

Method and Substances of Islamic Economics: Moving Where?

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Comment by:

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1. Christian Economics and Islamic Economics

Starting with a quotation on 19th century German Historical School, the author argues that Islamic economics (IE) has not come up with a new paradigm, but follows a century old approach. The referred school of thought defended value-based social science. However, it was forcefully and successfully rejected by its opponents such as Max Weber on behalf of a value-free paradigm in social science. Since then the interest in methodology has decreased if not completely vanished among conventional economists. However, a marginal group known as “Christian economists” has made similar normative arguments in rejecting mainstream economics. In his view, “Christian economics combines the normative orientations and prescriptions of the Christian faith with constative knowledge which is provided by ‘secular’ economics.” However, even though that they came up with priorities and principles (*e.g.*, primacy of justice, priority of labor over capital, solidarity and subsidiarity), this was “hardly sufficient to define precisely and positively a *unique* 'Christian economic system'.”

My Comment:

I agree with the author that Islamic economics is quite similar to Christian economics in terms of their emphasis on similar norms. Actually, one can argue that Islam is not a completely new religion. It is considered to be the last in the chain of Abrahamic religions. Therefore, it is not surprising to see that Christianity and Judaism have many values in common with Islam. As seen below, this is why I prefer to name the discipline “moral market system” rather than “Islamic economics”. In my view, a moral economy will be embraced by the followers of Abrahamic religions.

The failure of Christian economics does not necessarily mean that that IE would fail too. In my view, if properly developed, the *Tawheedi* paradigm would produce a viable alternative economic system.

2. Belief and Reason

While discussing the nature of religious knowledge, the author argues that “the basis of religion is believing, not proving – faith, not reason. We cannot rationally ‘decide’ to believe in God, but nevertheless we can be convinced that He exists.... People do not believe because of rational arguments but because of their own impressive experiences. The impressive experiences are personal and may be very different for every believer.” On the same issue, he also argues that “reason may also force man to reconsider and eventually correct religious beliefs as far as *factual* propositions are incorporated. If, for example, modern natural sciences offer convincing explanations about the ‘creation’ which are in contrast to what was traditionally believed with reference to the Bible, then a rational believer should be willing to reconsider his constative beliefs.”

My Comment:

I have to disagree with the author with regard to belief and reason. I think Islam differs from Christianity and Judaism in terms of its view of reason and belief. In Islam, belief is not acceptance; it is an affirmation or bearing-witness. Therefore, as stated by a Muslim scholar, it is not enough to accept that “Almighty God is One, He has no partner or like. This universe is His.” The true affirmation requires to bear witness “on everything the stamp of His power, the seal of His dominicality, and the inscriptions of His pen and to open a window directly onto His light from everything and to confirm and believe with almost the certainty of seeing

it that everything emerges from the hand of His power and that in no way has He any partner or assistant in His Godhead or in His dominicality or in His sovereignty, and thus to attain to a sort of perpetual awareness of the Divine presence” (Nursi, *The Words*, 22nd Word, p.300) That is why the declaration of faith (*shahādah*) in Islam does not say “believe” or “accept”, rather it says “bear witness to” the oneness of God.

3. Normative Economics and Islamic Economics

The author defines economics as the science of human actions which are determined by his beliefs of two kinds: constative and prescriptive. While the former is about what the world is, the latter is about what the world should be. The author thinks that economics should not be confined to constative knowledge. He argues that “the classical theories of knowledge - rational and empiricism - and their methodologies were based on the idea of rational justification.” He cites Karl Popper’s theory of falsification to make a case for prescriptive beliefs in economics.

The author cites the established distinction of positive and normative economics since the second quarter of the 19th century. However, he states that starting from the early 20th century, normative issues were excluded from economics and passed on to other disciplines.” Despite some efforts, “Western economists were not much interested in normative issues. Notable exceptions can be found in the fields of welfare economics and to, some degree, action-oriented development economics as well as in some ‘unorthodox’ schools of thought such as Austrian economics. Weber’s postulate of freedom from value judgments in a positive science became the prevailing position in mainstream economics during the first half of the 20th century.” He argues that after the 2008 financial crisis, economists began taking normative issues more seriously.

