

## **Islamization of Economics: The Concept and Methodology\***

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**ABSTRACT.** Could there be a science of economics that could be described as “Islamic”? If so, does this imply denial of the existence of global economic laws that encompass all social systems, both Islamic and non-Islamic? This research paper aims at finding a considered and detailed answer to these two questions through:

(a) Demonstrating that, although science is generally characterized by its factual descriptive statements (i.e. the laws which it arrives at), there are still certain basic aspects of any science, (the social sciences in particular, including economics), regarding which no researcher can help depend on a set of pre-conceived values.

(b) Demonstrating that, although the texts of Islamic Shari’ah (Law) are basically a source of values, yet they often contain descriptive statements about economic life.

If we replace those values on which the science of economics should be based (mentioned in ‘a’) by Islamic values, and if we add to the secular statements that economics has so far arrived at by the statements mentioned in ‘b’, we would then be able to establish an Islamic science of economics.

The paper also explains the relationship between Islamic Economics and Islamic Law and discusses a proposed work plan to Islammization of economics.

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\* The present paper is an English version of the author’s Arabic paper entitled: “*Tahqiq Islamiyyat Ilm al Iqtisad: al Mafhum wa’l Manhaj*”, published in Vol. 2 of this Journal in 1990 (Arabic Section). Due to vital significance of the theme presented in the paper, we reproduce it to our English readers expecting due response from them (Editor).

(1) In preparing this revised version of a past research paper, I have benefited from the remarks and comments of many writers, among whom were: Late Prof. Mahmoud Abu Al Sa’ud; Dr. Muhammad Omar Zubair; Dr. Rafic Al Masri; Dr. Nejatullah Siddiqi; Dr. Ja’far Shaikh Idris; my father, the late Sheikh Mustafa Al Zarqa; Dr. Shawqi Dunya; Dr. As’ad Al Ras and the remarks and comments of three referees. To these all I would like to express my thanks. As they might not agree on what I had to say in this research paper, all faults or mistakes in thought or expression would remain my own responsibility.

## 1. Introduction

### 1.1 Basic Question

The aim of this research paper is to study the meaning and methodology of establishing the Islamic quality (Islamization) of the science of economics in particular and of the social sciences in general<sup>(2)</sup>.

Two major questions arise in the context of 'Islamizing' economics, in the sense of establishing it in accordance with the principles of Islamic Law. These questions are:

**First:** What is the relation between conventional economics and the religion of Islam?

**Second:** What is the relation between Islamic economics and Islamic jurisprudence?

Regarding the first question, the majority of researchers in Islamic economics have so far distinguished between an economic system and economics as a science; they emphasize that the religion of Islam provides a unique economic system. They follow this claim by saying that the science of economics does not differ from one economic system to another.

This mode of thinking, if right, entails saying that it is impossible to have an Islamic science of economics for the very same reason that does not make us expect establishing an Islamic science of mathematics or an Islamic nuclear physics. In other words, it is impossible to establish an Islamic science of economics not because Islam and the science of economics are opposed to each other, but rather because the pursuits of each are different, and because the science of economics is global in nature and indifferent to values that differ from one system to another.

Furthermore, this mode of thinking entails saying that the laws of secular economics should be accepted by an Islamic economics in the same vein that the laws of physics hold true for all countries and social systems.

On the other hand, there is another mode of thinking which claims that the science of economics is the by-product of a particular civilization and that it could never have correct laws that would hold true for different social systems. Therefore, if we need to establish an Islamic science of economics, we should cast behind our backs secular economics and start building this Islamic economics from scratch.

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(2) See *Islamization of Knowledge: General Principles and Work Plan*, and its first English version by the late **Dr. Al-Faruqi, Ismail R.**, to which I will refer to in part 5 of this paper.

Each of these two modes of thinking has in it one part of the truth, but misses the other part, as we shall see in parts 2 and 3 of this paper.

