ISLAMIC ECONOMICS:

NOTES ON DEFINITION AND METHODOLOGY

by

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INTRODUCTION

Islam and economics

1. That Islam is a total way of life, economic and otherwise, is an established postulate which is rarely challenged, today, by any one, Muslims and non-Muslims alike. In the past centuries of Islam, Muslim scholars did not need to emphasize this point because their understanding of the words “Religion Ï iÜÜÜÜÜää” and “Islam Ç ÖÜÜÜÜÜáÇã” was not subjected to distortions such as those which have been introduced in the modern Muslim world, especially over the last two centuries by western colonialism and cultural influence. Amazingly, when Muslim scholars of the second and third centuries of Islam embarked on massive translations of the Greek and Latin heritage, in which they translated philosophy, mathematics and physical sciences, they never felt a need to translate the Roman laws. Apparently, because they considered Roman laws in gross conflict with Islamic principles.¹

The word “religion” implies the compliance of one’s behavior with certain beliefs and commandments, while the word “Islam” indicates submittance of one’s conduct to Shari‘ah.

The two sources of Islam, Qur’an and Sunnah, emphasize the inclusion of the economic behavior of human beings under the norms, moral values, and behavioral standards, they prescribe. This is even evident in the Makkan verses of the Qur’an which were revealed during the pre-migration period of the Prophet (PBUH), especially that the Makkan period was a time of formulation of the basic Islamic ideology and a critical assessment of the then prevailing patterns of conduct. So much so that a big portion of the bulk of fiqhi [Jurisprudence] heritage, which is itself based on the Qur’an and the Sunnah, deals with forms of economic behavior and related business relations.

2. It is granted, thus, that Islam has its own set of norms and ethical values with regard to economic behaviour of human beings, individually and in groups. However, the same is also true for other religions. A question arises as to why should Islam have its own economics while

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3 Ibn Manzur, Lisan al ‘Arab, Dar Sader, Beirut, no date, v. 12, p.293.

both Christianity and Judaism do not claim to have economics of their own in spite of their behavioral commandments. The answer to this question is rather simple. For Christianity and Judaism, restrictions were imposed, in the European tradition, on the concept of “religion Ï iÜÜÜÜä” for several historical reasons whose discussion is outside the scope of this study. Given these restrictions, certain domains of life, e.g., the economic and political aspects were left outside the realm of religion. Consequently, both present-day Christianity and Judaism do not claim to be total ways of lives.\textsuperscript{5} As far as Islam is concerned, its ethical values and ideological viewpoints were manifested in economic institutions and patterns of inter-personal relations given by the Revelation itself during the life of the Prophet Muhammad. Therefore, from the point of view of economic relations, Islam has its own economic system based on its philosophical viewpoint, and consistent with the Islamic organization of other aspects of human behaviors, i.e. the social and political systems. Islamic economics studies the economic behavior of men and women, as individual economic agents, and as communities and collective entities.

\textbf{Objectives of this Study}

3. This paper aims at examining the implications of different suggested definitions of Islamic economics, exploring its scope and

\textsuperscript{5}One may add that although the source of the three religions is Divine, God did not send down the complete system of life to the early Messengers. The Religion of God was only completed in the form of Islam (Qur'an 5:3).
attempting to outline its methodology. As we shall see later in the paper, there seems to be no agreement among Muslim economists about the definition of Islamic economics, its scope, relation to economics, methods and instruments of analysis and even some of its basic assumptions. This paper is an attempt to reflect on the different opinions about these issues and an endeavor to settle some of them as much as this is humanly possible.

The rebirth of Islamic economics in this century was, generally, dominated by Islamic thinkers and writers of general background. This strongly influenced its scope and methodology by giving Islamic economics a fiqhi and common knowledge type of tendency. Islamic economics had to wait until the mid seventies when a new generation of trained economists started their research in Islamic economics. For many reasons, there seems to be a tendency among some Islamic economists to overstate the differences between Islamic economics and conventional economics to the extent that some of us like to believe that Islamic economics is a discipline of its own and quite independent from conventional economics. The present paper does not take such a position. It tries to look into the common grounds and rationalize them, to stylize the facts and assumptions and to justify any conclusion it reaches. It will further attempt to show that there is certain degree of

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6 Look for instance at the writings of Hasan al Banna and Abu al A'la al Maududi in the late 1930s and later Sayyed Qutb in the 1940s.

7 One should mention, however, that A.I.Quraishi, a professional economist, was pioneering in his "Islam and the Theory of Interest" published in 1946.
inconsistency committed by some Muslim economists when they incorporated assumptions alien to Islamic economics in their research.

The paper consists of two sections. Section one deals with the definition of Islamic economics and its scope. It will analyze the definitions proposed by some writers and show their inadequacy and sometimes irrelevance to the issue on hand.

Section two deals with the methodological issue. It will outline the main methodological problem by addressing the question of whether Islamic economics calls for a methodology of its own or, as an "expanded" economics, it accepts the general framework of the scientific methods applied in Western economics.
Section I
Definition of Islamic Economics and its scope

What does Islamic Economics Offer?

4. The term "Islamic Economics" may be justified as an identification of the area of studies that is based on the assumption of the existence of Islamic axioms in the socio-political-cum-legal environment and the system of values and ethics which guide the economic behavior of men and women in an Islamic society. This way of looking at "Islamic economics" becomes similar to the way "Capitalist economics" is treated as economic analysis carried on the basis of the Capitalistic paradigm. In this manner, Islamic economics, merely, becomes a branch of the science of economics which should be studied within the area of economic systems like other systems.