My Comment:

I agree that Islamic economics gives a great importance to norms. However, it is a mistake to limit IE to normative economics. I argue that economic systems are the product of certain paradigm dealing with being, reality, nature, human beings, etc.; “They are significantly affected and shaped by a set of ‘influential factors’: the level of economic development; social and cultural factors; and the environment”. Capitalist economic system is no exception. It emerged as an economic pillar of the

Enlightenment through which people were disconnected with God promising paradise. Instead, capitalism promises an earthly paradise through free market mechanism. This is same for socialist economic system as well. Despite disagreement between the two, in reality capitalist and socialist systems are two twins who prefer different means to the same ends. In other words, both capitalism and socialism see human pleasure as the final end. The disagreement is about how to produce goods and services for human pleasure and who to please among human beings. The well-being is defined in a purely materialist and hedonist sense. While free market capitalism envisions the fulfillment of social interests within the free pursuit of self-interests, socialism gives priority to social interests. Both capitalism and socialism aim for ‘worldly paradise’ through material well-being of people. The disagreement is in the tools they suggest for the final end. They both reject the spiritual realm of human being and the universe. For them, there is nothing beyond material world. The life is strictly limited to this world. However, they both have failed to fulfill their promise. The search for an alternative has been underway for a while. I argue that while capitalist free market economy relies on a secular paradigm which is shaped by its ontological, epistemological, and anthropological perspectives, we should develop Islamic economics (“moral market system”) based on *Tawhīdī* paradigm.

In a recent paper, I offer the following ten axiomatic reasons to have Islamic economics as an alternative paradigm rather than “old capitalism”:⁽¹⁾

1. Islamic economics/finance pursues different goals as ultimate end/outcome.
2. Wealth is “preferred indifference” for Islamic (G-donic) happiness model.
3. Islamic economics is not based on self-interest alone.
4. Islamic economics values social, moral and spiritual capital.
5. Islamic economics offers moral and spiritual filters.
6. Islamic economics eliminates duality in favor of spirituality.
7. Islamic economics offers an antidote to material indulgence.

(1) Aydin, Necati (2012).

8. Islamic economics offers moderation in fulfillment of sensual and egoistic desires.
9. Islamic economics assumes that human is “predictably irrational”.
10. Islamic economics offers antidote against alienation and animalization through capitalism.

4. (Re)defining Islamic Economics

The author states that “Islamic economics is by its own definition normative economics” Therefore, it does not matter whether it is called “Islamic economics” or “economics from an Islamic perspective.” Therefore, the author suggests that Islamic economists should engage in dialogue with partners “outside the mainstream in branches of economics which have similar structures and value orientations, for example in humanistic economics, Christian economics or Austrian economics.”

My Comment:

I think there is confusion on the very definition of Islamic economics mainly due to the lack of clear understanding of Islamic worldview. As mentioned above, I do not think IE should be constrained to normative economics. In a recent paper⁽²⁾, after reviewing the existing definitions, I attempted to come up with a new definition of IE based on the *Tawhīdī* paradigm. To me the distinctive features of Islamic economics come from the Islamic worldview, particularly its ontological, epistemological, and teleological differences from the materialist worldview. Therefore, it is important to highlight multi-dimensional well-being goals and morally guided market mechanism in definition: “*Islamic economics foresees an economic system based on the Islamic worldview aiming to realize spiritual, moral, intellectual, social, and material well-beings of individuals in this life and the Hereafter through allocation and distribution of scarce resources in a morally guided market system.*” Thus, the answers to the core questions in economics could be as follows: What to produce? Produce goods and services which help human beings to excel spiritually, intellectually, morally, and socially. For whom to produce? Produce the basic goods and services for everyone, but others for those who could afford. Accumulate spiritual, moral, and social

(2) Aydin, Necati (2013).

capital in addition to physical and financial capital. How to produce? Produce through efficient and fair market mechanism.

5. Positivism, Empiricism and Islamic Economics

The author further refers to the methodological problem in economics due to empiricism and positivism. “The basic idea was to confront theories with the observable reality and to find disconfirming *empirical evidence in data*. For this, theories have to produce *measurable* outcomes. As a consequence, mainstream reduced economics from an empirical to a *quantitative* science. Statistics and data processing technologies advanced rapidly, econometrics emerged as new discipline, and economists were expected to use applied and advanced mathematics for the design of models with testable hypotheses.” He mentions the lack of studies since 2000 in the Journal Economic Literature on epistemology and methodology in addition to discarding courses on history of economic thought from the curricula.

