

## Theorizing Islamic Economics: Search for a Framework for Islamic Economic Analysis

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**Abstract.** The paper aims at explaining the need for a starting point for developing an Islamic theory of economics. The paper emphasizes that what is needed is not a ‘theory of Islamic economics’ but an ‘Islamic theory of economics’. It is not merely semantics. The paper explains what difference it makes in theorizing Islamic economics. The point emphasized in the paper is that it is the lack of strategic vision that is responsible for not reaching where we want to be. The paper describes various positions of Islamic economists and suggests that it is time we select one of them as the destination. The paper then goes into identifying a more realistic framework which can provide a basis for deriving principles of Islamic economic analysis. The paper suggests divorcing the framework derived from mathematics and physics (not linked to human social behavior in any aspect) and marrying it with biology and physiology - sciences dealing with study of life (unlike physics that studies life-less bodies). The paper discusses what difference it would make to use the framework borrowed from biology and physiology in analyzing human economic behavior.

### 1. Introduction

The phrase ‘Theorizing Islamic Economics’, to me, means *developing an Islamic theory of economics*. Dissatisfied with the conventional economics and its limitations to address economic problems of today, there is need to have a more realistic generic theory of economics capable of explaining economic behavior of any society given the socio-economic and institutional parameters of that society.

We as Islamic economists thus need to do two things. First, develop our own theory of economics. This will be ‘Our’<sup>(1)</sup> theory (inspired, of course, by the divine knowledge) to explain positive economic behavior

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(1) In this paper, wherever “Our” is used with a capital ‘O’, it has special meaning. It refers to Muslims’ approach imbued by divine knowledge about human nature.

of man, without making any reference to religion. Second, once we have Our theory of economics, we then use the parameters given in the socio-economic teachings of Islam to make it *Islamic theory of economics*. That theory would mean an Islamic approach to understand, analyze, and theorize economic behavior of human beings<sup>(2)</sup>. It is therefore appropriate that theorizing Islamic economics must pass through following stages:

1. Understanding the reasons why conventional theory is not relevant to make Islamic analysis of economic behavior;
2. Developing our own approach to understand economic behavior in general;
3. Identifying Islamic parameters for economic behavior and incorporating them in our approach to understand economic behavior.

A lot of work has been done by Islamic economists regarding the first stage. Even non-Muslim scholars on various grounds have profoundly criticized conventional economics. I will not repeat all that here. I go to the next stage, which is “developing our own framework of economic analysis to understand the economic behavior of human beings”.

## **2. Need for Our Framework for Economic Analysis**

Most of the scholars writing on Islamic economics confined their search of Islamic economics within the framework of neo-classical economics – a framework that is being increasingly recognized, by conventional economists themselves, to be inadequate to explain the economic behavior of man. Still, the Islamic economic scholars did not like to look in any other direction.

There are several aspects of economic behavior, which are not considered in economics but we, as Islamic economists are obliged to include them in our analysis. They are not normative aspects. Instead they are positive aspects describing human nature<sup>(3)</sup>. Core Islamic

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(2) This is different from theory of Islamic economics. Theory of Islamic economics means conventional approach to understand, analyze and theorize economic behavior of those who practice teachings relating to Islamic economic behavior.

(3) For example, the Qurān says “man has been created *halū ‘ā* (هلوعا), meaning impatient and greedy. (70:19). This is a divine declaration about nature of man. We need to understand what *halū ‘ā* means to analyze human economic behavior. Mere translation will not help. Translations of the word differ.

concepts related to microeconomic behavior like *isrāf* and *tabdhīr*, etc., have rarely been the subject of economic analysis. Research is needed to delineate the evolutionary and dynamic nature of these concepts, something often lost in the dense fog of old *fiqh* rules (that are full of diversity and differences) and in the zeal to apply mathematical formulas and manipulations.

Growing dissatisfaction with conventional economics requires us to discover an alternative framework of analysis so that we do not construct the edifice of Islamic economics on wrong foundations. This alternative framework has to be such that it can accommodate revealed knowledge about human nature and behavior. It has to be a framework which is universal in application and realistic in making assumptions and axioms. If we agree on this, then the question is where and how we find such a framework. Before we delineate Our framework, let us identify certain features of human behavior that would make Our framework different from conventional framework.

### 3. Desired Features for Our Analytical Framework

To keep the discussion simple, I identify two key features that I would like to see in Our framework:

1. **Balancing** (rather than optimizing) as a key element in human decision making in all activities;
2. **Needs fulfillment** (rather than satisfaction of wants) as the main focus of economic activities.

These two elements are positive elements of human behavior and both are directly derivable from Qurānic teachings.

Let me briefly explain these two elements

#### 3.1 “Balancing” as a Key Element in Human Decision-Making

Our framework of analysis needs to recognize ‘balance’ as a key element in human activities including economic decision-making. This will be the counterpart of the concept of maximization, optimization, minimization, etc., which are the key elements that conventional economic analysis recognizes for explaining the behavior of economic agents. Economic agents, in Islamic worldview are supposed to maintain a balance in their activities not only in economic activities but all activities, including all aspects of social life. There has to be a balance

between pursuing individual interest and interests of society. There has to be a balance in spending to meet one's own needs and the needs of others and balance in allocating time and resources to meet various needs.

The significance of the concept of balance in Islamic worldview can hardly be over-emphasized in the light of Qurānic view of this world and human life therein. In this regard, the following statements from the Qurān are worth noting:

“And the heaven He has raised high, and He has set up the Balance, in order that you may not transgress (due) balance; And observe the weight with equity and do not make the balance deficient” (55:7-9).

“And the earth We spread out, and placed therein firm mountains, and caused to grow therein all kinds of things in due proportion. And We have provided therein means of living, for you and for those whom you provide not [moving (living) creatures, cattle, beasts, and other animals, etc.]; And there is not a thing, but with Us are the stores thereof. And We send it not down except in a known measure.” (15: 19-21)

The servants of Al-Rehman (the Lord) are those:

“And those, who, when they spend, are neither extravagant nor niggardly, but hold a medium (way) between those (extremes).” (25:67)

There are specific Islamic teachings with respect to keeping a balance in spending time and resources in the conduct of worldly affairs and in spending time and resources in worships and discharging religious duties; keeping balance in time and resources to be allocated for family and time and resources to be allocated to other affairs; keeping balance in spending time and resources in the religious works and in time and resources for taking care of oneself and one's family; keeping a balance in economic life and social life, etc.

These references from Islamic teachings though may give an impression that ‘balance’ is a normative concept, yet it is not difficult to visualize and argue that the concept, in fact, is in the nature of man. Man generally, likes to seek balance in his activities to achieve objectives in different dimension of his life. Maintaining balance is a positive attitude rather than normative. It can be observed in human behavior in all cultures and it is the imbalance in human behavior that explains rise and fall of nations.

Human beings, for example, stop certain activities like eating, drinking or recreation while there is capacity to continue to enjoy more. The break is necessary as there are other needs like education or health or home improvement to be met. As against this, there will be instinct of seeking power, seeking and adopting hedonistic behavior, which may run counter to the balancing instinct. Which instinct will normally prevail? Civil life and social life requires balancing instinct to prevail. Civil and social rules of life would want to put some limits on the hedonistic instincts because that is likely to create imbalance in the society and disturb peace and harmony in the society.