Consequently, it becomes obvious that this branch of the economic discipline will have to elaborate the paradigm, axioms and principles of the Islamic economic system, as well as to analyze the impact it exercises on the economic magnitudes and on the decisions of economic agents within the system. It also becomes obvious that, like similar branches related to other economic systems, some of the tools of economic analysis may not suit some of its axioms. Such tools will have to be amended or substituted. But since such changes would not brand any of the capitalistic or Marxist economics as an independent discipline,
Islamic economics cannot be branded as "another" branch of knowledge which stands in contrast with the economic science, which is called by some Islamic writers "conventional economics".

This conclusion may not be welcomed by Akram Khan⁸ and Hasanuz Zaman⁹. Because, in their respective definitions, they seem to consider Islamic economics as a replacement of the discipline of "Conventional" economics itself. They describe Islamic economics in terms of the presumptions of the Islamic way of life, i.e., the principle of "Falah" with Khan, and "Shari'ah" with Zaman, as if the economic behavior of human beings can only be practiced under Islamic conjunctions and for the purpose of pleasing Allah (Subhanahu Wata'ala). In the course of justifying their proposed definitions, both Khan and Zaman suggested alternative definitions of the "economic science" in the form of Islamic economics instead of seeking a definition of a sub-branch of it, that applies in the framework of the Islamic economic system.

⁸ Akram Khan, "Islamic Economics, Nature and Need", Journal for Research in Islamic Economics, Vol. 1, No.2, 1404, the Center for Research in Islamic Economics, King Abdulaziz University, Jeddah, pp. 55-61. His definition is "Islamic economics aims at the study of human falah achieved by organizing the resources of earth on the basis of cooperation and participation".

⁹ Hasanuz Zaman, "Definition of Islamic Economics", JRIE, Vol. 1, No.2, 1404, pp. 51-53. His definition is "Islamic economics is the knowledge and application of injunctions and rules of the 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 Allah and the Society".
On the other hand, Muhammad Arif tends to classify "Islamic economics" at par with "socialist economics" and "capitalist economics" on the ground that all three refer to economic systems, each of them has its paradigm. He also admits that the study of these three systems is a branch of economics. Furthermore, it seems that Arif does not challenge the conventional definition of economics although he disagrees with the utilitarian presumption that shapes human behaviour in Robbins' mind.

Seif el Din Tag el-Din finds in "Islamic economics" a system of economic policy guided by the Qur'an and Sunnah in facing the economic problem. For him, the focus of Islamic economics is “the normative interventionist policies” made necessary by the greed of human beings. Hence, Islamic economics becomes, for Tag el Din, a tool to enlighten policy makers and help them take the right decision. Consequently the analytical part of economics becomes a trivial requirement for policy suggestions as one has to know the "be" in order to suggest a rational "ought".

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10 Muhammad Arif, "Toward a Definition of Islamic Economics", *JRIE*, Vol. 2, No.2, 1405, pp.87-103. His definition is "Islamic economics is the study of Muslim behaviour who organizes the resources, which are a trust, to achieve falah".

11 *Ibid.*, pp. 91-92, see also the diagram on p. 102. Arif quotes Robbins' definition of economics as "the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses".

6. The approach of Zaidan Abu al Makarim is familiar to the Shari'ah specialists, because they extensively label each branch of Islamic studies, as a Science (such as science of inheritance law and science of Qur'anic recitation ete.) He suggests a ten-point test to determine a science. These points include name, definition, subject and sources. Applying these criteria, al Makarim concludes that Islamic economics is certainly a science of its own, and he gives it the name "science of economic justice". His definition of Islamic economics may be consistent with the definition of "science" proposed later by Zarqa, viz, 'any organized and classified kind of knowledge'.

7. The above mentioned works seem to raise more questions than answers about Islamic economics, its definition, scope and validity as a "Science", and about the need for the word "Islamic" to precede the word "economics" too.

For the purpose of clarity, the definitions of "Islamic economics" are classified in two categories: the first category includes the definitions of Zaman and al Makarim. Their main focus is the principles and rules of Shari'ah that make up the framework or milieu for the behaviour of

13 Zaidan Abu al Makarim, Ilm al 'Adl al Iqtiṣadi, Dar al Turath, Cairo, 1974, p.35.

14 Ibid., p.37. Al Makarim's definition is "the science which deals with wealth and its relation to man from the point of view of the realization of justice in all forms of economic activities".

15 Muhammad Anas Zarqa, "Taḥqiq Islamiyyat Ilm al Iqtiṣad", mimeograph, p.38.
the economic agents. These definitions refer to what Zarqa calls the "normative part" of Islamic economics\textsuperscript{16} i.e., how things should be if people follow the Islamic conjunctions as derived from the principal sources of Islam. The definition suggested by Tag-el-Din may be added to this category as it refers to normative economics by concentrating on economic macro policy. These normative definitions apply only within a framework of the Islamic economic system which is a part of what Islam calls for to be established on earth by means of the conviction, faith and efforts of human beings\textsuperscript{17}.

The second category of definitions includes those suggested by Khan and Arif. The focal point of these definitions is human behaviour within the framework provided by the Islamic economic system. Since these definitions implicitly cover the study of the Islamic economic system, the definitions of al Sadr and Zarqa may also be included in this category. Al Sadr assigns to Islamic economics, what he calls "a scientific function" and "a doctrinal function". Accordingly, the role of Islamic economics is, on one hand, to discover the shape which real-life variables may take in a society that applies the Islamic economic system, and on the other hand, to uncover the Islamic economic system itself\textsuperscript{18}. Zarqa also considers that Islamic economics consists of two parts: one

\textsuperscript{16} \textit{Ibid.}, p.40.


