

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

**M. Fahim Khan**

*Comment by:*

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The paper highlights the lack of strategic vision in Islamic economics. The author attributes this to not knowing “where we want to be”. This does not deny that currently there are several thoughts among Islamic economic scholars about what is Islamic economics. The author writes that his paper describes various positions of Islamic economists and suggests that it is time we select one of them as known destination and forget others. In fact this is no more than a claim only, because the paper has not in fact reviewed various methodological positions and approaches of Islamic economists. It has, however, displayed in detail the viewpoint of its author with respect to some important points in Islamic economics plus statements made or works of few other Islamic economists.

Fahim Khan right away expresses his dissatisfaction with conventional economics and the need for developing an Islamic theory of economics. Theorizing Islamic economics to him “means developing an Islamic theory of economics”. It is an important task that cannot be implemented without understanding the irrelevance of conventional theory within an Islamic framework; developing an Islamic approach to understand economic behavior and identifying parameters for such behavior. The author focuses on the latter part since a lot of work has been done by Islamic economists in criticizing conventional economic theory.

Most of the Islamic economists, as the author asserts, confined their search within the framework of neo-classical economics in spite of its inadequacy to “explain the economic behavior of modern man”. Core Islamic concepts related to microeconomic behavior like *isrāf* and *tabdhīr*, have rarely been the subject of economic analysis” although they were treated in detail in *fiqh* sources.

Next, the author goes to find out a suitable or alternative framework for analyzing Islamic economic behavior. An Islamic framework has to be different from conventional framework “universal in application and realistic in making assumptions and axioms”.

The author focuses on two desired concepts in his vision for an Islamic analytical framework. These are “Balancing” and “Needs fulfillment”. Balancing replaces “optimizing” and the second concept replaces “satisfaction of wants” in conventional analysis.

Under the subtitle “Balancing” as a key element in human decision-making, Fahim Khan explains that balancing is required in individual spending when satisfying own needs as well as needed between private interest and social interests. In fact, “Economic agents, in Islamic worldview are supposed to maintain a balance in their activities not only within the economic activities but across all activities of social life. Qurān highlights the concept of “Balance” everywhere and Islamic teaching guides us to establish balance in all aspects of our social and economic life.”

In fact what the author wrote on ‘Balancing’ is not different from what can be found in Islamic economic literature. However, his assertion that “maintaining balance is a positive attitude rather than a normative attitude”, and that “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”; needs further investigation and solid proofs.

I must add some additional remarks on the author’s analysis of some points related to the Balancing conception.

He writes “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.” My comment is; does hedonism necessarily contradict balancing? Hedonism in philosophy is an ethical doctrine holding that only what is pleasant or

has pleasant consequences is intrinsically good. What is wrong in balancing between two things which give pleasure or happiness if both are *halal*? At another place he writes “For any civilized society that requires certain amount of self-discipline and self-control from its members, “balancing” is the most important element underlying decision-making process of man with respect to the allocation of resources and time at his disposal.” My comment is that it is true, but how would balance be established? This is the most important point that we have to work on. Quite a few of our contemporary Islamic economists gave attention to this point including the author himself. Some Muslim scholars in the medieval period discussed the same point, but not reaching more than general descriptive conclusions or general rules. Secular neo-classical economists, searched hardly for this point and established some positive specific rules (which may be objectionable) but are still taught in universities and employed in research.

At another place, the author recognized hedonistic behavior but made it synonymous with lust. But lust has to be tamed. That is not consistent with his statement at another place in the paper that hedonistic behavior is discouraged by Islam. He wrote “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.”

My comment is that the author is confusing between meanings of lust and desire. I think he is not definite about Islam and hedonistic behavior. We have to define some words precisely; not necessarily in accordance to dictionaries; rather in accordance with what is relevant to our needs in research. Economic terminology or language is important to be emphasized in order to avoid confusions.

Linked with my last comment author’s statement “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”; I would ask: why or how satisfaction (or even maximization) of human beings supposedly in halal manner (within Sharī‘ah boundaries) would downgrade humans to lower order animals? This is a harsh statement which in my opinion is unacceptable.