There are several positive aspects of life on earth that point to the fact that balancing is the only course of action for man in the pursuit of various objectives of his social life. In theorizing economic behavior and developing a framework for the analysis of economic behavior, we can see the important role of balancing attitude in economic life of individuals and society. This role is further discussed in the context of following dimension of economic activities of man. Balancing makes as an element in decision making rather than maximization (of utility or profit), which is more relevant for hedonistic behavior not encouraged, rather discouraged by Islam. Balancing actually permeates in all human behavior and all human activities. It is not an animal instinctive drive for human activities as utility is. It is recognized that man is designed to modify his animal instinctive desires and drives to the ones that would facilitate his living in a social environment. Sociologists refer to self-discipline and self-control as prominent features distinguishing human beings from lower order animals. Self-discipline is considered the measuring stick of being 'human' in the sense that more disciplined behavior an individual displays the more human he becomes and the less disciplined behavior an individual displays the more he becomes like lower order animals that are lacking in reason and social responsibility and are driven merely by instinctive desires. For any civilized society that requires certain amount of self-discipline and self-control from its members, the "balancing" is the most important element underlying decision making process of man with respect to the allocation of resources and time at his disposal. As reason and instincts may often conflict, some rules will always be operating in the society, voluntarily or involuntarily, explicitly or implicitly, written or unwritten, to ensure self-control and self-discipline to maintain the desired balance in individual's

personal life as well as in his social life. These rules whether designed by the society through some political process or received as part of divine guidance (most of them in fact already built in the nature of man) do not negate the fact that balancing by and large is part of the way of human life in a civilized society. Incorporating balance (determined by reason and sense of social responsibility) instead of maximization (of such instinctive drives as utility or profit) would make a framework for analysis of social life in general and economic life in particular more realistic and objective.

If we succeed in developing a general framework of economic analysis based on balancing, we can use it to analyze the economic behavior based on hedonistic instincts. Hedonistic instinct is also a reality, which cannot be ignored. The lust for satisfaction and power (leading to seeking maximization of utility and profit) is an instinctive reality. The Qurān explains that too.

“Beautified for people is the love of things they covet; women, children, much of gold and silver (wealth), branded beautiful horses, cattle and well-tilled land. This is the pleasure of the present world’s life; but Allah has the best return (Paradise with flowing rivers, etc.) with Him.” (3:14)

But all civilized societies put some restraint on the pursuit of this lust. Besides some legal restrictions, a large part of constraint comes from the morals and ethics that a society agrees to adopt and abide by. These morals and ethics requiring self-discipline and social control aim at ensuring a balance and harmony in the society so that unrestricted pursuit of this lust does not put aside the goals that a society wishes to achieve, such as social harmony, peace, development etc., and also that individual does not lose track of self-development. The Qurān teaches this in the verse next to the above-mentioned verse.

“Say: Shall I tell you what is far better than that? For those who fear (Allah), there are gardens with their Lord, beneath which rivers flow, where they shall live forever, with purified spouses, and approval from Allah. Allah is watchful over His servants.” (3:15)

Lust for satisfaction of instinctive desires (and hence pursuit of maximization of utility and profit) is always there in human beings. It is the society and its institutional framework that ensures that lust does not go out of balance. Economics as a science should be concerned with the

study of the behavior of economic agents in achieving balance in the pursuit of its economic goals (setting the economic goals itself being a part of the exercise of self-control and self-discipline and balance with other goals of social life). The conventional economics chose only to study the pursuit of lust and that was the reason it was criticized and Alfred Marshal had to define Economics as concerned with human welfare<sup>(4)</sup>. But subject matter of economics continued to remain how to explain the pursuit of lust for maximization of utility and profit. Since welfare is a multidimensional concept covering all aspects of human life, the pursuit of welfare then would require that “balancing” be maintained in all dimensions. Economics, thus, would be a science concerned with human welfare if the balance in above sense were its subject matter.

Making the above-mentioned balance a subject matter of economic analysis is not the denial of the reality of lust for satisfaction. There would always be a limit within which pursuit of lust would not conflict with the concept of balance required by reason and by social norms. To that extent conventional economics will remain valid. But to that extent the economics will be similar to the economics of lower order animals. Economics for human beings and society will start only when the issue of balancing becomes relevant.

Some hints for building Our framework for economic analysis can be found in the work of Shatibi who elaborated on the objectives of Sharī‘ah (Islamic Law). The objective of Sharī‘ah has been identified as well-being of mankind. Nobody will dispute it as a positive (rather than normative) objective of life of man on earth as Alfred Marshal, responding to the criticism on the science of economics to be a subject dealing with materialism, related economics to the study of well-being of man and his notion of welfare economics still lies in the background of recent developments on welfare economics. The difference between the notion of Marshallian well-being and welfare and that of Ghazali and Shatibi lies in the assumption relating to the phenomenon that leads to well-being. Alfred Marshall relates well-being to the satisfaction of instinctive desires whereas Shatibi realizes that in a social framework with any degree of civilization, instinctive desires have to be modified to

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(4) Alfred Marshall in his 1890 book *Principles of Economics* wrote, “Political Economy or Economics is a study of mankind in the ordinary business of Life; it examines the part of the individual and social action which is most closely connected with the attainment and with the use of material requisites of well-being.”

improve well-being. This modification of instinctive desires leads to identifying the 'needs' that will contribute to improving man's welfare. Both concepts identify positive aspect of human behavior towards seeking well-being. But former refers to well-being in a framework where self-discipline, social control and reason play no role in influencing human beings to modify the instinctive desires. The later, however, refers to well-being in a framework where reason and social discipline influence human beings to seek fulfillment of needs.

We are gone far ahead of Robinson-Crusoe economy where banana and fish are the only needs of the society as well as individuals. The first relevant question when Friday joins them is what should Friday produce and how much. They will naturally like to discuss together how much banana and fish to produce to meet the banana and fish needs for all three. Robinson Crusoe should ask Friday whether he would like to produce some more banana or some more fish or something else that he as well as Robinson and Crusoe can share. If Friday says that he likes counting stars and that is what he will do for them in exchange of banana and fish, this will not work. Need would be the basis for choice. Shatibi further educated us that all needs are not equal. Some needs are essential, some are complimentary and some are amelioratory. They further added that essential needs have preference over complimentary needs and complimentary needs have preference over amelioratory needs.

Furthermore the conventional economics approach assumes that individuals maximize their happiness in terms of the satisfaction of instinctive desires and at collective level only the total sum of happiness is what matters. On the other hand Our approach focuses on needs aiming at improving human well-being in relation to the overall objectives of life, the achievement of which is committed at individual level as well as at collective level.

### **3.2 Need Fulfillment**

Pursuing wants and instinctive desires for maximization of satisfaction is like playing a gamble with the fulfillment of needs that signify well-being. The uncertainty may fall on needs more than on wants/desires. The only way to avoid such a gamble to put present survival or future needs at risk is to spend according to priority of needs. This in turn would require maintaining a balance in spending so that needs-fulfillment does not lag behind due to uncertainty.