Regarding the second question, some consider Islamic economics as part of *Fiqh Al Mu'amalat* (Islamic Law of Transactions); they believe that it is only "after the economic rules have been derived from the books of Shari'ah and put for discussion in independent research studies, that we would have what is called Islamic Economics"<sup>(3)</sup>. Some others, on the other hand, barely see any appreciable connection between Islamic Fiqh and economics. Thus this relationship must be determined in order to clarify the connection, a matter which I shall attempt in paragraphs 4.4 and 4.6 of this paper.

## **1.2 Importance of the Subject**

This type of methodological research to economics and other social sciences is more akin to the Principles of Islamic Jurisprudence (*Usul Al-Fiqh*) than to *Fiqh* (Islamic Law). In today's terminology, it may be called 'the methodology of science'. Therefore, it would have been correct to entitle this research paper "Some Principles/Methodologies of Islamic Economics".

It is needles to emphasize the importance of methodology awareness in any attempt to 'Islamize' any of the sciences to avoid scattering efforts or make the vein of thoughts on the issues under consideration go in asymmetrical directions or be in conflict with the appropriate Islamic methodology. We can in no way aspire to advance Islamic Economics or any of the other Islamic social sciences before the answers to the big methodological questions related to the principles or methodology of the science first becoming clear (and I do not wish to say 'first being agreed upon')

## **1.3 Way of Writing about Methodology**

I do not wish to hide from the reader the secret of admitting that I write on this subject timorously as I have given it much of my thinking, read much thereon and have written so many notes and collected for years many examples to cite in substantiating my exposition.

The current research is but a small fraction of the data I have accumulated thereon. I do not pronounce this fact just to convince the reader of the validity of the conclusions I have reached on the subject, but rather to emphasize the fact that I have not embarked on this serious research without preparation and consideration. Despite all this, I am not yet completely satisfied with it. God willing, comments received from its readers might enable me to improve upon and correct it in the future.

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(3) Al-Fangari, (1980), p. 85.

I am increasingly convinced that its subject-matter is more difficult than it first appeared to me; differences in the terminology and modes of expression used in its discussion constitute a big hurdle that opens the door to misunderstanding, even when thoughts are in agreement. Among the difficulties enshrouding this research is that of having to address both economists and Shari'ah scholars. What is known to one of these two groups is most often not known to the other. I found that the best method of expressing ideas is by way of giving one or more illustrative examples on each idea. This is a difficult condition for the satisfaction of which I have exerted much effort, an effort that I recommend to all those who write on the subject.

#### **1.4 The Research Plan**

In the second part of this research, the writer shall deal with the definition and foundations of science, any science; that is to say, its essential elements and old postulates, as well as the channels through which values creep into it. In the third part of the paper, the writer shall give a conception of the plausible relation between the religion of Islam and conventional or secular economics. In the fourth chapter, the writer shall explain the essentials of Islamic economics when it comes to age and its relation to Islamic jurisprudence and conventional economics, as well as to some other branches of knowledge. The fifth part of the paper will discuss work plans for Islamization of economics.

## **2. Definition and Constituents of Science**

### **2.1 Descriptive and Normative Statements**

The starting point in discussing this subject is to distinguish between descriptive and normative statements. A descriptive statement describes a specific reality, as when we say, for example, an increase in rainfall results in an increase in agricultural production, or like saying that there is life on Mars. Since a descriptive statement is a statement of what is, it could also be called a predicative statement.

Opposite to these descriptive statements or propositions are **statements of value**, which express an attitude towards what should be, like saying "Solitude is better than keeping bad company" or "Telling the truth is a duty". Such statements indicate our preference of a certain state of affairs, behaviour or condition that might occur (such as the state of 'solitude' or the behaviour of 'telling the truth') to another possible state or behaviour that might occur (such as 'keeping bad company' or 'telling a lie').

Descriptive statements or propositions might be true or correct, that is, they might be consistent with reality; they might as well be false or incorrect, that is, they might not be consistent with reality. Therefore, they are amenable to testing and verification to establish their truthfulness or falsehood. Normative statements, on the other hand,

do not describe a specific reality, but express a preference. Therefore, normative statements cannot be described as true (i.e. consistent with reality) or false. However, these statements are likely to be **accepted** by us if they are compatible with our values or **rejected** if they are opposed to them<sup>(4)</sup>.