\textsuperscript{18} Al Sadr, \textit{ibid.}
that studies the economic system of Islam (positive part), and the other studies the behaviour of Muslims within the system.¹⁹

**An Islamic Definition of Economics**

8. Among Islamic economists, very few may dispute the fact that "economics" is a relatively new discipline conceived of, and delivered in the West with the rise of the market oriented "Laissez Faire" doctrine, in which the free market occupies a central place whereby individual actors, all of whom have material concerns, interact²⁰. This happened especially after Adam Smith. Although many economic writings existed long time before *The Wealth of Nations*, in the Muslim land (since the end of the second century of Hijrah), and in the non-Muslim land (since Aristotle), the fact remains that these writings did not form a distinctive discipline reasonably defined and understood.

In a recent comment, Taysir Abd al Jabir questions the wisdom of putting the word "Islamic" as a prefix to "economics". As obvious from his argument, he might have feared that such a prefix requires "redoing" the two hundred years of development of economic theory.²¹ This fear

¹⁹ M. A. Zarqa, *op.cit.*, pp. 31-39. It should be mentioned, however, that Zarqa and Sadr differ on whether Islamic economics, in its two parts, is a science or not.


²¹ Taysir Abd al Jabir, "Comments on the paper of Khurshid Ahmad on Problems of Research in Islamic Economics" presented at the Amman Seminar on *Problems of Research in*
may be partially justified taking into account the sensitivity with which many Muslims (even scientists) approach ideas developed in the West.

9. In the process of searching for a definition of economics compatible with the Islamic principles, it may be a useful exercise to look into our heritage and search for a similar experience in our scientific history. What we need is a discipline in the area of behavioral sciences that is born in the Muslim land and on the hands of Muslim social scientists, who did not have the sensitivity many of us have today. The closest candidate is obviously Ibn Khaldun's "Ilm al 'Imran ČáÜáÜä ÇáÜÜäÜäÜä UN Ç ä.

Ibn Khaldun invented a new and unprecedented behavioral science, which he called the science of mankind's civilization and human socialization ČáÜáÜä ÇáÜÜäÜäÜä UN Ç ä ÇáÜÉÜÜ äÜÜ ä ãÜäÜÜÜÇ áÜäÜÜÜÜÇ äÜä. He defined this science as the study of mankind's civilization and human socialization from the point of view of


22 Ibn Khaldun, "al Mugaddimah", Dar al Qalam, Beirut, 1978, p.38. this translation of the name of Ibn Khaldun's new science may not reveal the exact meaning of his Arabic wordings. The world "Imran ČáÜä UN Ç ä" is derived from the Qur'anic verses: "It is he who has formed you from Earth and commanded you to build it ľÜä Ä ľÜÖÜÄ ľÜä ľÜää UN ä UN äCOÜÜÜÜÜ UNäÜÜ ÜYÜÜäÜÜÇ'" and "They were superior to them in strength, they tilled the land and populated it in greater number than these have done.Čüä Ç E ÜÜÜÜÜÜ ÜÜÇ ä UNä UN ä ÜÜÜÜÜÜ Ä ÜÜÜÜÜÜ ä ÜÜÜÜÜÜ ÜÜÜÜÜÜä ÜÜÇ " Ä ' ' . "Imran" means progress, prosperity, filling the earth with activities, constructing it, populating it, etc. It should be noted, that in translating the Qur'anic verses, I deviate from Yusuf Ali's translation whenever I feel he does not give the exact meaning.
"showing what happens to them by way of changes and situations on their own nature". In explaining the objectives of his new science and its being indispensable for understanding history, Ibn Khaldun repeatedly emphasized that his new science aims at discovering the nature of human socialization as it applied to all human beings. In this regard, he repeated the words "nature" of human socialization to be understood "on its own" eight times in three pages. In other words, Ibn Khaldun did not feel any need to restrict this science to Islamic societies or to Muslims only, as this makes his new science less general, and reduces its analytical ability to explain the behaviour of all mankind and human beings.

The aim of Ibn Khaldun's new science is to derive universal laws which can be used to examine history and to verify its true stories and events from the false ones. Obviously, by this universality of outlook, Ibn Khaldun never meant to be "un-Islamic", rather he perhaps was more Islamic than many contemporary writers who repeat the word "Islamic" in every sentence, and his new science of human civilization "Ilm al 'Imran" was an Islamic discipline, not a conventional one.

Thus, we have a precedent of a behavioral science that deals with a universal phenomenon which Muslims did not need to restrict to a

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23 Ibid.
24 Ibid., pp. 35-38.
25 Ibid., pp.35-38.
Muslim society or to the Islamic system. Why can’t we, Islamic economists, think of an economics in a universal sense too? In fact, Ibn Khaldun's 'Ilm al 'Imran covers, in a sense, economics as a sub-area. In citing cases of human socialization included in the realm of his invented science, he says "..... and what earnings, living, sciences, crafts [and industries], etc. People have, by their works and efforts". As a part of the study of human civilization and association, economics must be defined as "the study of human behavior' individually and in groups, with regard to the use of resources for the purpose of satisfying human material objectives".

If we were to use Ibn Khaldun's terms, we would have added the phrase "on its own nature" after the word "behavior", but I think "human behavior is sufficient as it is a general term that applies to any and all human beings regardless of any social, political, religious, or what not affiliation. Thus economics, from the Islamic (Khaldunian) viewpoint studies the behavior of men and women, individually and in their association and socialization, in order to understand the patterns and modes of this behavior, its motives and incentives, as well as its goals and objectives, and responses and reactions, with and without being restricted to a specific situation, norms, set of moral values, or legal, political, religious, etc. framework.

26 Ibid, p.35.
Consequently, laws of behaviour and collective and aggregate relationships discovered by this study shall be applicable to all men and women with situational variations resulting from the spiritual, psychological, organizational etc. milieu or environment that establish the circumstances of the behavior.

This discipline cannot be described un-Islamic because the word "Islamic" does not appear in its name and definition, nor it is in need for a deliberate effort for its Islamization. It is part of what God ordered us to learn in this world in order to realize His Great Wisdom and because such a study enables us to discover the universal laws, which make us understand this area of man's life and reorient it, when necessary, to the servitude of God, (Subhanahu Wata'ala).

