Reconstruction of Economics Based on the Paradigm of Tawhid: Present Challenges and Future Prospects

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Abstract

Islamic economics has made a respectable progress during the last four decades. A brief assessment of the existing literature on Islamic economics leads to identification of gaps. The most glaring deficiency in the existing literature is that it restates Islamic economic teachings but does not move any far toward transforming this knowledge into a social science that would allow verification or falsification of its postulates. Besides, there are several problems with the framework of Islamic economics. The paper proposes a methodology for transforming Islamic economic teachings into Islamic economics as a social science. The paper also presents a definition of Islamic economics that aims to overcome the deficiencies of the definitions presented so far. It makes some suggestions for refining the framework of Islamic economics. In the end, the paper suggests some significant areas for future research.

1. Objective

The objective of this paper is to reflect on state-of-the-art of the nascent discipline of Islamic economics (IE) and offer some suggestions for its strategic direction and future development.

2. Emergence of interest in Islamization of knowledge

Interest in the economic teachings of Islam emerged with the general awakening about political independence and the right to self-determination of Muslim countries at the end of the nineteenth and beginning of the twentieth century. Muslim leaders like Jamaluddin Afghani (1839–97), Muhammad Abduh (1849–1905), Syed Ahmad Khan (1817–98) and Muhammad Iqbal (1876–1938), to name a few, were at the forefront of creating this awakening. However, we do not see the use of terms like ‘Islamic economics’ or ‘Islamic finance’ explicitly in their writings and speeches. It was with the work of and a later generation of scholars like Khurshid Ahmad, Umer Chapra, Anas Zarqa and Monzer Kahf, again to name a few, that these terms became popular among Muslim scholars and economists. We can see several under-currents in recent interest for developing IE as a distinct discipline.

1. Keynote address for the First World Congress on Integration and Islamicisation of Acquired Human Knowledge

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First, the emergence of interest in IE is expression of historical nostalgia of the Muslims to re-live the times of the Prophet and early caliphs when pristine Islam was actually a dominant force. The Muslims perceive a direct correlation between the glorious period of Islamic history that followed and remained dominant for more than seven centuries thereafter and practice of Islamic teachings. Since the fall of Baghdad in 1258, the subconscious mind of the Muslim ummah has yearned to recapture the past glory. The Muslims have a realization that they are torch-bearers of the last message of Allah and it is their innate responsibility to spread that message and persuade the humanity about its truth. IE could be a modern vehicle to realize that dream.

Second, political emancipation from the colonial rule by most of the present day Muslim states gave them a sense of identity-assertiveness. It gave them a feeling that “We are free in all respects; we do not have to depend on the West for anything; we have our own systems; we have an Islamic economic system, etc.” The assertiveness created a longing for developing a knowledge-base in economics as well as in other subjects that springs from the teachings of Islam.

Third, some Muslim scholars analyzed that the Western education system is based on godless rationality and tends to influence the minds of Muslim youth in a manner that detaches them from Tawhid and pristine sources of Islam. The Muslim leadership educated and trained in the West-dominated institutions is alienated from Islam. The Muslim scholars felt that a storm was brewing up in the form of emerging leadership that will steer the society away from our culture, history and religion. No amount of preaching would be of any consequence so far the Muslim youth is exposed to the godless secular educational system. To bring back the Muslim youth to the fold of Islamic teachings, the knowledge should be ‘Islamized’ so that the Muslim youth learns modern knowledge from a perspective that gives a deeper understanding of Tawhid and Islam’s basic teachings. The project of ‘Islamization of knowledge’, started under the able leadership of Ismail Faruqi al-Raji (1921-1986) in 1980s, has done valuable work. IE can be treated as an element of this project.

Fourth, the Muslim leadership has realized that the contemporary dominance of the West has its roots in the power of knowledge. They think that as trustees of the last message of Allah the Muslims have better sources of knowledge than the West. Only that they are unable to present this knowledge in a format and language that is comprehensible to the knowledge community across the globe. The realization has given impetus to Muslim scholars for re-stating the basic teachings of Islam in modern language and format. IE is one such example of this effort.

Fifth, overwhelming underdevelopment and poverty of the Muslim people creates an urge among Muslim scholars to find ‘local’, indigenous and ‘culture-bound’ solutions for development. They believe that Islam presents a far more superior solution to ‘all problems of humanity’. They thought of going back to the Islamic sources to find
solutions for these problems. That encouraged them to think more deeply about economic problems from Islamic perspective.

Sixth, Tawhid refers to Allah’s role as Sustainer and Provider of sustenance to all creatures. Simultaneously, it defines the role of man as vicegerent of Allah on this earth. As vicegerent of Allah, man has to create, nourish and preserve resources for well-being of all creatures, play a positive role in environmental protection and fight corruption and destruction in all forms. Developing IE as a social science is a step in understanding and realizing this role in the world.

