sahih Al-Bukhari)

3.7. Informing About Value of Natural Resources

In one verse, the Holy Quran says:

“Say: Have you considered, if your water were one morning to have seeped away, who then could bring you clear-flowing water?”

(Al-Mulk: Verse 30)

Conclusion

In development economics literature, it has been recognized that humans are the means as well as an end to the growth process. However, the growth experience has led to unprecedented levels of poverty and inequality of income and wealth. Historically, at a given point in time on this earth, there may not have been such disparities in standard of living between various parts of the world as we see now. When ethical neutrality has led us to be oblivious of taking care of our people in our own lives, it is no surprise that it has led to even more apathetic behavior related to our relation with environment that has important implications for the welfare of future generations. This paper has attempted to explain how Islamic economics with its distinctive ethical principles can fulfill this need and encourage as well as reinforce environmental friendly choices and behavior.

Lastly, we mention a verse from Holy Quran which warns us that on the day of judgment, the seemingly free natural resources we use and exploit can be and will be made alive to speak of the treatment they received from us on the day when nothing else can be more disadvantageous than to have sins we carry forward to the day of judgment.

“When the Earth is shaken with a violent shaking, and the Earth throws out her burdens, and man says: ‘What has befallen her?’ - on that Day, she shall tell her story!”

(Az-Zilzaalaha: Verse 1-4)

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