At another place, he wrote, “but subject matter of economics continued to remain how to explain the pursuit of lust for maximization of utility and profit.” My comment is: what is wrong in maximizing utility within the assumption of limited resources assumption, if you re-define utility in an Islamic manner? What is wrong in maximizing halal profits? Would this contradict human or social welfare in an Islamic system? Is it not possible to do this within the conception of balancing?

At another place, he states “the difference between the notion of Marshallian well-being 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 and Ghazali realize that in a social framework with any degree of civilization, instinctive desires have to be modified to improve well-being. This modification of instinctive desires leads to identifying the ‘needs’ that will contribute to improving man’s welfare”. I have to highlight and evaluate this point

Under the subtitle: “Need Fulfillment” the author writes, “pursuing wants and instinctive desires for maximization of satisfaction is like playing a gamble with the fulfillment of needs that signify well-being. In this context I would like to say that the distinction made by the author in his paper, between wants or desires (sometimes called lust) on the one hand and needs on the other, needs to be established firmly on *positive* economic grounds. Need in language is anything that is necessary but lacking. However, psychologically (in general) need arises from human desire. Biological needs (food, clothes, and shelter) cannot be isolated from human desires. Therefore, I think that the author has to give precise *Islamic* economic definitions for these words in order to convey his message. I have clarified my own opinion about maximization of satisfaction when done within Shari‘ah boundaries. Thus I cannot accept his statement, “pursuing wants and instinctive desires....etc.” or the argument which is built upon in this section.

He makes another statement: “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). It is the needs that qualify to be fulfilled. 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 statement would either confirm my opinion (mentioned above) or we are surely going to be involved in pure normative matters about “wants and needs” and “satisfaction and fulfillment”

With respect to his statement, “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”; it seems to me that Fahim Khan’s fondness with the biological approach (A&P) to Islamic economics (which he suggests and explains in detail in his paper) made him unaware that using new terminologies like “lower order animal and higher order or social animal or human being” will not receive appreciation since they would unnecessarily raise a suspicion about the discriminative nature of Islamic economics. That seems unnecessary to me.

Under the subtitle, “Where and how to find Our Framework of Economic Analysis the author writes, “the conventional framework of economic analysis benefitted from science of physics and heavily depended on tools borrowed from mathematics. .... “the scientific methods similar to that of physics, though, succeeded in getting economics a higher status among other social sciences, yet in the process they lost track of reality. It failed to cover several economic problems that science of economics covers. A quick review of other natural sciences, such as, biology; 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”.

Fahim Khan wrote four pages explaining how the study of Anatomy and Physiology System (A&P) would provide economists with clear insight in economics and the economic system. Another three pages are

devoted to “Lesson from A&P for Developing Our Framework of Economic Analysis”.

His views can neither be rejected nor can be unconditionally accepted. Analogy between the economic system and the biological system is not deniable. Analogy in this suggested approach adds also an important meaning to economics (Islamic or Secular) and send message to those economists who are quite fond of the neoclassical approach which heavily depended on abstraction and isolation of one factor from the others. Study of human body teaches us that all parts are interdependent. Similarly parts of any economic system are closely linked, and that you cannot deal with any part or with any problem in isolation. Yet, on the other hand, one cannot close doors to benefit from other human sciences or social sciences. We cannot also deny the importance of physics and mathematics for economics.

I should emphasize that on methodological grounds, the approach suggested by Fahim Khan does not necessarily concern Islamic economics. It may be recalled that François Quesnay (1694-1774) a French physician, founder of the Physiocratic school was the first economist to make analogy (in his “Tableau économique” 1758) between circulation of blood in body and circular flow of income (Net Product). Upon his analysis he considered agriculture to be the only productive sector because it is the agent of “Nature”. It can be also added that the Historicists and Institutionalists (i.e., scholars related to the Institutional Economics school) such as John Rogers and Thorstein Veblen discussed and analyzed economic issues from a macro sociological point of view, and thus critically challenged the neoclassical approach. Veblen in fact gave a lot of attention to human instincts, and psychology within sociological and political frame. No one should forget their impressive work in this area.