Justice as another face of balance is also a positive instinct. Human nature wants justice to prevail. Society collectively takes care of this human instinct. There is an inner desire in human beings to see justice done in all activities in a social life. While justice may at occasions hurt, but as a part of civil society, one knows that by and large prevalence of justice will be in individual's own advantage. In general, individuals in a society would have an urge to have justice in the society and some formal or informal institutions will always exist in a society to ensure justice to everyone.

“We have always known that heedless self-interest was bad morals; we know now that it is bad economics”<sup>(5)</sup>.

It may seem that distinguishing needs from wants is merely semantic. But, in fact, the distinction is as real as the distinction between instinct and reason is. Wants result from instinctive desires. But human beings in a social set up are not expected to jump immediately to want something that will satisfy the desire. Human beings imbued by certain value system evaluate and classify their instinctive desires into:

- (a) Wants (to give him personal satisfaction) and
- (b) Needs that will contribute to the objective of his life (well-being)

These are needs that qualify to be fulfilled on priority. Wants may appear at bottom in the priority list or will lie below the line to wait for circumstances that would qualify them also as needs to be fulfilled. This aspect of human behavior is of primary concern to the policy makers and the lawmakers regulating the economy and leading it to growth and development.

The impression of semantic difference between the two approaches may be due to the effect that a substantial part of needs may also be wants and a considerable part of human behavior may be explained within either of the two approaches (conventional approach or Our approach). But that part where the two approaches will not produce same result is what may matter for almost all societies. Substantial difference in the two approaches can be summarized by pointing out that former approach will not distinguish between welfare as pursued by lower order animals and the social animal having a higher status because of its power

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(5) Franklin Delano Roosevelt, Second Inaugural Address, January 20, 1937.

to reason. The later approach focuses specifically on welfare of the higher order animal called social animal or human being. The later approach provides us essential elements for Our framework of economic analysis which will not only make the analysis more realistic but will also broaden the scope of economics to address issues which currently remain outside the main stream economics. (Some concepts relating to these elements need further elaboration particularly with reference to their divergence with the approach of conventional economics and will be discussed in more detail later in the paper.

A detailed discussion on this issue is ignored for the time being <sup>(6)</sup>. The point here is only that needs being substantially different from wants in their implication for well-being. Concepts of utility, desires and happiness/ satisfaction as used in the conventional economic analysis may not lose all their relevance. They may still be relevant for discussion and understanding their existence in the human behavior. For example, once a choice has been made to allocate certain amount of resources on the purchase of fruits to meet certain health needs, the choice of which specific fruit, from a list of substitutes, to be selected to fulfill this need can be analyzed in the framework of conventional economics. Since more than one type of fruits may fulfill same specific need, the choice will then depend on utility which will be related to one's happiness as implied in the concept of utility. Such use of conventional framework of economic analysis, however, may be only secondary and very limited.

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(6) A comment was made mentioning that my paper did not give reference to the works of **Chapra, Siddiqi, Abdul Mannan** and **Munawar Iqbal** when discussing concept of need for its role in Our framework. I apologize for that. But the point is that these are not the only scholars mentioning the concept of need. I did not intend to give survey of literature on all concepts used in this paper. That would have deviated readers' attention and risked the dilution of the actual theme of this paper. None of these scholars discussed the role of need to make it a basis to develop the theme that is the focus of this paper. Otherwise there is no dispute that need has significant bearing on any effort of theorizing Islamic economics. This is a concept that does not need any reference just like want or utility or desire does not need a reference when writing on conventional framework of economic analysis. It goes without saying that if there is any reference where an author analyzed concept of 'need' in the context in which I have used it, I will acknowledge it as soon as I come across it. However, I have expanded the bibliography at the end of the paper referring to the work of the scholars mentioned in the comment. For example compare the contents of this section with the section on Needs in **Siddiqi** (2005). The comparison will not add anything to the contents of this paper except an extra page of discussion not relevant here.

#### **4. Where and How to Find Our Framework of Economic Analysis**

Keeping in view these two elements, balancing and need fulfilling, in the economic behavior of man we then come to the question where or how we find Our framework that can take care of these two elements. The conventional framework of economic analysis benefitted from science of physics and heavily depended on tools borrowed from mathematics. Why the science of physics has been relied upon to develop their framework of economic analysis? Inspired by the scientific methods of natural sciences, economists probably were attracted to use similar methods to make economics as precise a science as physics, forgetting that economics studies human behavior, not lifeless objects. The scientific methods similar to that of physics, though, succeeded in getting economics a higher status among other social sciences, yet in the process it lost track of reality. It failed to cover several economic problems that science of economics was expected to address. Many economists are critical of depending on physics and mathematics to adopt a framework for economic analysis<sup>(7)</sup>.

If physics and mathematics do not provide good analytical foundations then what other science can provide a more relevant basis for Our analytical framework and later on for Islamic economics? Making a quick review of other natural sciences, such as, biology, which is a science dealing with study of life deserves attention of economists. Unlike physics, a science studying lifeless bodies, biology seems more relevant as it deals with life that generates behavior and economics studies a particular behavior in human life. The relevance of biology for economic analysis stems from the fact that biology is concerned with characteristics, classification and behavior of organisms. It studies how they react with each other and with changes in natural environment<sup>(8)</sup>.

Biology is pre-requisite for medical science that deals with the health of human body. Biology is a framework for analyzing living bodies in order to help identifying diseases and malfunctioning in a living body. In the context of economy, we often use the term “economic health of country/society/ community”. If the framework of economic analysis is designed on the pattern of biology, it will be more relevant with respect to identifying economic problems of a society and how to treat them.

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(7) These economic thoughts of economists are pooled under the title “Heterogeneous Economics”.

(8) This also includes study of changes in organism over generations.

Social sciences including science of economics, while trying to understand human behavior, explicitly or implicitly aim at defining social problems, understanding how they occur, and how they can be treated. In the context of economics, problems are defined at macro level. Most of these macro problems exist because of the problems at micro level. The framework borrowed from science of physics does not allow identifying macroeconomic problems. The macro economic problems, like poverty, economic development, intra and intergeneration equity etc., therefore, have to be discussed without reference to their linkages in the economic behavior at individual economic agent's level. Malfunctioning at macro level cannot be independent of malfunctioning at micro level. Economic agents must be suffering from certain imbalances that reflect ill health of an economy at macro level.

We find in biology a framework called Anatomy and Physiology (A&P). This framework divides the human body into different organs. These organs are dissected for the purpose of analyzing their nature and understanding their system. This is called gross anatomy. A microscopic study of very small structures (cells and tissues) within an organ is microscopic anatomy. Anatomy also analyses organ system, which is a group of organs that cooperate to accomplish a common purpose (such as digestive system which is composed of several organs such as stomach, small and large intestine). Various organ systems together make up a living body. Anatomy is a general term referring to all living organisms. Our interest is only in human anatomy, which is a science that studies the structure of human body and its relation to functions in the human body. The anatomy is done in several perspectives. Besides gross anatomy and microscopic anatomy, there are regional anatomies (studying structure by body region), systemic anatomy (studying structure by biological system) etc.