3. Main achievements

During the first half of the twentieth century whatever appeared in the name of Islamic economics was part of the writings of Muslim religious scholars. In those days there was no exclusive platform or journals for publishing contributions on Islamic economics. Sporadic writings appeared in various types of scholarly and general-purpose magazines. The turning point came with the establishment of the Centre for Research in Islamic Economics (CRIE) in 1976 (now re-named as Islamic Economic Institute) in King Abdulaziz University, Jeddah. Within a short span of a few years several financial institutions also came into being, with the avowed purpose of doing business on the basis of Islamic principles. For the last three decades now, there have been significant developments in the production and circulation of research documents, books and journal articles on Islamic economics and finance. For example, Harvard Islamic Finance Project databank had by June 2013 more than 9000 records available for free access. A number of websites which host research material on Islamic economics have come up. Several magazine and research journals exclusively devoted to Islamic economics and finance have started publication. Some universities in Muslim and Western countries have completed or registered Ph.D. dissertations on Islamic economics and finance. A number


3. For example: Islamic Development Bank’s IRTI journal Islamic Economic Studies; King Abdulaziz University journal, KAAU Journal: Islamic Economics; Journal of International Association of Islamic Economics, Review of Islamic Economics; International Islamic University Malaysia journal, Journal of Economics and Management; and International Journal of Islamic Financial Services, India (online): Journal of Muamalat and Islamic Financial Research (Malaysia); Thoughts on Economics (Bangladesh); Journal of Islamic Accounting and Business Research (since 2010), International Journal of Islamic and Middle Eastern Finance and Management (since 2008), Journal of Islamic Marketing (since 2010), etc
of bibliographies of books, journal articles and dissertations have also come out pertaining to literature published in English, Arabic, Urdu, Bhasa Malaysia, Turkish and other regional languages. The Islamic Foundation (UK) and Centre for Maghreb and Islamic Studies are preparing a five-volume encyclopaedia of Islamic economics and finance. Islamic Economics and Finance Pedia has also started online publications on the pattern of Wikipedia where members are allowed to upload their writings for free access by others. During the two decades (1990–2010) literally thousands of publications, hundreds of seminars, conferences and symposia, and scores of websites hosting literature on Islamic economics and finance have appeared. Eight international conferences under the auspices of International Association of Islamic Economics have been held. Ninth conference is due to be held in Istanbul in Sept 2013. There are now several research and training institutions exclusively devoted to Islamic economics and finance. A large number of consultancy services and other educational organizations offer courses on Islamic finance beyond their other business.

Significant developments have taken place in the field of Islamic finance (IF). By end 2012, the size of IF industry had crossed $1.5 trillion; its annual growth rate was about 15 percent. Institutional infrastructure to sustain the Islamic financial institutions (IFIs) is coming up. Examples are international Islamic financial market, Islamic interbank money market, Islamic financial services board, liquidity management centre, International Islamic liquidity management corporation, Islamic international rating agency, Islamic indices, Islamic interbank benchmark rate, establishment of shari‘ah

4. For example, Nazim Ali (2008, 157) mentions 484 research projects and 75 PhD dissertations in various universities of 10 countries including US, UK and Germany.

5. For example: Postgraduate Diploma in Islamic Finance, Certified Islamic Banker, Certified Islamic Insurance Professional and Certified Islamic Investment Analyst Programs by International Institute of Islamic Business and Finance (IIBF); Certified Islamic Finance Professional by International Centre for Education in Islamic Finance (Malaysia); Islamic Finance Qualification by The Securities and Investment Institute of UK; Certified Islamic Public Accounting, and Shari‘ah Auditor Advisor Certificate by Accounting and Auditing Organization for Islamic Financial Institutions, Bahrain; Islamic Finance Program by Oxford Centre for Islamic Studies; etc. Some universities in the UK like CASS Business school, Reading University, Durham University, Loughborough University and Surrey University; and International Islamic University Islamabad (Pakistan), Riphah International University Islamabad (Pakistan) offer courses in Islamic economics and finance and also conduct regular research in these fields. Universities of Harvard (USA) and Bochum (Germany) have launched departments or programs for the study of Islamic economics. Universiti Teknologi MARA Malaysia (UiTM), University Utara Malaysia (UUM), Yarmouk University Jordan offer bachelors’ courses in Islamic economics. Imam Muhammad University of Riyadh offer courses on Islamic economics as part of courses on conventional economics. On 4 July 2011, Durham University (UK) launched a new Doctoral Training centre named as Durham Centre for Islamic Economics and Finance (DCIEF).
supervisory boards, and accounting and auditing organization for Islamic financial institutions, etc.

4. A brief assessment

(a) Presenting legal content in the jargon of economics

The earlier writings on Islamic economics by such religious scholars as Manazir Ahsan Gilani, Haiderzaman Siddiqi, Muhammad Yusufuddin, Sheikh Mahmud Ahmad, Muhammad Mazaharuddin Siddiqi, Naeem Siddiqi, Abu Al’ala Mawdudi, Hifzur Rehman Seoharvi, Muhammad Nejatullah Siddiqi, Baqir alSadr and so on, mainly discussed principles of Islamic economics as derived from the primary sources of Islam. These principles dealt with such subjects as the Islamic worldview, property and inheritance law, consumer behaviour, finance and interest, and zakah law. Soon these writings caught the imagination of Muslim economists who were educated in modern universities and trained as professional economists. They started questioning the methodology, assumptions and scope of conventional economics and expressed dissatisfaction with it. They tried to build a case for developing Islamic economics as a social science that is based on the worldview of Islam with an entirely different set of assumptions and analytical approach. The objective was to use the economic teachings of Islam as stated in its primary sources and the historical records of Muslim thinking during the last 14 centuries as the raw material for developing a new academic discipline parallel to conventional economics. Muslim economists started writing on such subjects as microeconomics and macroeconomics and the methodology and scope of the new discipline in light of Islamic teachings.