Zarqa came very close to this when he accepted descriptive postulates of "conventional" economics as part of "Islamic" economics. He also suggested that Islam itself lays down certain descriptive (positive) postulates that carry no value judgement. Such descriptive statements are applicable to human beings, as such, by their own nature. They are capable of explaining human behavior in a universal way regardless of religion, culture, level of development, race, etc. But

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27 Laws here are not meant like the laws of physics, they could be statistical observations or more generally descriptive statements. See Mark Blaug, The Methodology of Economics, Cambridge University Press, New York/London, 1980, pp.161-163.


29 Descriptive statements derived from revelation do sometimes better in explaining human behavior than their counterparts which are introduced by western economists. Take, for
Zarqa could not detach himself completely from the current trend among Islamic economists\(^{30}\), when he insisted that an Islamized economic discipline is not able to explain behavioral patterns incompatible with the Islamic ethics such as unjust transactions (e.g. effects of interest rate) or the production of non-good commodities, (e.g. alcoholics).\(^{31}\)

Besides emphasizing that the subject matter of economics is human behavior, the definition stresses the micro and macro aspects of behavior. Alongwith Ibn Khaldun’s approach in his ‘Imran, human behavior has an individual aspect and an aspects resulting from the socialization which is a macro or aggregate aspect that reflects groups’ or communities’ behavior.

Additionally, the suggested definition did not fall into the trap of scarcity. Obviously only scarce resources are allocated by human effort, but the utilization, and especially consumption, of non-scarce resources should not be completely excluded from the arena of economics because such consumption affects the welfare of human beings and influences


\(^{31}\) Goods as a noun is derived from good as an adjective, it is loaded with value judgement, thus it is equal to Khayrat İNiÇE when the latter is used to mean morally approved commodities, See Kahf, op.cit., pp.22-23.
their moral and spiritual (gratitude to God) attitudes, as the Prophet is quoted "won't I be a thankful servant (of God)". Besides scarcity is relative to human effort and knowledge.32

The suggested definition also refers to the human material objectives instead of desires, wants or needs that are common in the Western definitions of economics, and in place of the "falāḥ" and "perform obligation to Allah" that are found in certain Islamic definition. "Human objectives" is a neutral term that applies equally to God-fearing human beings, agnostics and disbelievers. Further the adjective "material" is included in order to exclude human efforts related to spiritual upliftment and other non-material human objectives.

11. Finally, the scope of "economics" as redefined from Islamic point of view is the human behavior, in all its facets, under all sorts of moral and religious values, and within all kinds of social, political and legal frameworks. The economic theorization should be able to explain the behavior of believers and disbelievers in their pursuit of material objectives; it should have the capability of understanding the motives for a riba-based financing, a mark-up based murabahah sale, and a profit and loss sharing participatory financing.

32 God gave knowledge to Adam (The Quran, 2:31) that the latter can count on in making best use of all resources around him.
12. An important conclusion from the above is that Islamic economists need to rethink about what economics is all about and whether we really have to create an alternative to "economics" in the form of Islamic economics" or simply to have an Islamic perspective of the same discipline. More specifically the previous discussion indicates the following:

i) There is a need for a discipline\textsuperscript{33} which studies issues usually described as the subject matter of economics on a universal basis.\textsuperscript{34} This need is similar to that which was

\textsuperscript{33} The degree of the influence of values on this discipline is similar to that of all social sciences. At the time that one tends to reject the extremist view that all descriptive theorems of this discipline are mere value judgements, one can hardly defend the claim that it is immune to value loaded premises. See Mark Blaug, op.cit., pp. 134-135. Section two will show that the Divine Revelation reduces the role of value-loaded premises in understanding human behavior.

\textsuperscript{34} Sultan Abu 'Ali, in his "al Mushkilat al Iqtisadiyyah al 'Alamiyyah al Mu'asirah wa Halluha al Islami" (World Contemporary Economic Problems and their Islamic solution), a discussion paper by the International Center for Research in Islamic Economics, 1981 (p.19), argued that the central problem of the economic discipline should be shifted from the allocation of resources to the restriction of human wants. Unfortunately the latter is a subject for biologist who may develop means to reduce the sustenance needs of human beings! Or moralists who may convince men and women to prefer less over more material goods and services. Anyhow, at any level of biological and moral progress, there remains a problem of allocation of "scarce resources" to be studied by economists, since by "scarce", it is always meant relative to their uses. Moreover, even in perfect Islamic society where the moral axiom of "no extravagance" is internally observed by individuals and externally enforced by law, human wants and desires remain greater than resources to the extent that wants can be treated as unlimited for all analytical purposes, especially if we add Zarqa's argument that one of the positive postulates derived from the revelation is that human beings prefer more over less. See Zarqa op.cit., p.15. This is not to say that the patterns of consumption in the affluent society, with all its over consumption and waste that Abu Ali criticized, does not pose a serious challenge to resource allocation through market mechanism and creates undesired distortions in distribution. This phenomenon calls for dissatisfaction with the market mechanism as a sole allocator of resources and a sole distributor of income rather than a redefining economics. On the other hand, when economists (Muslim or otherwise) define the economic problem as one of allocation, thus restricting their discipline to this well defined arena, they always mean that the solution to this problem may be sought through this discipline under the ceteris paribus assumption. Everybody, Muslims as well as others, know that dealing with human beings cannot be except
felt by Ibn Khaldun when he invented ‘Ilm al Imran. In other words, even if there were no economics at our time, Islamic economists should feel the urge to create it.

ii) There is no need to add the adjective "Islamic" to such a discipline, this addition is not required by our religion, and Muslim scholars did not do it when they were leading culturally and otherwise. It is also misleading because it may denote that the economic "laws" of "Islamic economics" are not universal and generic to all human beings and human socialization. Furthermore, the prefix