We can visualize a certain organ system (like digestive system) as a system of economic behavior which is integrated with other systems (like ethical system, family and social interrelationship, system of legal obligations etc.) in the overall human behavior in the society. Macroeconomics can be seen as a counterpart of gross anatomy of an organ and micro economics as counter part of microscopic anatomy within an organ.

Physiology is a study of the functioning of living organisms or their parts (like tissues or cells within the organisms). It is different from anatomy, which only describes the organisms and their constituent tissues or cells. Physiological processes are dynamic. Cells change their function in response to changes in the composition of their local environment. Many physiological reactions are aimed at preserving a steady physical and chemical internal environment. This is referred to as *homeostasis*. Homeostasis refers to the ability or tendency of an organism or cell to maintain internal equilibrium by adjusting its physiological processes. It is a balanced internal environment of a living body and the automatic tendency of a family system to maintain internal stability to resist change caused by external variation. The most commonly known examples are temperature and blood pressure of the body, which remain nearly constant or tend to remain constant despite changes in organism's activity level or in organism's surrounding conditions and environment. There are self-regulating processes in living bodies to maintain homeostasis. Living bodies have built-in tendencies or self-regulating processes that seek and maintain a condition of balance or equilibrium within its internal environment, even when faced with external changes. (Many ecological, biological and social systems are essential to be homeostatic)<sup>(9)</sup>.

It will also be instructive to note that structure of a living organism has different levels, like atoms, cells, tissues and organs. At organ level various functions are performed, and sometimes these functions are very complex. A group of organs together make organ systems that cooperate to accomplish a common purpose. Each organ has a different structure suited to perform its function. For example, digestive system includes organs like esophagus, stomach, small intestine, large intestine. Each of these organs has its own job to do. They all work together to keep food moving through the digestive system, breaking it down properly to absorb it into the blood, providing food for body's cells. Different organ systems together make up an organism. A&P counts eleven organs that make an organism that we know as human body. Different organ systems of a living organism do not work in isolation. Instead, they work together

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(9) In sociology and psychology we may find stress homeostasis referring to the tendency of the individual or population on the whole to stay at a certain level of stress, often generating artificial stress if natural level of stress is not enough.

to promote well-being of the entire body<sup>(10)</sup>. This is the central theme of A&P, which provides a framework for the science of biology.

The terminology of A&P and biology can easily be translated into the terminology of microeconomics, macroeconomics and economy. The terms like survival needs, homeostasis, homeostatic control mechanism, homeostatic imbalance are some examples. We can learn a lot from biology and A&P how to maintain homeostasis, how to develop homeostatic control mechanism and how to treat homeostatic imbalances.

#### **4.1 Lessons from A&P for Developing Our Framework of Economic Analysis**

Following A&P framework, we can visualize the society as a living organism consisting of different organ systems such as social system, legal system, moral system, economic system, religious system etc. These systems are integrated into each other to accomplish a common purpose reflecting the worldview of society. Each organ of the society has a different function to perform that will complement the functions of other systems in achieving the common purpose of the society. Each of the system has its own structure to carry out the function it performs. Economic system for example has consumer, producer/firm, market etc. They all work together to create wealth and allow it to be properly distributed and absorbed in the society in order to meet the needs of individuals (as digestive system digests and absorbs food into blood to nourish the cells of the body). All systems, including the economic system, work together for well-being of the individuals in the society as well as of the society as a whole. If this parallel description is correct then obviously we can develop a framework like that of A&P to understand behavior of economic agents (as household, firms, government) in the society.

If we follow A&P approach, will it be consistent with what we want the framework of economic analysis to accomplish? I list below nine features in a framework based on biology and A&P to allow us to better understand economic behavior of man and hence develop science of economics, which is more relevant and more realistic.

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(10) **Elaine N. Marieb**, *Essentials of Anatomy and Physiology* ([www.mybookeez.org/essentials-of-anatomy-and-physiology-9e-marieb](http://www.mybookeez.org/essentials-of-anatomy-and-physiology-9e-marieb)).

(1) **A&P analyzes structure and function** of each organ system independently while still recognizing its linkages with other systems and overall well-being of the entire body. This is an approach that needs to be adopted in the analysis of economic behavior which will not only allow better understanding of economic behavior but will also make inter-cultural comparison of economic behavior possible.

(2) A&P tells us that the study of human body as **a living organism must understand its needs to strive and thrive**. The study has a focus on the well-being of the body. Economics also needs to do this as a study of economic behavior of human being. Following A&P approach in developing our framework of economic analysis, we may have a science of economics more relevant and more realistic.

(3) **The concept of homeostasis** as used in A&P must lead economists to think that there may be a balanced equilibrium in human behavior similar to balanced equilibrium in the human body. Economists should be more interested in discovering the homeostasis in economic behavior as well as in the economy rather than confining to discussing equilibrium in the form of Keynesian cross or market supply-demand cross.

(4) **A&P observes how fragile the life is and how it survives and thrives in uncertain environment. How the body responds to maintain balance when random changes occur in environment.** Life is more fragile than economic behavior and economy, and the uncertainties faced by life are more intense than those faced by economic behavior and economy. We can get several lessons from A&P, how to take care of uncertainty in our economic analysis.

(5) **A&P defines diseases as homeostatic imbalances**, the inability of the body to maintain balance. The same approach can be taken in study of economics as well. If that is possible we can then relate these imbalances to the economic problems at macro level and find, in several instances, their solution in the correction of imbalances in the individual economic behavior where homeostasis failed to be achieved.

(6) **A&P identifies nature of signals that are used by nervous and endocrine systems to accomplish homeostatic equilibrium.** It will be equally beneficial for economists to define economic “receptors”, economic “control sectors”, and economic “effectors” that can serve as

nervous and endocrine systems to establish homeostatic equilibrium in the economy. Defining these systems that are available in the economy as a whole and those that are available within the individual economic behavior in the society can help the managers of the economy to continuously monitor the strength of homeostatic control mechanism to watch for any potential threats for the homeostasis at economy level.

(7) If it is possible for the framework of economic analysis to achieve what has been mentioned in points (4) to (6) above then a **system of early warning signals for any potentially growing imbalance** can be put in place so that corrective measures can be introduced at individual level or at institutional level to avert a potential crisis in the economy.

(8) A&P analyzes for each organ system its structure and functions. **This framework of analysis makes it comparable from individual to individual.** There are fixed set of criteria on which organ systems of all individuals are evaluated. Individual economic behavior, as discussed earlier, is similar to an organ system. It should be possible to develop criteria to evaluate the individual economic behavior in relation to the objective of life which is supposed to be same for all individuals in a society sharing same world view.

(9) If a framework can be developed to take care of the elements mentioned above, then as an example, **the analysis will lead to concluding what type of institutions need to be developed**, set of institutions to form a homeostatic control mechanism, comparable to receptors, control centers and effectors that are found in the human body.

## **4.2 Outline of a Framework of Economic Analysis Based on A&P Approach**

To develop a complete framework of economic analysis based on a new approach will be a time consuming task. In the light of above description, anyone interested in science of economics, I believe, cannot resist the inspiration to develop a framework of economic analysis similar to that of A&P, in order to get a better understanding of individual economic behavior and functioning of economy.