There was a lot of discussion and ambiguity about the exact method for developing the new discipline. Without arriving at a conscious consensus on this question, some research institutions, exclusively devoted to Islamic economics and finance, took the lead. They employed Western trained professional economists with some background in Islamic studies. Unwittingly, the development of Islamic economics at the hands of these economists adopted a path that did not take them to the original goal of developing a distinct discipline. Muslim economists, the majority of whom had an education and training in conventional economics, took up the task of developing a separate branch of knowledge under the rubric of Islamic economics. However, their limitation and challenge were to develop a social science about a model economy that did not exist in the real world. They could not test and establish the veracity of their postulates. In the absence of such an opportunity, they engaged themselves in elaborating various concepts of Islamic economics as found in the primary texts of Islam, in particular Islamic jurisprudence. They tried to present the legal content of Islam in the language of conventional economics to make it intelligible for modern economists. By itself it was a commendable effort. Islamic economic teachings were
lying buried in pithy and difficult Arabic texts, most of which would not be intelligible even to Muslims, not to talk of non-Muslims. The Muslim economists did a yeoman’s job in presenting these teachings in modern jargon that made sense to Muslims and non-Muslims. However, the original objective of developing a social science parallel to conventional economics escaped their achievements.

(b) What exactly is IE?

There cannot be a dispute on the assertion that if IE has to be a social science distinct from conventional economics, it should have a clear and unambiguous definition. Unfortunately, the Muslim economists have not been able to present a generally accepted definition of IE. Several writers have presented their definitions, though. Some examples of the definitions presented are as follows:

- IE studies the Islamic injunctions within the framework of conventional economics by using the same methodology but incorporating different behavioral variables. [Laliwala, 1989; Haque, 1992]
- [Islamic economics is a] Social science which studies the economic problems of people imbued with the values of Islam. [Mannan 1992, 18]
- Islamic economics is the knowledge and application of its functions and rules of Shari’ah 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 to God and the society. [Hasanuzzaman, 1984, 85]
- Islamic economics may be defined as that branch of knowledge which helps realize human well-being through an allocation and distribution of resources that is in conformity with Islamic teachings without unduly curbing individual freedom or creating continued macroeconomic and ecological imbalances. [Chapra, 2001,33]
- To formalize matters, we may define Islamic economics as that part of Islam’s social doctrine that deals with the problems of choice in the face of uncertainty and resource scarcity so as to promote falah in a holistic framework. [Hasan 1998]
- Islamic economics is a systematic effort to study the economic problem and man's behavior in relation to it from an Islamic perspective. It is also an effort to develop a scientific framework for theoretical understanding, as well as design appropriate institutions and policies pertaining to the processes of production, distribution and consumption, that will enable optimal satisfaction of human needs, enabling man to serve higher ideals in life. [Zaim 1989]
- Islamic economics is the science that studies the best possible use of all available economic resources, endowed by God, for the production of maximum possible output of Halal goods and services that are needed by the community now and in future and just distribution of the output within the framework of the Shari’ah and
its intents. [Yusri 2002, 28]

It seems that Muslim economists are unable to agree on a general wording of the definition, although most of them want to say that Islamic economics studies the economic problem from an Islamic perspective. If this understanding is correct, it would raise a further question as to whether such a social science can be made universally acceptable. Will it be possible to present Islamic economic analysis in such persuasive terms that even non-Muslims would like to consider its conclusions? If Islamic economics has to grow further, it is time that Muslim economists joined forces to develop a generally acceptable definition of the subject which would mean the same thing to everyone. The definition should also remain attractive for everyone, non-Muslims included. A social science which requires belief in Islam or focuses on problems of Muslims only simply locks out the majority of the scholarly community. Will not such an effort defeat the very purpose for which Islamic economics is being developed as a social science?

(c) What is an Islamic economy?

Muslim economists have not so far tackled the basic question: what are the minimum and sufficient conditions for an economy to be called ‘Islamic’? Are there any degrees of ‘Islamicity’ when it comes to defining an economy in these terms? Shall we say that prohibition of commercial interest will make an economy Islamic or that implementation of zakah will do so? What will transform the present-day Muslim economies into ‘Islamic economies’? Taking the present-day Muslim economies, why are they not treated as ‘Islamic’? In the absence of such a basic definition it becomes difficult to place the economic analysis in any perspective.

(d) Relationship with conventional economics

Literature on IE presents a confused picture about relationship of IE with conventional economics. One approach is to reject everything that conventional economics offers, since its basic assumptions and worldview are not compatible with the Shari’ah [Yusri 2002]. The idea is to develop a social science solely based on the primary sources of Islam. Another response is to develop IE on a similar basis to conventional economics by using tools of the latter. Still another approach to modify conventional economics by incorporating ‘Islamic’ assumptions but using the same analytical tools as conventional economics does. Some Muslim economists have also argued for replacing conventional economics by IE (Addas 2008, 5). The issue is still far from settled. Whether we should teach IE along with conventional economics and if yes, how to relate the both? Or, should we teach only IE? If yes, then how to fill the gaps in the content of IE that the conventional economics addresses? Should we try to find an Islamic alternative in all our lessons of conventional economics? If so, where is that alternative in the literature that the teachers can use for their lessons? These questions
are far from settled. The real problem is that, despite efforts for developing a separate
discipline of Islamic economics, there is not much that can be genuinely called
‘economics’. Most of Islamic economics consists of theology on economic matters.
Islamic economics requires distinct textbooks and teaching material which neither
exist nor are easy to create. As a proxy for the whole concept they have started teaching
‘conventional economics from an Islamic perspective’. The Islamic economic courses
are taught as an adjunct to conventional economic courses. As of June 2013 no
standard textbook of Islamic economics was available.