35 Many universal laws of human behaviour can be derived from the Qur'an and Sunnah. Zarqa (ibid, pp. 15-16) gave several examples, some of them are the following:

- Positive relation between richness and abuse of power from the Qur'an, 42:27 and a saying "... would you be waiting but .... a poverty that makes one forget or a richness that makes one abuse one's means"
- Men and women prefer more (of material things and wealth, etc.) over less (from the Qur'an, 3:14-15 and a saying to the effect that no matter how much a child of Adam gets he/she still likes more).
- Positive relation between economic hardship and the prevalence of the practice of Riba (from the Qur'an, 2:267 and a saying to the effect that those among whom Riba prevails are given economic hardship.
- Positive relation between hardship and lack of faith as well as between faith in God and bounties (the Qur'an 20:124 and 7:96).
- Men and women behave with extended time horizon (from a saying which tells that the Prophet drew a line representing the hope of a person, and the line extends out of human's life span).
- One’s own holdings are dearer to a person than the holdings one's heir (from an authentic saying).
"Islamic" can be restrictive especially when it reduces the scope of the discipline to "within" the framework of the Islamic value-loaded postulates.

iii) The unfortunate historical incident, that Muslim fell in the shadow or periphery of human civilization for the last few centuries, allowed the discipline of economics, unlike 'Ilm al 'Imran, to be developed under the Judo-Roman culture. This stamps the science with a restrictive cultural imprint that deprives it from becoming fully universal. Zarqa, rightly, points out the need to clean our discipline from the value-loaded postulates incorporated in it by economists of the Judo-Roman heritage as well as from the effects of such postulates on the descriptive premises of the discipline.

36 It seems that many Muslim economists think of Islamic economics as the study of the application of economics to Muslim societies only, whether ideal in their perfect form or actual in their realistic setting in Muslim countries today. See for example M. A. Mannan, "Why is Islamic Economics Important?" Mimeograph of the International Center for Research in Islamic Economics, 1982, especially his second, fifth and sixth reasons. Also, see Hasanuz Zaman, Op. cit.

37 As done by Zarqa when he restricted the scope of the discipline to three areas: value-loaded Islamic postulates, positive postulates derived from revelation, and positive postulates derived by economists from their observations and analysis. See Zarqa, op.cit., p.19. Moreover, this limitation contradicts Zarqa’s well pronounced universality of the revelation-based positive postulates (pp.14-18). Alternatively, he could consider value-loaded postulates as special cases of the universal economic laws.

38 Zarqa, Ibid., pp.19-22.
iv) The Islamic economic system ought to occupy its place in the discipline of economics on the same footing as other economic systems. And like others, studying the Islamic economic system should include the "ought" as well as the effects of the "ought" on variables and relationships within the Islamic economy. These effects should be analyzed in the light of an economic theory of a universal and human nature, that has been freed from any preconceived perceptions.

In this regard, Tag-el-Din proposed definition of Islamic economics, as a study of macro policies in the Islamic society, may partially fit, because of its focus on what should be done and how and towards what ends should certain behavioral situation be changed by a global decision from the authority.

v) Finally, and back to the beginning of this section, the term "Islamic economics" may loosely be justified as a sub-branch of economics, that deals with the Islamic economic system and its impact on the economic variables and decisions. As far as economic theory is concerned, it is the tool that allows us to understand the economic response of men and women to the framework of the Islamic economic system and to suggest suitable policies
for transforming the "is" into the "ought", or for how to map the "ought" into the domain of Muslims' life.\textsuperscript{39}

\textsuperscript{39} M.N. Siddiqi, in "An Islamic Approach to Economics" in knowledge for What?, the Institute of Education, International Islamic University, Islamabad, 1982, pp.179-183, includes such policy recommendations as an explicit part of the definition of Islamic economics.
Section II
Methodology and Tools

13. Section I was concluded with two important points. First, if Islamic economics can be loosely used as a part of economics, it is no more than the application of economic theory to the case of the Islamic economic system. It is not a science on its own, nor does it negate the scientific nature of economics. Secondly, conventional (or western) economic theory, because of historical reasons that overloaded it with Judo-Roman presumptions and preconceptions, falls short of explaining human nature, specifically, it lacks the wisdom derived from Revelation and it carries, within its folds, propositions influenced by local value systems and ideologies. This makes it unable to account for some subsets of the global society such as the Muslim World where there exists a composite mix of values and behavioral patterns that is not in complete conformity with that which exists in the birth place of western economics.

These two conclusions determine the dual task of Islamic economists: (a) the elaboration of Islamic economic system; and (b) the revision of conventional economic theory. Ironically, there is a little difference between Islamic economists and other (conventional) economists in the profession as far as the prior, conscious or unconscious, adherence to a value system is concerned. It has become a recognized proposition that social sciences, including economics, on
one hand, and ideologies and personal and social values on the other hand, are inseparable, although few economists tend, sometimes, to hide it. Clear enough, Islamic economists, because of their ideological consciousness, are usually more explicit about ideological affiliation than their counterparts. The emphasis on “ideological” allegiance, one finds among many Islamic economists, is perhaps only a manifestation of their keenness to be explicit, although some of them seem to carry such emphasis too far to the extent of disclaiming the tools of analysis used in “conventional” economics.

In our attempt to study the Islamic methodology of economics, and how much does it differ from that of western economists, we feel that any generalization would only provide a little help if not complete confusion. Therefore, it is necessary to analyze how to approach each of the above mentioned two tasks of Islamic economists.