At this stage we can discuss an outline of Our framework

## **Survival Needs**

Growth in human body is built-in if it survives. So is the economy. Growth is inevitable if it can sustain itself. The prime focus of economic analysis should be survival needs. Economics should be concerned with human beings meeting their survival needs and what makes them succeed or fail to survive. It can hardly be over-emphasized that this is an economic problem for many countries and communities in the world. Conventional economics does not specifically study this issue. It takes care of growth assuming that survival will follow. It should be the other way around. Survival of economy should be the concern. Growth of economy will take care of itself. Our framework should specially focus on it. How to build-in this focus in Our framework? We look at the A&P approach.

Physiology tells us that for any organism to survive and thrive, it must meet a sequence of needs that begin with health and end with fitness (referring to contribution to future generation). The goal of nearly all body systems is to maintain life. However, life is extremely fragile, surviving under extremely uncertain environment. To ensure survival in uncertain and often hostile environment, body needs several factors at its disposal not only to survive and thrive but also to fight the random or regular changes in environment. These needs include nutrients (proper food), oxygen, water, maintenance of body temperature, and desired atmospheric pressure. Mere presence of these survival factors is not sufficient. They are required to be present in appropriate quantity and quality to face any sudden, random or long term change in these factors. While long term changes in the environment can be taken care of by developing adequate arrangements to ensure the presence of these factors in right quantity and quality, a more serious problem is created by uncertain changes and unanticipated changes in these factors. The body has an internal mechanism that is triggered to make necessary adjustments in the body to survive as long as possible, waiting for external adjustment to come into force. This internal mechanism is called Homeostatic Control Mechanism.

As economists, focusing on survival needs, we need to identify the factors that are at the disposal of the members of a society. These needs may include identification and availability of survival needs, capacity of individuals to earn these needs, institutional set up to facilitate access to

these needs. Mere presence of these survival factors is not sufficient. They are required to be present in appropriate quantity and quality, to face any random or secular change in these factors. While secular changes in the environment can be taken care of by developing adequate arrangements to ensure the presence of these factors in right quantity and quality, a more serious problem is created by uncertain changes and unanticipated changes in these factors.

As the body of human beings has an internal mechanism that is triggered to make necessary adjustment in the body to survive as long as possible, waiting for external adjustment to come into force. This internal mechanism is called Homeostatic Control Mechanism. A similar mechanism exists in human beings to survive. Measuring and ensuring the strength of this mechanism in members of a society and what remedial factors can revive this mechanism if the mechanism starts weakening should be an important part of Our analytical framework

### **Homeostasis**

A&P observes that trillions of cells in body remain constantly active and a balanced equilibrium continues to be maintained despite various changes taking place in the external environment. This ability of the body to maintain relatively stable internal conditions even though the outside world is continuously changing is called Homeostasis. This ability exists in human behavior too. This ability can be referred to as maintaining balance in human economic activities. Human beings have ability and capacity to maintain this balance. Measuring this ability should be the subject of microeconomics in Our framework of economic analysis.

The term homeostasis does not assume anything to remain constant or unchanged. In fact, it indicates a dynamic state of equilibrium, or a balance in which internal conditions change and always vary within relatively narrow limits<sup>(11)</sup>.

### **Homeostatic Control Mechanism**

Homeostatic Control Mechanism is a communication system within the body to accomplish homeostasis. Electric signals are used by nervous and endocrine systems to accomplish homeostasis. Nerves or blood borne

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(11) **Marieb**, pp. 10.

hormones serve as information carriers. The homeostatic control mechanism has three components:

- (a) Receptor or sensor that monitors and responds to changes in the environment.
- (b) Control center, which receives information from receptor and analyzes the received information and then determines the appropriate course of action.
- (c) Effector, which provides means for the control center's response to affect the control mechanism.

A simple example is a cooling system at home, which is connected to a thermostat. Thermostat contains receptor as well as control center. If the thermostat is set at a certain level, say 22°C, then the cooling system (effector) will be automatically put on whenever temperature exceeds 22°C and will be automatically put off when temperature drops below 22°C.

In an economic system, individual has a sort of thermostat that monitors that the individual is getting enough food to survive. This thermostat, or whatever name we give to it, contains receptor as well as control center. If food intake drops below a certain level, then effector will be automatically put on. This effector will push individual to find food. The effector will take him to institutions in the society that provide food to save him from starvation. (If there is no such institutional arrangement, the effector may lead the individual to snatch, to beg or to steal.)

We need to discover such mechanism of communication system for economy after understanding how this mechanism works at micro level. It is this understanding that will identify such economic diseases as extreme poverty, high unemployment incidence, high concentration of income and wealth etc., and how to solve them.

### **Homeostatic Imbalance**

Failure of the homeostatic control mechanism to maintain homeostasis is an indication of disease. Homeostatic imbalance can take various forms, always being referred to as disease and external measures are taken to treat the disease. This approach can be taken with respect to various economic diseases at micro and macro levels in a society.

Following A&P framework we can visualize a society as a living organism consisting of different organ systems such as social system, legal system, system of morals, economic system, religious system etc. These systems are integrated to each other to accomplish a common purpose reflecting the worldview of society. Each organ has a different function to perform that will complement the functions of other systems in achieving the common purpose of the society. Each of the system has its own structure to carry out the function it performs. Economic system for example has consumer producer/firm, market etc. They all work together to create wealth and allow it to be properly distributed and absorbed in the society in order to meet the needs of individuals (as digestive system digests and absorbs food into blood to nourish the cells of the body). All systems, including the economic system, work together for well-being of the individuals in the society as well as of the society as a whole. If this parallel description is correct then obviously we can develop a framework like that of A&P to understand behavior of economic agents (as household, firms) in the society<sup>(12)</sup>.

### 5. Developing Islamic Approach to Study Economics

Once the analytical framework to study economic behavior is firmed up then Islamic economics is simply a matter of incorporating the Islamic parameters for human being's individual life and social life in the framework to understand the economic life of Islamic person and economic conditions in Islamic society. Within Our framework of economic analysis we can change the parametric values to reflect the current state of commitment to Islamic socio-economic teachings at the level of individuals and society to understand the effect of not following

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(12) **Abdel Rahman Yousri**, while commenting on my paper, referred to my discussion on biology/anatomy/ physiology as a source of an alternate methodology for economic analysis, "reminds us of School of Physiocracy that evolved in the middle of 18th Century, propounded by **Francois Quesnay** (d, 1774) who was physician of King XV." I believe this was only a passing remark, not having any substantial bearing on my paper. Quesnay in fact worked on economic system rather than economic theory. Quesnay's work however has been included in the bibliography. Those interested in knowing briefly more about Quesnay's work may see the link <http://www.econlib.org/library/Enc/bios/Quesnay.html>, or Quesnay work can best be described as work on economic system and political economy and not on theorizing economic behavior. Besides Quesnay, there were other works also, which show a better relationship between biology and economics, referring to medical terms to explain (rather than explaining economic behavior). For example see: [http://rationalrevolution.net/articles/biology\\_economics.htm](http://rationalrevolution.net/articles/biology_economics.htm)  
<http://www.econlib.org/library/Columns/Coxbiology.html>

the Islamic teachings. How this will be done is not being presented here because the first job is to agree that it is appropriate to develop Our framework of economic analysis on lines mentioned above<sup>(13)</sup>. A brief discussion of where and how to find Islamic parameters of economic behavior for individual and society, however, is given below to complete the present task with respect to theorizing Islamic economics. The first task faced by Islamic economists is to agree on the starting point in looking for parameters for Islamic economic activity. If we have not reached anywhere near where we want to be then one of the most important reasons could be that we did not choose the right starting point.