(e) Methodology and scope of IE

Muslim economists are not comfortable with the generally accepted methodology of
conventional economics where the economic postulate become hypothesis, theories
and laws after a rigorous process of examination through verification or falsification.
They are afraid that this methodology would question the sacred texts of the Qur’an or
Sunnah which are immutable by definition. Literature on IE is replete with
inconclusive debates on methodology and scope of the subject. Some of the unsettled
issues are:

• Is IE a positive or a normative social science or both?

• Should we borrow the tools of analysis from conventional economics or not? If
yes, to what extent and with what caveats and how do we do that?

• What are basic assumptions of Islam about human beings? Are they selfish or
altruistic or both? How does our position differ from the conventional economics?

• How to develop a social science without existence of an Islamic society? How to
test the postulates and hypothesis of IE in absence of empirical evidence?

• If we have to rely on divine teachings of Islam, how do we accommodate the
concepts of verification and falsification prevalent in the methodology of
economics?

• What is the scope of IE? At present IE deals with all sorts of subjects relating to
philosophy, history, sociology, finance, law and ethics. Do we draw a line
somewhere to demarcate IE from other sciences?

5. Gaps in the Existing Debate

(a) Case for IE as a social science did not attract the attention of wider intellectual
community.
The Muslim economists have not made a compelling case for developing IE as a distinct social science. They have tried to make a case for Islamic economics as a social science on the basis of certain assertions about conventional economics and assumptions about the Islamic worldview (e.g. Siddiqi 2004). On both counts they have made an unconvincing case. The assertion that conventional economics does not integrate ethical considerations in economic modelling is by and large not attested by facts. There is a lot of emphasis even in conventional economic analysis on ethical considerations. The welfare of society at large is one of the primary concerns of conventional economists as well. Analysis and cure of poverty, income distribution, environmental protection, debt relief to the least developed countries, and progressive taxation are some of the prime examples of the accommodation of ethical values in economic analysis. Of course, one can always say that economic theory does not integrate Islamic ethical values, which may be an overstated case if we note that Islamic ethical values are universal values and are generally accepted. However, if Muslim economists still feel that Islamic ethical values are not adequately integrated in economic analysis, they can do that in the analytical framework of conventional economics and enrich human understanding of economic reality. There are hardly any grounds for conceiving a new social science on the basis of this criticism of conventional economics.

The other reason offered by Muslim economists is that conventional economics assumes selfishness as the primary trait of the human character, while Islam teaches altruism and sacrifice. The fact is that even the Qur’an certifies that human beings are selfish, narrow-minded and maximizers of material gains unless they follow the divine guidance. There is no doubt that the Qur’an wants human beings to change this behaviour, but this is a subject of theology and not of economics.

Another reason for developing Islamic economics as a social science is couched in a romantic view of Islamic society based on the mental construct of historical society in the early days of Islam. Creating a new branch of knowledge to study such a society, which does not exist anywhere and which is only part of the wish list of Muslims, is not a realistic goal to pursue.

Has Islamic economics enhanced understanding of human economic problems such as poverty, underdevelopment, distribution of income and wealth, unemployment, inflation, environmental balance and so on? Muslim economists have discussed these issues and have cited various primary sources of Islam to highlight solutions to these problems. If we go deeply into the suggested solutions, besides references to the primary sources of Islam there is hardly anything that is different from mainstream economics. The suggested Islamic solutions do not stray significantly from what humanity already knows. In sum, Islamic economics has not enhanced human understanding of economic problems and has not led to any innovative solutions.
The question arises, if Islamic economics is unable to break new ground, then why do we have a new discipline to begin with?

A far more persuasive and convincing approach could have been to demonstrate that by developing IE as a social science distinct from conventional economics economic problems of humanity at large would be solved or at least addressed in a more robust manner. Had Muslim economists adopted this approach, IE would have attracted the attention of the wider intellectual community.

(b) Qur’anic statements relating to economics

Primary reason for developing IE as a separate branch of knowledge emanated from the Muslim claim that the conventional economics depends solely on human rationality and does not benefit from the divine sources of knowledge. After making this highly persuasive assertion, the Muslim economists got engaged in creating a discipline of economics quite similar and almost mimicry of the conventional economics with sporadic pasting of verses of the Qur’an and quotations from the hadith literature. The Qur’an and hadith literature contains a wealth of material on various Islamic economic concepts such as distribution income and wealth (rizq), corruption on earth (fasad fil ard), infaq, bukhil, israf, tabdhir, al-afw, shukr, taqwa, tauba, baraka, hasanaat, etc. The Muslim economists have not paid due attention to the Qur’anic verses relating to economic prosperity and misery in human societies. The Qur’an deals with this subject extensively. There are at least 24 places where the Qur’an mentions divine laws of prosperity and misery. The message of these verses, in brief, is that there are deeper, imperceptible and long-term currents of events taking place in the universe as a result of human actions and under the divine will of God. These currents affect the process of wealth creation in ways that cannot be explained easily in a simple cause–effect framework. The Qur’an points toward ethical behaviour, which gets translated into prosperity and misery. The divine will of God operates through and in response to human actions. The precise mechanism through which it operates is as yet not fully known. The meanings and interpretations of the Qur’anic texts on the subject require further thinking and deeper understanding. The absence of any research by Muslim economists in this field gives an impression that they have never noticed these verses of the Qur’an.