It is clear from the above argument that God's ways in the Universe and Society are expressed in descriptive statements, whereas the commandments of Shari'ah (Law), any Shari'ah, are expressed in normative statements. Therefore, the content of the empirical sciences, such as physics, agriculture and medicine is often concentrated on descriptive issues, whereas the content of the Shari'ah sciences and rules of ethics often deal with normative issues<sup>(5)</sup>.

## 2.2 Definition and Elements of Science

I will not dwell long on an exact definition of science, but will seek instead to give an approximate definition that I consider to be in keeping with the Islamic conception and with other modern definitions. First, we should distinguish between science and knowledge. Knowledge is a group of facts, whereas science is but a branch of knowledge in which its facts and the results of its experiments have been assembled and codified in the form of hypotheses and general laws that are amenable to verification and testing by logic, experimentation, deduction<sup>(6)</sup>...etc. This definition includes empirical sciences, such as physics as well as social sciences such as economics. It also includes syntax, mathematics, *Fiqh* (jurisprudence) ... etc.

It is to be noted that the concept of 'science' in the Qur'an and Sunnah is not limited to positive knowledge that is consistent with reality only, but includes as well **preponderant** presumptions. For this reason, Muslim jurists are in agreement to call *Fiqh* a science, although many of its rules are based upon presumptive evidence. They are also in agreement about the necessity of compliance with presumptive evidence, which is preponderant.

However, Shari'ah has condemned compliance with a presumptive evidence that is **not preponderant**; such type of non-preponderant presumptive evidence has not been recognized by Shari'ah as 'knowledge'. Muhammad Bin Ismail Al-Amin Al-Sana'ani clarified this by saying that presumption is a common word that has many meanings: doubt that makes one oscillates between the two extremes of the matter under consideration; this type of doubt is the one condemned in both the Qur'an and the Sunnah. The other meaning is 'the preponderant' side of the issue (although it does not

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(4) Descriptive statements are also called "positive statements", but we avoided the use of the word 'positive' because it also refers to a philosophical system that denies metaphysics and bases knowledge only on tested and verifiable statements of fact. Statements of value are also called "normative statements".

(5) We say 'often' because even empirical sciences depend of necessity on some normative criteria. Shari'ah's normative rules may, as well, occasionally involve descriptive issues.

(6) Compare with the definitions given by the Larger Oxford Dictionary. See also footnote number (45) in this paper.

amount to certitude); this type is not only suitable for acts of worship, but most rules of Shari'ah revolve around it<sup>(7)</sup>.

Since most of the content of social sciences, including economics, is based on presumptive evidence that is preponderant, which evidence is dependent upon observation, deduction and induction, we do not hesitate to call such disciplines 'sciences' in the Shari'ah sense too.

What are the elements of a science, i.e. what are its general constituents? For the purpose of this research, it would be suitable to divide these elements into three categories:

### **First Essential Element**

Previous presumptions, or simply 'presumptions', are implicit assumptions stemming from a general view of the universe and to Man in the case of social sciences (they might also be called 'the philosophical bases of science'). An example of such presumptions in physics is the belief, prior to any research, that the universe and material therein are subject to stable laws that are amenable to discovery. Similarly, in the field of social sciences, there lies the belief that human behaviour has a certain degree of regularity and stability. Thus presumptions are in fact descriptive statements about the universe, man or society, that could be described as starting points that are explicitly or implicitly taken as bases for building science.

### **Second Essential Element**

Normative values are inevitable for science to rely on. In paragraph 2.4 of this research paper, we shall point out the most important among these values.

### **Third Essential Element**

This includes the descriptive side of science, i.e. all the facts, presumptions and general theories and laws related to the subject matter of science. This third element is the one that normally receives emphasis as it is considered the immediate target of science, and the element that springs to mind whenever a certain science is mentioned. It is this descriptive element that is normally subjected to verification and testing rather than the first essential element.

It is difficult to conceive of any science that does not depend on all of the three essential elements, regardless of the degree or extent of such dependence. It is noticed, however, that the role played by the first two elements in experimental sciences, such as physics and agriculture, is less than that they play in social sciences, such as

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(7) Al-Qasimi (1331 H), p. 51

economics, education and sociology in particular, where such role becomes greater. This role expands even greater in the human sciences, such as psychology, and reaches its zenith in a normative science such as the Science of Islamic Jurisprudence. (See paragraph 4.1.1 below).