### 5.1 Significance of Objectives of Sharī‘ah in Theorizing Islamic Economics

My argument has always been that we can look for starting point in the objectives of Sharī‘ah. This would be a logical starting point in the process of laying down the theoretical foundations of Islamic economics. According to Shatibi, primary objective of Lawgiver is the *maṣlahah* (well-being) of the people. Objectives of Sharī‘ah can help us identifying some key axioms that will facilitate theorizing Islamic economics. Similarly some assumptions that conventional economic analysis makes may not be relevant or may require substantial modifications (in view of the revealed knowledge about human nature and human behavior) for developing Islamic theory of economic behavior. Study of objectives of Sharī‘ah can help us formulating our own assumptions to simplify theorizing.

*Maṣlahah* refers to preservation of the objective of Sharī‘ah, which consists of preservation of following five things of human existence in the world:

1. Preservation of *Nafs* (Life)
2. Preservation of *Māl* (Property)
3. Preservation of *Dīn* (Faith)

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(13) Some of the readers of this paper in the workshop were rightly concerned that I abruptly concluded the paper after reaching close to the climax. I fully understand their frustration. But the topic I have taken up in this paper cannot be covered in a paper. It requires a full-fledged book to discuss all aspects of the topic. Furthermore, it would not have been possible to complete the work in one go. My strategy is to go step by step in this project and seeking comments and review of *ahl-al-dhikr* (knowledgeable people in a particular field) at each step. This paper is a first step. I intend to present Our theory of consumer behavior at a suitable forum in near future.

4. Preservation of 'Aql (Reason)
5. Preservation of *Nasl* (Progeny)

Whatever assures these five preservations is assumed to have *maṣlahah* and whatever fails to preserve any one of them is *mafsadah* and its removal is *maṣlahah*. There are three grades or levels of *maṣlahah*:

- (A) Essential (*darūrī*) Level
- (B) Complimentary (*hājī*) Level
- (C) Ameliorating (*taḥsīnī*) Level

At essential level, *maṣlahah* would include all that protects the five aspects (life, property, religion, reason and procreation) from destruction. Complimentary level refers to strengthening or expanding the preservation of the five elements. It also includes all those things that improve the quality of preservation of five elements or remove hardships in the preservation of five elements (beyond the essential level). Ameliorating level would include all that helps preserving the five elements in a beautiful or in a better way. It relates to aesthetic sense of human beings in achieving the five preservations mentioned above.

Level A (essentials) has priority over Level B (complimentaries) and Level B has priority over Level C (amelioration). Essentials are the basic form of *maṣlahah*. If this is disrupted, it necessitates the disruption of complementary and *taḥsīnī*.

This approach to objectives of Sharī'ah has substantial implications for Islamic economic behavior and economic decision-making. Not much work, however, has been done in this direction. Masud (1999) discussed in detail Shatibi's philosophy of Islamic law though nothing related to economic behavior. Even the discussion on *maṣlahah* has been confined mainly to juristic discussions. Hassan (1994, 1998) aimed at discussing the objectives of Islamic law with respect to economic life. But his discussion too remained mostly restricted to legal issues. Even though he often took examples relating to market, his discussion was confined to the legalities of sale and purchase and to justifying various Sharī'ah rulings relating to exchange.

There is need for extensive and intensive research on objectives of Sharī'ah relating to economic and financial activities of human beings in this world. This has to precede the work on theorizing Islamic

economics. The problem is that such research requires combination of two expertise; namely (a) expertise in *fiqh* (interpretation of Sharī'ah rules for implementing them in practical life) and (b) expertise in methodology of social sciences to understand economic behavior of human beings opting to live according to Sharī'ah rules. The two expertise married together do not exist. They do not exist even separately. This will remain a constraint in making Islamic economics a practical science for a society that chooses to develop an Islamic economic system and provide a practical model of Islamic economy.

Several implications for the behavior of economic agents can possibly be derived directly from the objectives of Sharī'ah as proposed by Shatibi. *Maṣlahah* would determine whether or not there is need for an economic activity, or consumption or production of certain goods or services. In Shatibi's framework, if any activity does not have a beneficial implication for the objectives of Sharī'ah, then that activity is not supposed to be pursued whether in production or consumption or exchange.

Economic agents operating in Islamic framework thus will be seeking *maṣlahah* as compared to seeking utility in the conventional sense. *Maṣlahah* and utility though may often coincide but the two will remain entirely different concepts. Whereas utility is a subjective concept emanating purely from individual instincts, *maṣlahah* is a concept amenable to objective verification on the criteria mentioned above. In the *fiqh* terminology, seeking the conventional concept of utility will be treated as pursuing instinctive desires and Islam disallows pursuit of instinctive desires (unless they have *maṣlahah* as defined above). This is because if the world is left to follow the peoples' instinctive desires, it will result into chaos and disorder in the world. The concept of *maṣlahah* instead of utility has two implications for an economist, one is in theoretical context and the other is in the applied and public policy context.

At the theoretical level, a new perspective is needed towards the nature of economic problem. There is no limit to instinctive desires. Wants, in conventional economics context are unlimited. Resources are limited. The economic problem is only a problem of individual choice based on one's instincts. This choice is independent of the needs of the individuals as well as of society.

Synthesizing Shatibi's analysis of the concept of *maṣlahah*, Masud writes: "maṣlahah should not be relative or subjective. Relativity is usually based on equating a *maṣlahah* with one of the following: *ahwā' al-nūfūs* (personal likings), *manāfi'* (personal advantages), *mayl al-shahāwāt* (fulfillment of passionate desires) and *aghrād* (individual interests). According to Shatibi, all of the above considerations render the concept of *maṣlahah* relative and subjective, which is not the consideration of Sharī'ah (lawgiver) in *maṣlahah*, though it may be so in 'ādah (normal practice).

*Maṣlahah* leads to the concept of fulfilling needs rather than satisfying wants. Anything that has *maṣlahah* for people is the need for people and is required to be fulfilled. The economic problem is not merely a problem of choice of satisfying wants; it is a problem of meeting needs, of individuals as well as of society. It is not merely a choice along the indifference curve, it is also a choice from lexicographic ordering with a different type of objective function along with the existence of some institutional arrangements to oversee that needs and *ahwā'* (desires beyond the need) do not appear to clash at the expense of the former or to create a disorder in the economy.

At applied and public policy level, the concept of *maṣlahah* provides a basis for interpersonal comparison of needs and hence can provide a basis for taking measures for social welfare which is something the conventional economics feels constrained because of the problems in making interpersonal comparisons of utility. Social preferences and social welfare function constructed with the above-mentioned concept can be more practical and feasible than the utility-concept based social welfare functions in conventional economics.