A deeper understanding of these invisible divine laws and a detailed investigation into meanings and application of various Qur’anic terms would have opened up new vistas of knowledge and enquiry for the humanity at large. The literature on IE does mention these concepts but skips from their elaboration and development with reference to human economic problems. I think this is one big gap in the present literature on IE.
(c) Audience of IE

Although all Muslim scholars assert that Islam is a divine message for the whole of humanity, yet the way IE has developed, it restricts its audience to Muslims only as is evident from the following:

- Some definitions of IE explicitly mention the study and application of the shari’ah as the main field of IE. Others refer it to the study of Muslims only. Still others require some sort of faith in Islam before a person contributes to IE. Somehow, in the back of mind of Muslim economists, IE revolves around study of Islamic economic teachings, Islamic law, public financial management of early Islamic days, well-being of Muslims, etc. There cannot be any objection to all this if the Muslims unanimously decide to restrict IE to Muslims only. However, it will put off the wider community of scholars. It would not be able to benefit from the collective knowledge of scholars around the globe and will be reduced to a branch of knowledge where Muslims are talking to Muslims.

- Another evidence of restricting IE to Muslims only can be seen from the style of writings on IE. The literature on IE addresses Muslim audience only. It uses the idioms and jargon, the terms and phrases and the legal dicta that can be understood easily by the Muslim audience only. Non-Muslims are effectively barred. Muslim economists have successfully locked out the non-Muslims, and non-Arabic audience from the content of Islamic economics. The larger academic readership does not find IE an easy discipline to follow and pursue. Trying to show off as torch-bearers of an independent discipline, Muslim economists have ended up talking to one another to the exclusion of others. Unwittingly, they have made Islamic economics a closed discipline which no one but hardboiled Muslims should study. Even ordinary Muslims should not try to dabble in it.

(d) Islamic theory of income and wealth distribution

The literature on Islamic economics is replete with what the Qur’an has enjoined with reference to the equitable distribution of wealth so that it does not circulate among the rich only (Q. 41:7). Beyond this reference Muslim economists have not ventured to develop a theory of income and wealth distribution. The Qur’an mentions God’s scheme of distribution of sustenance (rizq) in numerous places. However, the Muslim economists did not pay much heed to these verses of the Qur’an, as is evident from their neglect to develop a theory of income distribution in Islam, although the content of these verses suggests a great potential for doing so. The global community is ambitiously searching for a solution to disparities in income and wealth within an economy and among economies of the world. A valid theory that explains these differences would be more than welcome everywhere. IE could make a contribution in this field in light of divine guidance. It would have added a clear dimension to human understanding of this problem.
(e) Economic development

Muslim economists have been trying to fine-tune or ‘Islamize’ theories of development economics in their zeal for proving the superiority of the Islamic economic system over capitalism (e.g. Khurshid Ahmad, 1980). Some of them have written on the concept of Islamic economic development. The concept propounded in these writings generally matches closely with the concept of development in capitalist economies. Both concepts deal with such economic variables as savings, investment, employment, the competitive market, the oversight role of governments, and a private property regime protected by the rule of law. If we take out references to the divine texts and the assumption of an ideal Islamic economy, the Islamic concept turns out to be so close to the capitalist concept of development that it becomes difficult to tell one from the other. Muslim writers on economic development did not develop the concept of man’s vicegerency and his role in development. If man is God’s vicegerent, what is his role on the earth? Most probably, he is charged with the task of developing resources of the earth. The activities that promote development of the resources match well with the role of man as God’s vicegerent. The activities which lead to destruction of resources, such as burning of crops, killing of human beings, pollution of the environment, destroying of buildings and infrastructure in physical sense, cutting asunder of kinship ties, internecine wars, mutual exploitation, and fraud and cheating in dealings in an economic and social sense, defeat the primary role of man. The Qur’an terms such activities corruption on earth (fasad fil ard). An Islamic theory of development could be developed on the concepts of vicegerency of man and fasad fil ard. Muslim economists have not paid much attention to this potential area of contribution.

(f) Islamic finance on driver’s seat

Islamic finance (IF) is a branch of IE. However, it has stolen the show from IE, which has been pushed to back burners. With establishment of hundreds of IFIs most of the intellectual activity and research is also focused on IF. The work is more of an effort to provide workable solutions to Islamic financial institutions (IFIs) without attracting objections from shari’ah scholars. With their work these institutions have added a new dimension to the global finance industry. However, most of the intellectual work done so far consists of stratagems and ruses for hiding interest in the rigmarole of legal and financial terms. Whatever IFIs are doing is quite similar to the conventional financial institutions. The whole pride of IFIs is in showing that they are not ‘far behind’ the conventional finance. The earlier claims to founding an innovative banking system that contributes to welfare of the poor and promotes development has dwindled down to what it aimed at replacing in the first place. (See e.g. Boudjellal 2006; El-Gamal 2007; Taqi Uthmani 2008)
(g) Role of government

The literature on Islamic economics does not clearly define the role of government in the economy. Most of the Muslim economists consider that the government would do everything to undo injustice and smooth out inequalities from the economy. The discussion is based on a romantic view of early day Islamic society and ignores the ground reality of Muslim economies in the present age. It seems that Muslim economists who delve into the romantic view of Islamic government do not have any perception of the capacity and will of government functionaries in present-day Muslim societies. They have not realized properly that the economies of poor countries are steeped in corruption and fraud. Empowering government functionaries with resources and authorizing them to play an extended role may play havoc with whatever is still being performed by secular institutions for the welfare of the poor and delivery of public goods and services.