A. The Methodology of Elaborating the Islamic Economic System

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41 See, for example, Akram Khan, Challenges of Islamic Economics, All Pakistan Islamic Education Congress, Lahore, Pakistan, 1985, pp. 20-22.
14. An economic system includes three components: a basic philosophy or an ideology; a set of axioms, assumptions and general principles, which are derived from its ideology; and a set of operational rules that, when applied to given human and material resources, result in formulating and shaping the relationships of production, distribution, and consumption as well as the degree of economic achievement of a society. Therefore, an economic system must not lose touch with real life, the same way a legal system is required to preserve its applicability if it is to remain in existence.

Hence, the task of elaborating the Islamic economic system consists of two parts: (1) the theoretical discovery of all the components of the system and its internal coherence; and (2) the investigation of the economic validity and applicability of the system including the way variables and behaviours are affected within its framework.

15. The Islamic way of life in all its aspects is derived from the basic sources of Islam, Qur’an and Sunnah. These sources give only the broadlines of the Islamic economic system and leave many of its ingredients to be done by Muslim thinkers. Even with regards to issues mentioned in the Qur’an and the Sunnah, there is a great room for exerting efforts in order to discover the economic contents of the principles laid down by Allah and His Messenger (Pbuh).

A-1 Discovering the Islamic Economic System
16. Essentially the approach of discovering the Islamic economic system is similar to the approach of discovering the theories and general rules of fiqh. In formulating fiqh theorems and general rules, Fuqaha had to survey all the texts of the Qur'an and Sunnah.

Some of these rules and theorems may be found in the basic texts themselves. For instance, the rule “la Darara wa la Dirar  "ÔÜÜÑÑ æáÇ ÖÜÜÜÑÇÑ,” which means: “there should be no harm nor exchange of harms”, came as a saying of the Prophet (Pbuh).\(^{42}\) So is the rule “al Kharaj bi al Daman ÇâÎNCİ ÈÜÇáÖÜÜãÇ ä,” which means “return is dependent on (or related to) liability”. This rule is also a text of a saying.\(^{43}\)

Other rules are derived from grouping several texts each one of them deals only with one aspect or one case, but when all of them are put together, they reveal a tendency or make one general rule. For example, the rule “al Mashaqqah Tajlib al Taysir ÇáÜiÜÜÜÖÜÜÉ ÈÜiÜáÜ ÜÇ aÈÜiÜÖÜÜiÜÑ” which means adversity warrants alleviation is derived from several texts of the Qur’an and Sunnah.\(^{44}\)

\(^{42}\) Reported by Malik, Ibn Majah and Al Daraqutni.

\(^{43}\) Reported by al Tirmithi, Abu Dawud and al Nasa’i.

\(^{44}\) See Shaikh Mustafa al Zarqa, *al Madkhal al Fiqhi al ‘Amm*, 1st part, 2nd Vol., Syrian University Press, 1958, pp.977-978, where he quoted several of these individual texts.
Yet some other rules are based on human common sense and rationality (including tautology) such as “La Ijtihad fi Mawrid al Nass áÇ ÇİÜÊÜáÜÇ Êİ ËÜí âÜæ Ñ Ü ÇáÜäÜÜÔ”, which means there should be no effort spent to derive a shari’ah opinion when it is given by a text, or “al Tabi’ Tabi’ ÇáÜÊÜÇ ÈÜ ÈÜÇ ÈÜÜÜÜÜÜÜ”, i.e. that which follows should be treated as a follower”.

Similarly, the major premises of the Islamic economic system are derived by the same approach. Some of them are found in the Qur’an and the Sunnah such as the absence of interest (Riba) and the presence of Zakah. Some are derived from surveying several texts such as the preference of equitable income and wealth distribution, or the state’s responsibility in guaranteeing subsistence living to everybody. Yet a third kind of premises is derived from human common sense and rationality such as considering the improvement of the economic lot of people as a general objective of the Islamic economic system, and planning the government policies and decisions accordingly.

45 The Qur’an 2:275 and 278.

46 It came in 28 places in the Qur’an.

47 See, for example, the Qur’an, 59:7, verses of Zakah, and verses of inheritance, and see the sayings on issues of brotherhood and care of the poor and needy, etc.

48 See, for example, the several sayings on guaranteeing debts and dependents of the deceased, collecting and rationing food in travel with shortage of foods, guaranteeing the material needs of non-Muslim citizens, etc.
17. Moreover, it must be noticed that the *usul* methodology depends heavily on mathematical logic. The principles of analogy are only an application of the mathematical principles of equality, transitivity, addition, etc. Analogy, in its several varieties, consists of finding the similarities (and differences) between something with a known *Shari'ah* ruling, and an other thing whose ruling is to be determined; and deriving the latter’s from the former’s in accordance with these similarities (and differences). Analogy is an indispensable tool for deriving the Islamic economic system.

18. While the Usulist works with the texts of the sources of Islam, the Islamic economist, in exerting his/her effort to discovering the Islamic economic system, works in addition with texts of *Fiqh*. In other words, *Fiqh* is an indispensable source of knowledge for Islamic economists. For instance, in developing financial instruments compatible with *Shari'ah*, a deep understanding of the *Fiqhi* positions on *Mudarabah*, partnership, sale contracts, lending and *Riba* is essential.49

19. In a lump sum, the methodology of deriving the Islamic economic system from the basic sources of Islam is very similar to the methodology through which general theories and rules of *fiqh* were developed. Making utmost utilization of the texts of the *Qur’an* and *Sunnah* to draw the general “shape” or basic pillars of the Islamic

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economic system and fitting individual cases within those pillars while taking at the same time, the fiqhi heritage as a useful vehicle to understand these texts.