## **5.2 Two Important Elements of Islamic System of Life Having Influence on Economic Behavior**

The second task faced by Islamic economists would be to identify some key Islamic concepts that have direct bearing on economic behavior of believers. I highlight two of such elements. These are:

- (1) *Rushd* (The Right Path)
- (2) *Ḥasan* (Good/Goodness)

These two elements when incorporated in Our framework of economic analysis will introduce elements in Islamic theory of economics that would make the theory quite distinct not only from

conventional economics but even from Our (generic) theory of economics when developed with our framework of analysis without making reference to Islamic influence on economic behavior. These two concepts are briefly explained below:

*Rushd* (Islamic concept of rationality)

*Rushd* can be interpreted as Islamic concept of sound mindedness or ability to make sound judgments. The term *rushd* has been mentioned in this sense in a couple of places in the Qurān. For example, property rights on economic resources in the light of Qurānic teachings are to be exercised with sound mind. The permission to exercise such rights can be denied if there is evidence that sound judgment and right-mindedness with respect to use of resources is lacking. The term *rushd* has also been mentioned in a couple of places in the Qurān with respect to economic-decision making. Thus, an Islamic economic man is a man who is ‘*rashīd*’ i.e., right-minded man who applies right judgment with respect to his economic activities and economic decision-making. Application of sound judgments refers to both private and social interest as well as to observance of Sharī‘ah rules.

One distinguishing feature of *rushd* compared to conventional concept of rationality is that pursuit of social interest is part of private and selfish interest. There is right of others within one’s own private property rights. Islam recognizes the assertion of conventional economics that (economic) man is concerned with private interest only. The sanctity of private property rights is strongly protected under Islamic law too. But Islam is also very specific to strongly emphasize that there is right of have-nots in the private property of haves. Islamic teachings thus create human behavior that despite being basically selfish does have considerations for the needs of other less privileged members of the society.

We see some of the positive statements made in the Qurān about the human instincts relating to the use of private property rights. For example, when people of Shoaib contested saying: “O Shoaib, does your Salah (prayer) command you, that we should forsake what our fathers used to worship or that we should not deal with our wealth as we please?” (11:87); then they were referring to their instinctive desire to use their property only for their private interest. Shoaib would not be telling them anything but to observe social or community interest in the use of their property rights which his people denied to observe.

Another verse that reflects the human instinct of evading social consideration in the use of their economic resources is: “Say: If you possessed the treasures of the Mercy of my Lord (wealth, money, provision, etc.), then you would surely hold back (from spending) for fear of (it being exhausted), and man is ever niggardly!” (17: 100).

The man is niggardly in social interest (as he is keen to hold back no matter what and how much he gets). This is because: “It has been made [instinctively] attractive for people to love things that they covet; that is, women, children, hoarded heaps of gold and silver, branded horses, cattle and tillage. That is an enjoyment of the worldly life; but with Allah lies the beauty of the final resort.” (3:14). The Qurān then explains who among those are better men; they include those who spend in the cause of Allah (spending for social causes) (3:17). Islamic teachings thus not only recognize the human economic instincts of selfish interest but also teach, through various legal provisions and ethical norms, how to control this instinct to save society from its adverse effects.

Human instinct of impatience in becoming rich and instinct of being niggard, which Qurān refers to as being niggardly (قتورا) (17:100) towards social interest, is ignored when the science of economics is built on the principle of pursuit of self-interest. Ignoring this instinct is likely to have stripped economics of the ability to address several questions that could be useful not only for the science of economics but also for its application to the economy to solve the economic problems of the society. For example, questions like why people hold money when electronic banking and investment opportunities have made holding money quite costly? Or why people keep on accumulating wealth (and do not spend it for social/community causes) beyond the level when neither they nor their family will have the opportunity to spend. Such issues cannot be addressed without recognizing the instinct of *qatūrā* or *halū ‘ā*.

### *Hasan*

“*Ḥasan*” (goodness) is an important feature of human behavior, which is required to be reflected in economic decision making as well. Behavioral aspects rooted in *ḥasan* (goodness) have repeatedly been referred to in the Qur’an with reference to various spheres of human activity including economic sphere. Some of them are referred to below:

## 1. General Principle

“Allah commands justice and the *doing of good* ..... (16:90).

“And seek the (betterment of) the Ultimate Abode with what Allah has given to you, and do not neglect your share from this world, and do good as Allah did good to you, and do not seek to make mischief in the land . Surely, Allah does not like the mischief-makers.” (28:77).

## 2. Handling Property of Orphans

“And come not near to the orphan’s property except to improve it, until he attains the age of full strength. And fulfill (every) covenant. Verily! The covenant, will be questioned about (17:34)

“Do not approach the property of the orphan, except with the best possible conduct, until he reaches maturity. Give full measure and full weight in all fairness – We do not obligate anyone beyond his capacity – and be just when you speak, even though the one (against whom you are speaking) is a relative; and fulfill the covenant of Allah. This is what He has enjoined upon you, so that you may observe the advice” (6:152)

## 3. Human Dealings

“We have instructed man to do good to his parents. And if they insist upon you that you should ascribe partners to Me, then do not obey them. To Me is your return; then I shall tell you what you used to do.” (29:8)

“And We have enjoined upon man to do good to his parents. His mother carried him with difficulty and delivered him with difficulty. And his carrying and his weaning is (in) thirty months, until when he attains his maturity and reaches forty years, he says, :My Lord, grant me that I offer gratitude for the favor You have bestowed upon me and upon my parents, and that I do righteous deeds that You like. And set righteousness, for my sake, in my progeny. Of course ‘I repent to you, and truly I am one of those who submit to You. Such are the people from whom We accept the best of what they did, and overlook their evil deeds, (so as they will be) among the people of Paradise according to the true promise that was made to them. (46:16).

## 4. Following Matters of Religion

“Invite (people) to the way of your Lord with wisdom and good counsel. And argue with them in the best of manners. Surely, your Lord knows

best the one who deviates from His way, and He knows best the ones who are on the right path.”(16:125)

“And follow the best of what has been sent down to you from your Lord before the punishment comes to you suddenly when you do not even expect (39:55).

“Those who listen to what is said, then, follow the best of it. Those are the ones whom Allah has guided, and those are the ones who possess understanding (39:18).

It is clear from the teachings of Islam that “*ḥasan*” is a norm desired in all activities and behavior of believers. While maximizing/minimizing (or more appropriately, ‘optimizing’), *ḥasan* may be assumed as a valid assumption for Islamic economic behavior.

## 6. Some Maxims for Islamic Society

Hassan (1998) and Hasanuzzaman (1998) lay down a set of axioms that have economic policy relevance. Some of the axioms given below are worth considering for their relevance for Islamic economics:

1. *It is permissible to dispose of the property rights of a person if such an act is dictated by urgent need and there is no way to obtain permission of the owner.* On the other hand, conventional economics teaches us that if someone can be made better off without making anyone worse off, then this is not an optimal situation and there is room to improve social welfare. What if economic agents refused to move to optimal situation? Such axioms may come to the help of Islamic economists.