(h) Assessment in brief

- No agreed definition of IE
- No agreement on methodology, scope and objectives of IE
- No contribution to the human welfare through problem solving
- Muslims talking to one another without involving wider community of economists and scholars around the globe
- Basic concepts and terminology of the Qur’an and Sunnah relating to economic concepts not yet developed.
- Invisible laws of God referred to in the Qur’an or Sunnah have not been explored.
- IF has dwindled down to the task of re-engineering conventional finance concepts and tools to avoid objections from shari’ah scholars without making any substantial contribution to human welfare

In brief, IE is still searching for its identity, strategic vision and final destination. It has yet to gear up for adding value to the human understanding of economic problems.

6. Future Strategic Direction

I would now like to reflect on possible future course of action if we have to develop IE as a distinct discipline. My ideas consist of three parts: (a) Defining the basic framework; (b) Defining IE; (c) Research agenda for the future
(i) Defining the basic framework

We need to define basic framework for developing IE as a distinct social science. It will help dispel confusion about scope, methodology and objectives of IE and enable future development of the subject on robust footings:

- Most of what has been presented in the name of IE so far consists of Islamic teachings and can be legitimately termed as theology. However, from these theological roots a distinct discipline of IE can be developed. For transmuting from theology to a social science, IE needs to adopt a methodology that makes it a genuine social science. As a social science, IE should adopt the same methodology as that of the conventional economics. However, it needs to adopt a new perspective for thinking over the Qur’an and Sunnah teachings. The basic injunctions of Islam as derived from the Qur’an and the Sunnah are divine and immutable, but that is the domain of theology. When it comes to developing a social science like Islamic economics these very injunctions have to be reformulated into verifiable or falsifiable postulates. For example, the law of zakah presents various limits and rates. Once the law is enforced, economists can come forward and frame postulates in the following manner: (a) the enforcement of zakah has led to a more (or less) equitable distribution of wealth in the economy; (b) enforcement of the zakah law has reduced (increased) the incidence of poverty; (c) zakah has encouraged (discouraged) investment in the economy; and so on. Such postulates can be tested and verified by empirical evidence. It would not require an ideal Islamic society. Once they are verified by empirical evidence or cannot be falsified in any manner they will become theories of Islamic economics. The process of postulate-making is a human endeavor and is subject to examination and correction. When Muslim economists are able to translate Islamic economic teachings into economic postulates they will take the first step toward creating a social science in the name of ‘Islamic economics’

- IE has no dispute with conventional economics. It does not replace, modify or supplement conventional economics. The two disciplines have their own subject matters and can develop side by side. If we have to develop Islamic economics as a social science, and we think it is a potentially feasible enterprise, we should not attempt to modify conventional economics from an Islamic perspective. Instead, we should study conventional economics as it is but develop Islamic economics as a social science from its theological foundations. It should not be an attempt to transform conventional economics into Islamic economics. While studying conventional economics we can make a contribution by using its standard and generally accepted methodology.
IE addresses whole of humanity. It is not a science that deals with the problems of Muslims. Its study does not require faith in Islam nor does it require an Islamic society for developing its knowledge-base. Its postulates, hypotheses, theories and laws are valid for all societies and for all people. IE should come out of the problem of conceiving its postulates in the context of Islamic economy since it does not exist anywhere in the real world. Instead, IE should deal with problems of the economies that exist in the real world.

IE should present its postulates, hypotheses, theories and laws on rational grounds and not on the force of their divine origin. Even when an idea has been derived from divine sources, it should be argued out on rational basis. Only in that case IE would attract the attention of the wider intellectual community.

IE should not feel shy of adopting and using tools of analysis used by conventional economics or other contemporary social sciences. These tools are available in the present form after centuries of thinking and experimentation and are a common heritage of the humanity. IE can borrow from that heritage freely.

(j) Defining IE

The above discussion has set stage for venturing into a new definition of IE. I would suggest following definition of IE:

Islamic economics is a social science that integrates human understanding of divine sources of knowledge into the study of economic problem.

The definition has certain implications:

• It clearly delineates IE from other Islamic disciplines such as theology, law, history, etc. By making IE a social science, it agrees to accept and use the methodology and tools of analysis of other social sciences.

• The definition does not link IE with Islamic economy or Islamic economic system which does not exist in real world.

• The definition does not consist of an inventory of Islamic economic teachings. Instead, it focuses on human understanding of these teachings. The human understanding is subject to examination, verification and falsification. It segregates the divine and the mundane and focuses on the mundane.

• As a social science, IE aims to study the economic problem that emerges from unlimited wants and scarcity of resources that have multiple uses. In other words, IE does study the economic problem. However, while doing so, it integrates human understanding of the divine sources into the study of the economic problem.

• The definition closes the debate about normative or positive character of IE. It
clearly asserts that it is a study of the economic problem and thus a positive science like conventional economics. However, its findings may be used by policy makers to address various problems.

- The definition takes out the confusion in some of the existing definitions which mix-up definition with objectives of IE. Trying to embed objectives of IE into definition itself overburdens the definition. It puts off non-Muslim social scientists that are not interested in any of these objectives but would like to broaden their understanding of economic problems from a different perspective.