20. Moreover, as there is similarity between the exertion of efforts [Ijtihad ČIÜÊaÜÇ Ģ] required in the elaboration of the Islamic economic system and the Ijtihad ČIÜÊaÜÇ Ģ required to derive the Islamic fiqh system, there is also similarity in the tools of testing their applicability. Application in real life and empirical data represent a true testing ground for the validity of the Islamic economic system. They also provide a basis for a necessary feedback process in the working out of the operational rules of the system. Zakah, for instance, is based on the doctrine of justice and the inadequacy of the market system to achieve distributive justice.50 Zakah general principles are derived from the texts of the Qur’an and Sunnah. These include the main zakahable items and classification of deserving categories. Finally, Zakah operational rules, such as distinction between apparent and non-apparent types of funds, collection in kind or in cash, extent of state interference in the process of collection and distribution, etc. Most of these rules are derived by Muslim scholars through its application in real life. So that a continuous process of feedback and revision of the operational rules of the Islamic economic

50 This is expressed in the Quranic verse 36:47 “And when they are told ‘Spend ye of (the bounties) with which God has provided you,’ the unbelievers say to those who believe: ‘shall we then feed those whom, if God had so willed, He would have fed, (himself).’”

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system take place to cope with changing conditions and circumstances of the human and material resources of the Muslim society.

21. History, as a register of human experience is to the social scientists, like laboratory to physicists. The development of the economic system of Islam benefits from Islamic history in drawing many tests and lessons. Yet the historical experience must not be allowed to dominate the shaping of the system because the latter is supposed to fit different conditions and levels of socio-economic composites than those of the past.

Additionally, historical experience influences the elaboration of the Islamic economic system in another way by helping understanding its premises and postulates. The Qur’an and Sunnah have several references to economic relationships in whose understanding a great help can be derived from the historical experience, past and present. For instance, there are statements in the Qur’an and Sunnah whose understanding requires certain historical and/or statistical information. The Qur’an says “God will make Riba perish and will increase Sadaqat” 51 “And nothing do ye spend (in his cause) but he replaces it æ âÜÇ À aÚÝÜpÜÊüä äää ÕÜüí Ä ÝÜüæ iÜÍÜáÝÝä” 52 The Prophet (Pbuh) also says “No wealth decreases as a result of sadaqah

51 The Qur’an 2:276.
52 Ibid., 34:39.
Zakah is never mingled with a wealth without adulterating it and “(due but not paid) and *(due but not paid)*. These texts, and many others, can be interpreted metaphysically, i.e., whatever relationships they mention refer to the hereafter or according to the judgement of God. If they ever have any relations to this world, as suggested by their very wording, understanding such relations can only depend on the empirical experience of people and societies.

This degree of empiricism (if one may use the term only loosely) does not only apply to such relationships as mentioned in these texts but also to the institutional and ethical components of the Islamic economic system. Take for example, the assertion of some Islamic economists that the belief in the Day of Judgement and eternity of happiness in Heavens, or misery in Hell, affects the economic rationality of Muslims by extending their time horizon. This assertion, which relates to the internalized ethics of the economic agents, can be tested empirically by assigning quantitative values to the strength of faith in the life after death.

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53 Reported by al Thirmithi.

54 Reported by *al Bazzar, al Baihaqi* and others.


56 Quantifying qualitative characteristics is a *Qur’anic* practice. It comes many times with regards to pleasures of heavens and punishments of Hell, but an impressive example about this world is found in 8:65-66,
B. The Islamic Methodology of Economics

The second task of Islamic economists is to revise the discipline of economics in order to identify and isolate biased postulates, i.e., those loaded with the dogmatic, doctrinal and/or moral view points of the professionals and their milieu.\(^{57}\)

22. In spite of the universality of economic laws, discovering them is a process that is affected by the ideas and values of the researchers and by the prevailing social attitudes and moral ethics of the social units whose behaviour is observed by the discipline professionals. One must add that identifying and isolating the effects of these value-loaded is not, at all, an easy task in all social sciences, not only

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\(^{57}\) An obvious example of such postulates is the sole economic motive (homo economusc) which is responsible for the exclusion from the domain of economics of a good deal of human economic decisions. Another is the predominant role assigned to interest in the allocation of resources. This had to wait until the modern literature on Islamic banking in order to start to be shaken. Another example is the exaggerated role of market, in the classical theory, as a sole allocator of resources and distributor of income. This has already been challenged by many Western economists.
economics because of the very nature of the social phenomenon and its characteristics in comparison with physical phenomenae. In the economic postulates, values and ideas intermingle with the objective observation to an extent that many of the givings of this discipline are interwoven of normative and positive statements.

Take, for instance, the measurement of national income and the objective function of utility. In national income several items are not included although they affect the individual and aggregate welfare of a nation, such as housewives work, output of preachers in Mosques and other places of worship, the value of learning acquired by students, affluence of smiles in interpersonal relations, etc. The exclusion of such valuable elements from national income, although they affect welfare, is an obvious result of a value-oriented presumption about each of these items. The utility function includes the amount of goods and services consumed by a consumer, but only by a value-biased presumption that the consumer theory does not include goods and services consumed by one’s own children. One can hardly argue that the welfare of the consumer does not improve by an increase in the consumption of the consumer’s own children. In an Islamic society, one may strongly argue that the consumer’s welfare is also influenced by the consumer’s parents and neighbors, as stated in

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58 The Prophet is reported to have said “your smile, when you face your brother, is a sadaqah”.

59 Refer, as an example, to the saying of ‘A’ishah that she gave a begger one date and the latter, instead of eating it, divided it in two halves and gave them to her own daughters.
many sayings of the Prophet (Pbuh) and as observed in contemporary Muslim societies.  

However, the complexity of the task of purifying economics from value judgements derived from the ideas, beliefs and values of the researchers and their environment may allow us to resign to accepting making such presumptions explicit rather than hoping to removing them all together.

23. The other part of the Islamic economists’ task, i.e., the incorporation in economics of positive postulates derived from Shari’ah, is not a task easier nor simpler than the first.