2. *A person should be forced to do any act that does not involve any cost or disutility to him and which if not done will result into costs or disutility to others---* a constraint on pursuing self-interest.

Both axioms described above make some economists believe that putting constraints on individual choice makes individuals to achieve equilibrium at lower levels of welfare. This objection only reflects lack of understanding of the difference between conventional concept of welfare based on satisfaction of wants and Islamic concept of well-being based on fulfillment of needs.

3. *No claim for profit can be made without bearing the risk of loss and no (economic) benefits can be reaped without bearing (economic) costs.* This has the implication not only for use of capital that cannot have a

return unless it is subjected to risk bearing (interest income therefore is not permissible) but also for labor market and human resource mobilizations.

4. *The objective of Islamic law is to make man useful for society and conduct useful activities.* Islamic law does not allow individuals to waste their human and physical resources. Institutional provisions can be put in place to restrict individuals from such behavior. Society can define an Islamic economic man and lay down the qualifications that would make an Islamic man to behave as Islamic economic man in his economic pursuits. Institutional arrangement can be developed to make people to work for improving their economic condition and to deal with people who prefer to remain in poverty rather than forego their leisure. Islamic law shows clear concern for such behavior that leads to waste of resources or to put them to uneconomic use. Prohibition of gambling is a clear example.

5. While ‘economics’ assumes competitive conditions when discussing welfare, Islamic Shari‘ah gives specific rules to ensure that behavior of economic agents promotes competitive conditions required for human well-being. There are distinctive differences in approach to markets particularly when it comes to operations of factor markets. The principle of no-liabilities; (risk), no gain (no cost, no profit) cannot allow malleable capital to earn a fixed rent unless it is converted into non-malleable capital and the conditions of renting are fulfilled which in fact are reflection of the principle of no liabilities; no gain.

*“No wrong to be done (to others) nor any wrong to be endured” with a subordinate clause “Wrong is to be undone”.*

*“The repelling of mischief is preferred to the acquisition of benefits”.* This also implies that reducing cost may become preferable to increasing profit. Hence profit-maximization may not remain the objective in all situations. Minimization of cost may be the first consideration, which makes a lot of sense in imperfect markets. Profit maximization and cost minimization may mean same thing when conditions in the market are perfectly competitive. But when conditions are not competitive, e.g., under monopoly, cost minimization may become preferable over profit maximization.

*“Reducing social cost has priority over private costs”.*

I leave the discussion here waiting for the response from my colleagues in this field. If my colleagues found some sense in it, I will do further work on these lines and present it in some other forum. (Please see also footnote 13 above).

## **7. Conclusion**

Over more than last 40 years we have been moving ahead but blindly, without a clear vision as to where we want to be. It may seem paradoxical to say that to advance in knowledge we should have knowledge of unknown destination. But it may not seem paradoxical if we realize that currently there are following four currents of thoughts among Islamic economic scholars about what Islamic economics should be. It is time we adopt one of them and forget others:

First, there is the strong commitment that there is sufficient case for developing Islamic economics as a distinct discipline quite different from Their (conventional) economics. Though within this group there is not yet a clear vision on what this discipline would look like.

Some believe that there is no need for Islamic economics. Conventional economics is sufficient to help us understand Islamic economics. Others believe that Islamic economics can at best be a branch of 'Their' economics.

Some staunch believers in 'Their' economics declared that we do not speak language of economics and therefore any exercise in Islamic economics at this stage is a futile exercise.

I take the following position in this paper.

(1) There is sufficient basis to believe that Islamic economics can be developed on scientific grounds.

(2) There is a clear vision what it would look like. It will definitely not be a branch of conventional economics based on its objective and methodology.

(3) Islamic economics is needed on its own merit and conventional economics cannot meet this need.

(4) If we are not speaking 'Their' language, it is because their language is incomplete and insufficient to describe economic realities on the ground. We cannot use Their language. We want to speak in a language which we as well as they can express and communicate better with.

Let us agree that right now our problem is conventional economics. Conventional economics is not allowing us to understand our own economics embedded in the teachings of Qur'an and in the traditions of our Prophet (peace be upon him). We identify the topics, subjects, phenomena and activities that conventional economics cannot help us understand. We first develop our own theory of economics that will not only provide a better understanding of economic behavior in secular framework but will also help us discovering Islamic economics.

Conventional framework of economic analysis benefitted from science of physics and heavily depended on tools borrowed from mathematics, forgetting that economics studies human behavior. This paper has tried to show that terminology of biology and physiology are more suitable to analyze human social behavior, including economic behavior. Islamic theory of economics based on the methodology of biology and physiology is capable of answering several questions relating to modern day economic problems that conventional economics has failed to address. The macroeconomic problems like poverty, hunger, unemployment, and recurring global financial and economic crises can be better understood and treated in the framework borrowed from biology and physiology. In near future I intend to present a paper outlining Islamic Theory of Economics developed on the basis of terminology and concepts of biology and physiology. That paper will analyze consumer behavior in Islamic society. The Islamic theory of economics expects to help us understand why the consumer behavior in contemporary Muslim societies and communities is deviating from the given Islamic norms and how it can be put back on the right track. It is just like human body falling ill and investigation has to be made as to what is causing it and how to bring it back to a healthy condition.

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## التنظير للاقتصاد الإسلامي: البحث عن إطار لتحليل الاقتصادي الإسلامي

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المستخلص. تهدف هذه الورقة إلى شرح الحاجة إلى أهمية تحديد نقطة البداية لتطوير نظرية إسلامية للاقتصاد. إن الورقة تؤكد على أن المطلوب ليس نظرية للاقتصاد الإسلامي، بل نظرية إسلامية للاقتصاد. إن هذا التأكيد ليس مجرد "دلالات لفظية"، بل يكتسي صبغة هامة في التنظير للاقتصاد الإسلامي. النقطة الرئيسة التي تؤكد عليها الورقة تتمثل في أن العامل الرئيس الذي حال دون الوصول إلى الهدف المطلوب - نظرية إسلامية للاقتصاد - يعود إلى غياب الرؤية الاستراتيجية لتحقيق ذلك. تستعرض الورقة عدداً من وجهات نظر الاقتصاديين المسلمين، وتقترح أن الوقت قد حان لاختيار واحدة من هذه الوجهات والبناء عليها. بعد ذلك تذهب الورقة إلى تحديد إطار واقعي تعتقد أنه يشكل الأساس لاستخلاص مبادئ للتحليل الاقتصادي الإسلامي. إن الورقة تدعو إلى "تطبيق" الإطار الذي بني على أساس الرياضيات والفيزياء؛ لأنها لا ترتبط بأي مظهر من مظاهر السلوك الاجتماعي للإنسان، وتدعو الاعتماد على منهاج مرتبط بعلوم الأحياء والنفوس؛ لأن هذه العلوم مرتبطة بدراسة الحياة على عكس الفيزياء التي تدرس الجانب الجامد للأجسام. وأخيراً تناقش الورقة الفارق الذي سيحدثه بناء إطار لتحليل الظواهر الاقتصادية مستفيداً من مناهج علوم الأحياء والنفوس.