- By using the phrase ‘divine sources of knowledge’ it keeps the window open for borrowing from earlier scriptures. It can attract attention of the wider knowledge community, which is unbiased about borrowing from any source of knowledge that can help enhance our understanding of the problems.

In brief, we should develop IE from the perspective of social science that studies the economic problems. It should aim to enhance human understanding of the economic problems by integrating guidance obtained from divine sources of knowledge into humanly acquired knowledge.

(k) Research agenda

The future research agenda of IE should be guided by the gaps that have remained unaddressed so far. Some of the areas for further research are as follows:

Understanding economic concepts and statements of the Qur’an and Sunnah

The Qur’an makes several statements about the economic aspect of life. These statements are nothing short of divine laws stated by God. Muslims believe that these laws in fact operate in this life through the divine will of God. But how these laws actually take effect is not evident from the Qur’an directly.

Some examples of these divine laws are as follows:

Q. 2:155 says: ‘And most certainly shall We try you by means of danger, and hunger, and loss of worldly goods, of lives and of fruits. . . .’ Q. 7:130 says: ‘And indeed We punished the people of Pharaoh with years of drought and shortness of fruits (crop, etc.) that they might remember (take heed).’ There are other verses in the Qur’an that have a similar message (e.g. Q. 7:168, Q. 9:26). These verses indicate that poverty and misery could be either a trial to judge human conduct at times of adversity or a form of divine punishment for past human sins.

Q. 2:276 says that God diminishes riba and increases charity (yamhaqu Allah al-riba wa yurbi al-sadaqaat). The verse mentions the decrease (mahq) caused by riba.
Q. 3:178 says: ‘And they should not think – they who are bent on denying the truth – that Our giving them rein is good for them: We give them rein only to let them grow in sinfulness; and shameful suffering awaits them.’

Q. 5:66 says: ‘and if they (followers of the Bible) would but truly observe the Torah and Gospel and all [the revelation] that has been bestowed from on high upon them by their Sustainer, they would indeed partake of all the blessings of heaven and earth. . . .’

Q. 11:3 says: ‘Ask your Sustainer to forgive your sins, and then turn towards Him in repentance – [whereupon] He will grant you a goodly enjoyment of life [in this world] until a term set [by Him is fulfilled]; and [in the life to come] He will bestow upon everyone possessed of merit [a reward for] his merit. But if you turn away, then, verily, I dread for you the suffering [which is bound to befall you] on that awesome Day.’ Q. 11:52 says: ‘Ask your Sustainer to forgive your sins, and then turn towards Him in repentance – [whereupon] He will shower upon you heavenly blessings abundant, and will add strength to your strength: only do not turn away [from Me] as lost in sin.

I can cite more examples from the Qur’an which refer to such laws of material prosperity and misery, distribution of income and wealth (rizq), the effects of charitable spending (infaq), and so on. The moot point is that these ethical laws are statements of facts, but we do not understand exactly how these laws operate in physical terms.

The moral laws influence the nature of the economic problem faced by man. Without studying the influence of these laws, the study of the economic problem remains partial and incomplete. It does not provide a comprehensive explanation of the differences between material possessions and the causes of prosperity and misery. Conventional economics does not recognize the operation of any moral laws that influence the economic problem of man. The methodology cannot help in understanding the moral laws, because they are invisible and not measurable and operate in a complicated manner. They are not amenable to economic analysis in the usual manner. Mere human thinking cannot make them explicit. It requires divine guidance to understand the existence and operation of these laws.

The human understanding does not take into account invisible factors that influence the process of generation and distribution of wealth. Our present knowledge does not go much beyond what the text of the Qur’an says about certain moral laws that affect the distribution of resources on earth. Although the moral laws influence the material conditions significantly, man has not as yet discovered these laws. An illustration from the field of physical sciences will explain the point. The law of gravity was operational in the universe even before Isaac Newton (1642–1727) discovered it. Bacteria caused infection even before Louis Pasteur (1822–95) discovered their existence and the
treatment of certain diseases caused by the bacteria. Similarly all developments in physical sciences explain various natural phenomena which existed even before they were discovered. Human beings struggled hard to unfold the mysteries of nature and understand the physical laws. In the process various physical sciences have also developed methodologies to confirm or refute hypotheses propounded by scientists. In the field of moral laws, this work is yet to be done. Firstly, human beings are not quite aware of the moral laws that are operating in the universe. These laws are difficult to discern by the physical senses and material experimentation. They require divine guidance to begin with. Secondly, they are extremely complicated and have backward and forward linkages with the physical world. The moral laws deal with human behaviour, but changes in human behaviour can also influence the operation of these laws. Thus it is a two-way relationship. The moral laws influence and are in turn influenced by changes in human behaviour. That complicates the situation further. Thirdly, the divine time scale is much longer than the usual human time scale. The Qur’an mentions the length of one divine day as equal to one thousand years by our reckoning (Q. 22:47). The moral laws may have linkages with human behaviour at points of time which are not discernible easily at the present moment.