It is further noticed that seldom each of the three aforementioned elements is presented distinctively or separately from the other two. Often the content of a science is presented in the mould of the third element, although the process of presentation involves, whether explicitly or implicitly, the other two.

Since many people overlook the first two essential elements of science even in their own subject of specialization, and since they do not recognize the role these two elements play in the content of a scientific discipline or its historical development, we shall give some examples for clarification in paragraphs 2.3 and 2.4 below.

### ***2.3. Examples of Earlier Presumptions in Science***

Among the most important functions of presumptions is that they constitute the fountain from which the scientist gets his premises, which he uses to explain phenomena. For instance, when explaining the events of the Life of the Prophet, an atheist orientalist would immediately rule out an interpretation that depends on revelation or the idea of prophethood and limit himself to other assumptions. Then he tends to organize all his study and links among facts accordingly.

Similarly, the same method is applied when attempting to explain similarity among religions; that who does not recognize prophethood and revelation and takes this stance as a basic assumption would limit his interpretation of this phenomenon to the possibility of coincidence or the possible transmission of ideas by successors from their predecessors. That who believes in revelation and prophethood would have a different interpretation of the same phenomenon: the unity and sameness of the source of all religions.

Note that in the above examples the researcher (the orientalist or the student of comparative religion) seldom reveals his assumptions. However, he formulates his interpretation of events or what he presents in the name of science on the basis of these assumptions. Among the most important economic assumptions having deep repercussions on the premises and theories of this discipline are those assumptions related to man's natural disposition and motives.

### ***2.4 Aspects of Science that Should Depend on Previous Values<sup>(8)</sup>***

- a. **Selection of the Topics to be Discussed:** When much human and financial resources are allocated to study a certain theory, the resources left for the study of

(8) There are many aspects other than those we shall mention in "a", "b" and "c" that depend (Cont'd next page)

other theories grow smaller. "This claim applies to (resources allocated to) the training of new scientists and the equal time allocated to classroom instruction and the number of pages allocated in books and magazines for the various theories. Even the allocation of equal classroom time (for the various theories) is indicative of adoption of certain values<sup>(9)</sup>. Among the cases in economics one could cite as examples of the effect of previously-held values on selecting topics for research are that keen interest shown by classical economic theory in studying and analyzing the selfish economic behaviour to the neglect of studying economic behaviour that is based on self-denial or ethical motives (See example 'b', paragraph 4.1 below).

- b. **Choice of Variables and Assumptions:** If we wish to study a certain phenomenon such as that of economic growth, for example, we find that this phenomenon varies with both time and place; in other words, it is subject to the influence of many variables. Without a prior theoretical analysis, the quantitative and statistical analysis of data (such as in the case of (multi-slope equations) can only prove the existence of a certain relation among the various phenomena; it cannot, by itself alone, distinguish causes and results. Therefore, one cannot by using quantitative and statistical methods alone arrive at general laws that govern the course of economic phenomena, their causes and results, unless such quantitative methods depend on a "strong theoretical orientation"<sup>(10)</sup>.

Where does this theoretical orientation, which is the basis of scientific advancement and success in using quantitative methods in analysis and testing, come from? It is the result of a number of intellectual steps that could be summarized in two phases. This involves review of the variables conceived to have a possible influence on the economic event or phenomenon under consideration. Such variables are usually great in number and many of which are of non-economic nature. The second phase involves the classification of variables into three categories:

- Variables that are not related to the phenomenon under consideration.
- Exogenous variables that influence the phenomenon but are not influenced by it.
- Endogenous variables that do not only influence the phenomenon, but that are also influenced by it as well as by exogenous variables. Efforts are normally concentrated on these endogenous variables, where a number of them are selected for explanation and prediction of their individual courses.

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(Cont'd from last page) on values. See **Samuels** (1977), pp. 475-480, where he mentioned in the realm of economics: defining the nature of the economic problem; distinguishing objectives from the means to achieve them; definition of output and cost; the concept of wealth; the concept of consumer supremacy, and many other more.