Muslims believe in God as the most knowing and Most merciful to all His servants, and whatever He sent down in term of His Divine Message is to the best of Mankind. This is one of the basic implications of the Islamic faith, but it does not represent a common ground with non-Muslims and in the positive part of economics, i.e., when we do not talk about the Islamic economic system and its application, we are required to take from the Shari’ah those ideas that are faith-neutral because only these have the nature of universal economic laws whose existence is a sin-qua-non of economics.  

60 For more examples, see, M.A. Zarqa, “Methodology of Islamic Economics” in Monzer Kahf, ed., Lessons in Islamic Economics, forthcoming, IRTI, Jeddah.

61 Zarqa asserts that the Shari’ah points out to the existence of universal laws not only in economics, but in all social sciences; he adds that the existence of such universal laws
The Qur’an and the Sunnah have several “positive” statements about the economic behaviour of human beings such as “Truly human was created very impatient; fretful when evil touches him, and niggardly when good (or prosperity) reaches him”; (70:19-21) “Human souls are swayed by greed”; (4:128); “He (Human) was indeed unjust and ignorant”; “Ornamented in the eyes of people is the love of lust from women, sons and heaped up hoards of gold and silver ...” (3:14); etc. These and similar Revelation-based positive statements need to be interwoven with human observations, explanation and rationalization in order to formulate the laws of economics.

24. In performing the tasks of Takhliyah (taking out the incorrect) and Tahliyah (adding in the good), a clear distinction between premises and tools is also necessary. Islamic economists have little dispute with conventional economics as far as the tools of analysis are concerned. The essentials of mathematical logics and empiricism are common tools for all economists, Islamic and western alike, keeping in mind that the process of correcting the discipline would entail some shifting of emphasis and sometimes a different formulation of certain questions, but such a modification in the tools of analysis is a natural represents the “basic logic” for sending one religion to guide all human beings and societies until the Last Day. See: M.A. Zarqa, ibid.
and continuous process of economics and does not justify a claim of a different and “distinct” methodology.

25. This may be to the disliking of some Islamic economists, who prefer to present their subject-matter with a clear-cut independence from conventional economics. In so doing, such economists developed a tendency to reject many instruments of economic analysis out of the desire to be distinct. This may be caused, at least partially, by their confusing of axioms with methodology. For instance, the maximization mechanism is a mathematical tool independent of the function which is maximized. A completely materialist person with no consideration of ethics and morals would only maximize his/her material benefits. If such a person had to consider certain social ethics, he/she would maximize the same subject to constraints implied by the ethics he/she believes in. A Muslim who internalizes faith in Accountability on the Day of Judgement and the Divine reward or punishment attached to his/her economic decisions, and who acts within a milieu of Islamic social and legal institutions, would maximize a composite function that is derived from this kind of beliefs. All these three types of economic agents may still use the same mathematical tool of maximization. Therefore, the rejection or

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62 Although many economists today argue that it is difficult to describe people as profit (or utility) maximizers and that fairness, and manners affect human behaviour in addition to utility. See, Colin Camerer and Richard H. Thaler “Anomalies; Altimatumts, Dictators and Manners” in Journal of Economic Perspectives, V.9, No.2, Spring 1995, pp.209-219.
modifications of the objective function a materialist person maximizes does not warrant dissatisfaction with the tool of analysis he/she uses.

To throw more light on this commonness of tools, let us take an example from the Qur’an. Since Qur’an was revealed in Arabic, Usulists (scholars of rules of derivation of Shari’ah positions and opinions) say that Qur’anic words must be understood in accordance with their meaning in Arabic language. The meaning of the Qur’anic terms iÉäÜÇ ŸÜÜÜÜÜÜÜ and ÇaÜaÉäÜÇ ŸÔêÔa63 should be understood in accordance with the Arabic language. These two words, thus, mean: to compete and competitors respectively. The concept of competition used in the Qur’an with regards to the Hereafter pleasures is the same Arabic concept used by the Arabs, fourteen centuries ago, when they used to compete with each other in trade and other worldly matters, i.e., the tool (concept of competition) is independent of the objective, which is what people compete each other for. By the same token, unless proven incompatible, an IS-LM model, for example, can be used to analyze certain effects of Zakah in an Islamic society, though it is a tool invented by non-Muslim economists.

26. In their efforts to cleanse economics from partial value-loaded judgments incorporated by western economists and to enrich it with value-free axioms derived from revelation as a major source of human

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63 The Qur’an, 83:26.
knowledge, Islamic economists may have to redefine and refine as well a few fundamental concepts of economic theory, but they do not need to negate its inductive methodology and tools of analysis on any ideological ground.

27. Lastly, it is important to note that the methodological controversy in economic theory is not yet over. Hence, Islamic economists who, rightly, reject homoeconomus models, do not stand alone in this regards, as many conventional economists are already dejected with such models. This means that the rigidity of the neoclassical theorists is no more popular among the conventional economists themselves. It has become established in the economic profession that economics, as a social science, cannot be separated from other branches of social studies nor from the ideology and values of its professionals. Thus it is suggested that there should always be a degree of ideological influence that may be tolerated and accounted for by readers and theoreticians. It has also become established that any one-sided approach can only observe one part of the show. The
call for a holistic approach to economics came from western quarters long time before Islamic economists started talking about it. The

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64 Because this comes from God, the Most Knowledgeable, it must provide better and more comprehensive explanation of human behaviour than economists’ value-neutral postulates.


Islamic economists’ claim over the holistic approach to economics doesn’t seem as original as we once thought.67

67 Akram Khan, Challenges of Islamic Economics, Op.cit., pp.20-23. The same call was voiced by Myrdal many years earlier, Myrdal, Gumar, op.cit., Even J.S. Mill, the so called inventor of “homo economicus” never thought of a “homo economicus” separable from non-economic motives and objectives. See: Persky, Joseph; “The Ethology of Homo economicus” JEP, V.9, No.2, Spring 1995.
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