Since it is not possible for human beings to discover these moral laws by direct sensory perceptions, God has pointed to these laws in the Qur’an. Some of these laws have also been hinted at by the Prophet Muhammad (PBUH). The two primary sources of Islamic economics refer to certain moral laws that affect our material well-being. However, the exact functioning of these laws is not yet known. We need to discover it by introspection, experimentation and dialogue. For example, the Qur’an points to the moral law of prosperity and misery but does not explain its exact operation in a cause–effect framework. Human beings have to discover that relationship as they discovered the relationship of various facts in the physical sciences. The task in the social sciences has yet to start. This should be the main task before Muslim economists if they are to develop Islamic economics as a distinct social science. Instead of trying to prepare an ‘Islamic’ copy of conventional economics they should take up the task of expanding the frontiers of economics by discovering the moral economic laws and enriching the pool of knowledge for the benefit of humanity. This can be done in the following manner:

i. Prepare a list of moral laws as discerned from the Qur’an and authentic Traditions of the Prophet relating to economics.

ii. Try to understand and interpret the moral laws in a cause–effect framework and present them in the format of postulates that can be tested and verified.

iii. Publish the results of postulate testing and invite the community of economists to examine the results.
iv. Engage the economists of the world in understanding, interpreting and undertaking further research into these laws.

Over a long period of time and after years of research and introspection some of these moral laws would be discovered in a format that can be used in economic analysis. The whole idea may look like a wild-goose chase at this stage. But the statements of the Qur’an are immutable and true. They have direct relevance to the life of contemporary man as they have throughout the ages. It should be possible to interpret the moral laws mentioned in these statements. The above-mentioned course of action will enable Islamic economics to extend the frontiers of conventional economics. It will have a distinct research agenda for itself and have no dispute with conventional economics. Both social sciences can complement the findings of the other and live side by side. One of the contributions of Islamic economics to human knowledge could be to develop a methodology for making the Qur’anic economic laws manifest in human situations. Since the Qur’anic economic laws operate in human situations, the effects of these laws are measurable. Only the process is not visible. We need to ‘discover’ that process. We need to define the variables in measurable terms so that our understanding of the laws is confirmed or falsified by empirical evidence.

We think that the method will be a breakthrough in the development of IE as a social science. Instead of trying to copy the postulates of conventional economics and presenting them as ‘Islamic’ versions, it will be better to present the laws of the Qur’an as given statements, with a challenge for economists to discover the cause–effect mechanism for these laws. It will generate a lot of intellectual activity, and the result will be beneficial for humanity at large. It will give us a clue to the behaviour pattern that leads to prosperity and blessings and also indicate the behaviour pattern that leads to misery. One can say that these behaviour patterns are already well known to Muslims. What is the use of getting into the process of postulate testing? It is true that humanity is aware of good and bad behaviour in ethical terms, but humanity cannot see the linkages of this behaviour with the creation and destruction of wealth as stated in the Qur’an. One of the strong points of this methodology is that it does not require an Islamic society to be in existence. These postulates can be tested in any society.

**Defining economic concepts and terms of the Qur’an**

We come across several concepts and terms that have some relationship with economic problem of man. Examples are riba, zakah, infaq, israf, tabdhir, bukhil, sadaqa, baraka, fasad fil ard, shukr, taqwa, tauba, rizq, hayat tayyeba, hasanaat, etc. The literature on IE mentions these concepts in very general terms that do not allow precise and measurable definitions. For example, when do we say a certain expenditure is israf? When does it become tabdhir? What are minimum conditions for hayat tayyeba? Until
such idioms and phrases are defined in measurable terms, IE will not come out of the
textbook. For arriving at measurable definitions of these concepts, the above
methodology should be used. It means, while interpreting these phrases, various
postulates based on human understanding of these concepts should be formulated in a
format which can be verified or falsified. In a long drawn process of thinking and
testing of the postulates in real life terms, we shall arrive at defensible definitions of
these concepts.

(c) Focus on economic problems

IE should focus on economic problems that are plaguing the world economies.
Conventional economics also addresses these problems. The source of knowledge for
conventional economics is human thinking and empirical data. IE has another source of
knowledge that is based on human understanding of divine sources of knowledge. It means
IE addresses the human economic problem equipped with two sources of knowledge: (a)
humanly acquired knowledge through rational thinking and experimentation; (b) human
understanding of the divine sources of knowledge. Using these two sources, IE would
present understanding of the economic problem. Only if the IE is able to explain the
economic problem in a more convincing manner on rational grounds it would be able to
attract the attention of the wider intellectual community. It means IE cannot expect to
make a plausible case for acceptance of its interpretations merely by asserting that it is
based divine sources. The IE presentation should be reasonable on rational terms. If IE is
able to do so, it would enhance the human understanding of the economic problems and
would be a welcome addition to human knowledge.

Concluding remarks

Most of the literature on IE consists of explanations and interpretations of the Qur’anic
verses, Traditions of the Prophet, Islamic law, Islamic history and Islamic public
policy during the last 14 centuries or so. There is no argument about the value of this
literature, but most of it falls in the domain of theology and not economics. It is time
that Islamic economics comes out of the cocoon of theology and develops into a social
science. The methodology suggested in this paper is a way forward. The future of
Islamic economics lies in this methodology.

In the final analysis, IE must be able to enhance our understanding of the economic
reality and provide more robust and sustainable solutions to the global economic
problems. Therein lies the secret of success for the new discipline. It would attract the
attention of world intellectual community. The ultimate objective of making the world
aware of a divine source of knowledge that would help them lead a more prosperous
life would be achieved. If IE does not achieve its final objective, it would be only a
pastime of Muslim intellectuals, talking to one another and basking in the sun of
bygone glory. It would be a fun, though.
References