- (9) **Roberts** (1974), p. 54. **Lindbeck** (1971), pp. 9-12, emphasized the same idea. However, he thinks that selection of the issues to be discussed is the only value-dependent or subjective side in economics as a discipline. See also **B. Ward** (1972), p. 193.
- (10) Dr. I. Adelman emphasized this point in the course of her study of the phenomenon of economic growth. See other related discussions of the issue in **Samuelson** (1965), pp. 319-20; **Schumpeter**, ch. i, and in **Henderson & Quandt** (1958), pp. 1-2.

Since social (economic and otherwise) and psychological phenomena are generally interconnected and of mutual influence, the list of variables that should be reviewed and classified when studying any particular phenomenon is very long and difficult for students of any social science to review and classify completely. What happens always is to overlook the majority of these variables and to concentrate on a limited number of endogenous and exogenous variables among them.

The steps made to select some of the variables (or, if you wish, to discard many of the variables), then to select the issues and questions to be discussed and answered (from an infinite list of questions that could be posed) are all influenced to a great extent by the pre-conceived ideas or postulates about man and society. These steps are also influenced by the implicit and explicit assumptions they adopt in their research studies, without which no discipline could be established<sup>(11)</sup>.

- c. **Selection of Acceptable Research, Proof and Refutation Methods:** Any theoretical or applied research methodology adopted is often an expression of a particular conception of the world and gives importance to certain issues to the exclusion of others. Let us try to give as an example the use of quantitative and statistical methods that are in vogue in economics as well as in other social sciences. Despite their undeniable value, these methods give great importance to clear concepts that are characterized by their easy statistical measurement and low cost even if they are of limited significance or purport, or unable to arrive at the basic facts. An example of the **influence of the research methodology** adopted is those many quantitative studies (based on econometrics) dealing with the phenomenon of brain drain from the developing to the developed industrial countries. Economic variables, such as the cost of travel between the two countries involved, the average per capita income in the home country of an immigrant compared to that of the country of destination etc., were used. All these variables are easy to measure. Other more important variables, however, are ignored because they are difficult to quantify and measure, such as the social factors encouraging the immigration of brains from their home country (such as corruption and oppression) or other important personal reasons (such as the degree of a person's loyalty to his country of origin and his feeling of responsibility towards it...etc.).

### 3. Analysis of the Relation between Islam and Economics

It is easy to depict the relation between Islam (i.e. in its two primary sources of the Qur'an and the Sunnah and its other sources based thereon) and economics by the

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(11) The economist, J. R. Hicks has rightly emphasized that economic 'theory' is by necessity a blinder that takes out of focus many of the details of reality and focuses our attention on a few elements that would become the object of theorizing and study of the relations obtaining among them.

following simple diagram. The big circle in the diagram represents the Islamic premises or assumptions, whereas the smaller circle represents the assumptions of economics. A horizontal line separates normative assumptions (above the line) from descriptive assumptions (below the line).