My Comment:

I think after the 2008 financial crisis, the trend has been reversed. We now hear loud discussions on the assumptions, theories, and models of conventional economics. The rise of behavioral and experimental economics is the product of the critical views of existing paradigms. Having said that, we should not ignore that due to the dominance of Western secular paradigm in science and education, positivism and empiricism have influenced the minds of Muslim scholars as well. Therefore, it might be quite difficult for Western educated Muslim scholars to come up with an alternative paradigm.

6. Islamic Economics and *Maqāṣid al-Sharī‘ah*

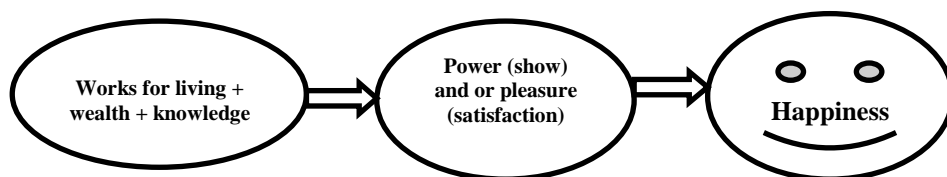
Author also addresses the need for re-interpretations of key concepts in IE such as *maṣlaḥah* and *maqāṣid al-Sharī‘ah* to make the discipline more relevant. He highlights the importance of IE for the growing Islamic finance if we do not want to create pseudo Islamic tool boxes.

My Comment:

I agree with the author that we need to come up with re-interpretations of key concepts such as *maqāṣid al-Sharī‘ah*. Indeed, in my view, the distinctive feature of Islamic economics should come from its *Tawḥīdī* paradigm which sets very different *maqāṣid* (ultimate goals)

for people in comparison to the secular paradigm. As I argue in a recent paper⁽³⁾, the capitalist economic system which relies on the secular paradigm encourages works for living, wealth and knowledge as means to the intermediate ends which are power (show) and pleasure (satisfaction). Therefore, the system promotes the functional and positional goods and services to satisfy animal desires and ego. The ultimate goal or the final end is considered to be happiness through consumption. Even knowledge is a means for either wealth or ego-satisfying positions. Scientific and technological advancements are not for understanding truth or virtue; they are for power and pleasure.

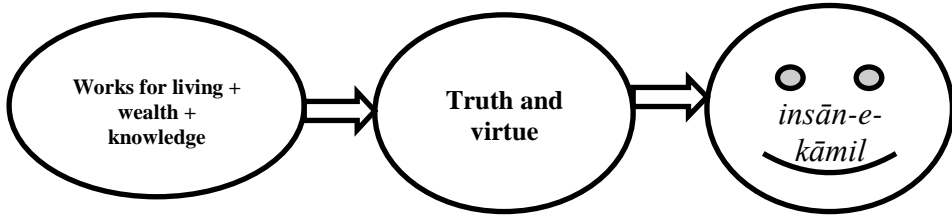
Chart 1: Means and Ends for the Capitalist Economic System



In the Islamic (moral) economic system which relies on the *Tawhidi* paradigm, it is not only permissible but worship to work for living, acquiring wealth and knowledge. However, unlike capitalist system, they are not means for power and pleasure; they are means for truth and virtue. In other words, the pursuance of wealth is for performing virtuous actions while the pursuance of knowledge is to learn virtue and truth. In the following hadith, the Prophet (peace be upon him) clearly states that wealth and knowledge are just means: “*Envy is permitted only in two cases: a man whom Allah gives wealth, and he disposes of it rightfully, and a man to whom Allah gives knowledge which he applies and teaches it.*” [Al-Bukhari and Muslim]. The ultimate goal is not happiness, but excellence or perfection as a human being. It is to be real human being who is portrayed in the Qurān as being potentially superior to all creatures including angels. Therefore, the ultimate goal is to realize God’s human project as described in the Qurān by raising *insān-e-kāmil* (perfected human). Happiness is the byproduct of such accomplishment.

(3) Aydin, Necati (Forthcoming).

Chart 2: Means and Ends for the Islamic Economic System



In short, the current discussion of *maqāṣid* within the context of Islamic finance is largely limited to the means rather than the final end. However, even if the means are in line with the Shari‘ah, the final end might not be. Therefore, the actual focus should be on the final end as defined above. Of course, we need to develop indicators such as human development index based on the concept of *insān-e-kāmil* to assess the progress toward the *maqāṣid*. Then, it would be possible to measure the net effect of Islamic finance toward the *maqāṣid*.