However, it would be to the benefit of our young Islamic economists who are attached only to the quantitative approach (mathematical or econometrical) to read Fahim Khan’ paper in order to give better analysis of Islamic economic issues. The author explains in brief how “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”; how A&P tells us that the study of human body as a living organism must understand its needs to strive and thrive;

and that “the concept of homeostasis as used in A&P must lead the economists to think that there may be a balanced equilibrium in human behavior similar to the balanced equilibrium in the human body”; “how body responds to maintain balance when random changes occur in environment”; and that “A&P identifies nature of signals that are used by nervous and endocrine systems to accomplish homeostatic equilibrium”; and that “a system of early warning signals for any potentially growing imbalances is capable of guiding us at individual level or at institutional level to adopt early corrective measures and avert a potential economic crisis”.

With respect to the remaining part of the paper which is built upon the previous conceptions and the benefit of using A&P approach; I have only one comment to make. He states that: “the prime focus of economic analysis should be *survival needs*. Economics should be concerned how human beings meet their survival needs and what makes them succeed and what makes them fail to survive. It can hardly be over-emphasized that this is an economic problem for many countries and communities in the world”. This is really surprising! It is true that many countries in the world suffer from extreme poverty. Yet, our targets in Islamic economics should not be focused or confined on meeting only *survival needs*, even if “these needs include nutrient (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 secular change in these factors.”

Under the subtitle “Developing Islamic Approach to Study Economics” the author wrote, “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 the Islamic teachings. *How this will be done is not being presented here because the first job is to agree upon an appropriate framework*” I think the author after suggesting an approach for understanding and analyzing economic behavior based on

A&P systems should have completed his job. He should have shown us how to depend on his biological approach in discussing Islamic economic issues and incorporating Shari‘ah rules and Islamic values? This is what we really need to know, because what he has done does not concern Islamic economics in particular. I feel that the statement quoted above is taking away much of the value of the proposal of benefiting from the A&P system.

In the latter part of the paper, the author focuses on approaches and statements made by other Islamic economists. There, may be some attempt to link between different views of some Islamic economists and what the author explained about wants and needs, maximization and fulfillment and survival and usefulness of A&P system, survival needs, etc. But the link is really weak. The effort done by the author on his belief that our *first job is to agree upon an appropriate framework of economic analysis took us to different dispersed issues which cannot really be considered in natural continuity with what we went through in earlier parts of the paper.*

Some specific statements, however, deserves comments:

“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”

I would say that if this is considered one of the top objectives of Shari‘ah (as explained), it has to be supported by *shūrā* system (surely not to be left to *fuqaha*’ only and their *fiqh* approaches or appreciation) and it has to be supported by a just system of economic compensation. Otherwise this rule will jeopardize private property rights and destroy one of the principal bases of the Islamic economic system.

“No claims 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 can be reaped implication not only for 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.”

My comment is that this is a Shari‘ah rule. No need to involve Shari‘ah objectives.



“Islamic economic man and lay down the qualifications that would make an Islamic man in his economic pursuits”

I have a big objection on the expression of Islamic economic man. Is it not similar to the economic man created by the neoclassical economists? That is, isolation of the economic aspect? Is this consistent with the biological approach which the author suggested in his paper? He says “Islamic economic man is a man who is ‘*rashīd*’. Why? Can we not talk about the “Muslim” and say whatever you want about his social or economic behavior.

“The human instinct of niggardliness.....etc.”

That man is niggardly (قتورا) is meant at the individual level or personal behavior that would necessarily reflect on the others, i.e., affects the society. It is a behavior that has been recognized in secular literature by analyzing social versus private interest. Also what is mentioned in the next paragraph involving money and wealth is recognized in secular economics. But there, economists found economic solutions, such as interest, to encourage persons towards increasing their savings (reflecting normal or niggardly behavior). Thus niggardly behavior could turn to be beneficial to others in society once we find ways for this. Surely we can work for this in Islamic economics within the philosophy of partnership.