7. The Future of Islamic Economics

The author forcefully argues that Islamic economics is not being taken seriously by mainstream economics. He supports his argument by citing the number of articles in AEA journals as being only three since 1999. He notes several reasons for the marginalization of Islamic economics. First, the structure of IE is not so different from the neglected “Christian economics” Second, welfare models of IE such as *zakāh*, *waqf*, *ribā*-free finance are considered as idealistic visions of a rather distant future. Third, the arguments are not unique enough to be added to an existing discipline such as welfare economics. Fourth, the impression is that IE gives guidance to Muslims only. It is not relevant to non-Muslims. However, it seems like there is a positive trend in the recent years. Furthermore, the author suggests, the normative component of IE is deeply rooted in a faith which is not shared by the majority of conventional economists.

The author cites increasing interest in IE in the last few years. He mentions several new journals on the topics which have been released in recent years. Even though they are related to Islamic finance, the author still thinks they will give opportunity to raise issues regarding IE.

The author argues that most papers in IE “do not qualify as such, although they have “Islamic” in their title. They are pieces of *conventional* economics: conventional methods are applied in answering conventional questions without a systemic dimension. He calls them “IE Light” studies. He urges the need for “IE proper” studies to develop IE as a distinctive discipline. He suggests that this can be done by “tapping into the huge intellectual pool of young talents in conventional economics all over the world. What ‘IE proper’ has to achieve is a successful agenda setting to draw intellectual capacities into under-researched areas.” He outlines a step by step approach to develop IE as a distinct discipline. He mentions emergence of the “Arab Spring” as a possibility for increasing demand for the development of IE as alternative economic paradigm.

My Comment:

I agree with the author that mainstream economists do not take IE seriously. However, if we develop a sound paradigm and conduct theoretical and empirical studies, we would eventually attract their attention. Even though new journals mentioned are good sign for the interest in IE, none of them provide venue to the mainstream economics. There is an urgent need for ISI indexed journals to attract the attention to topics and bring great intellectual minds on the board. I agree with the author that we should take advantage of great interest in Islamic economics due to the crisis in conventional economics and the political changes in the Muslim world. In my view, there are many tasks ahead of those who work to develop Islamic economics and finance into an alternative economic paradigm⁽⁴⁾. First, they need to go beyond the existing paradigm and create their own concepts and models whenever it is necessary. They need to go beyond narrowly defined *maqāṣid al-Sharī‘ah* by establishing *Tawhīdī* paradigm based on Islamic ontological, epistemological, anthropological, and teleological perspectives. Second, they need to begin from microeconomics. As Yalcintas pointed out over two decades ago “construction of microeconomic theory under the Islamic constraints might be the most challenging task for Islamic economics.”⁽⁵⁾ They need to establish “a separate theory of consumer behavior and a separate theory of firm in the context of Islamic

(4) Aydin, Necati (2013), op. cit.

(5) Yalcintas, Nevzat (1986).

economics.”⁽⁶⁾ This should not be just the relabeling of the existing microeconomics literature. As Chapra suggests, it should reflect “the radical differences in the worldviews of Islamic and conventional economics.”⁽⁷⁾ Third, they need to examine the existing empirical and theoretical studies to gather evidence for new concepts and models of Islamic economics and finance. Fourth, they need to conduct experimental and empirical studies to gather data and test economic assumptions and models from Islamic perspective. Most of existing papers on Islamic studies do not offer any scientifically acceptable evidence for their arguments. Therefore, they are more rhetorical, rather than scientific. Scholars of Islamic economics now have more measurement tools to gather qualitative data in order to test concepts, assumptions, and models from the Islamic economics. Fifth, they need to expand certain tools such as human development index to measure the outcome of economic system in terms of contributing to human excellence based on Islamic worldview. Sixth, they need to develop moral, intellectual, and spiritual responsibilities index in addition to incorporating social responsibility index to assess Islamic financial institutions and other economic entities. Seventh, they need to comparatively study the impact of materialist versus spiritual and moral values to provide evidence regarding virtuous and moral life being the path to happiness in this world as well. It is even possible to use functional MRI to examine the brain activities of people with different life styles to see the impact of moral and spiritual values on subjective well-being. Eighth, they need to define Islamic financial instruments and their expected outcomes, based within the *Tawhīdī* paradigm, not just based on prohibition of *ribā* and gambling

(6) Ahmad, Khurshid (1986).

(7) Chapra (1996).

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