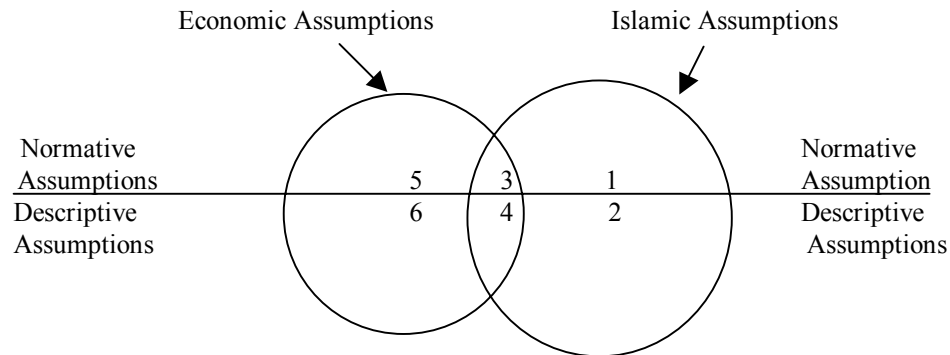


Diagram showing the relation between Islam and Economics

It is clear from the diagram that we have six distinctive categories of assumptions that have been numbered from 1 to 6. Category number 1 includes Islamic normative assumptions; number 2 includes Islamic descriptive assumptions. Categories 3 and 4 are shared between Islam and economics, where 3 includes normative assumptions that are confirmed by both Islam and economics, whereas 4 includes Islamic descriptive assumptions that are confirmed by economics. Category 5 includes normative economic assumptions about which no mention was made in the authoritative texts of Shari'ah and cannot be derived from such texts. They constitute normative assumptions that are exclusively the property of economics. Category 6 includes the descriptive assumptions of economics.

The above six categories constitute theoretical categories that none might have an equivalent in reality. It is imperative to give at least one example about each of these categories to ensure that they are not void of substance but have examples in real life. This we shall attempt in the following discussion:

**First: Islamic Normative Assumptions** (categories 1 and 3): Here lies the bulk of authoritative Shari'ah texts from the Qur'an and the Sunnah, because all Shari'ah commands and prohibitions (in their various degrees of obligation, abomination and strict prohibition) are normative. Some of these normative assumptions are not, however, economic in nature, such as God's command "Turn not thy cheek away from men in scorn, and walk not in the earth exultantly"(31:18); others are (category 3), such as God's command "O believers, fear you God; and give up the usury that is outstanding" (2:278) or "...pay the alms"(2:110). All the rules governing the economic system of Islam fall within this category.

We can view category 3 from the perspective of modern economics and ask: are there any Islamic normative assumptions that are embraced by economists as well? At first glance such assumptions seem to be practically non-existent, for modern economics has always sought to avoid such normative assumptions. But as we said earlier (in 2.4), there are aspects in any science that should, by necessity, rely on certain normative assumptions, such as the selection of research topics to be discussed. One can notice that the subject of productive efficiency (which roughly refers to achieving maximum production with the least possible cost) is one of the most important issues of interest to economists, thus by virtue of such interest they implicitly express a normative preference. This is in keeping with Islam's viewpoint that prohibits waste and squandering (loss of productive efficiency is but a form of waste). It is also consistent with the objective of safeguarding wealth (*al mal*), which is one of the five major objectives of Shari'ah.

Another clear example is that of the keen interest shown by economists in analyzing economic growth (in the sense of sustained growth of the average per capita income), an issue that is compatible with Islam's interest in combating poverty and its preference of a state of affluence to that of deprivation and destitution.

Thus one can see that assumptions falling under category (3) are not empty, whether we view them from Islam's perspective or from the perspective of modern economics.

**Second: Islamic Descriptive Assumptions** (categories 2 and 4): These assumptions **describe** a reality, refer to a **relation obtaining among variables** or **classify** facts in a certain manner. Here are a few examples of non-economic assumptions (category 2).

- (a) God says about honey, "In it there is healing for people" (16:69); this is a descriptive statement showing the relation between the use of honey and the healing of certain diseases, a statement that falls within the realm of medical science.
- (b) The Quran says "Our Lord, take us not to task if we forget, or make mistake"(2:286), a supplication that is indicative of the fact that there is a voluntary side to some types of forgetfulness that can be avoided, otherwise there is no justification for asking God's forgiveness for committing them. This is a descriptive statement that falls within the realm of psychology.
- (c) In *Surat Al Baqarah* (2:166) God says "...when those that were followed disown their followers...". In *Surat al-A'raf* (7:75) He says about Salih (Peace be upon him) "The chieftains of his people, who were scornful, said unto those whom they despised ....."

The word “*mala*” originally refers to dignitaries and chieftains to whose opinions and sayings people turn back. Such group in society has been mentioned several times in the Holy Qur'an as a social predicament to acceptance of the call of God's Messengers. God says in *Surat alAhzab*, “They would say 'Our Lord, we obeyed our chiefs and great ones, and they led us astray from the way'”(33:67).

The above, and some other similar verses in the Holy Qur'an, emphasize the importance of classifying people into followers and followed when analyzing society's reaction to new situations or ideas. This is a descriptive statement that falls within the domain of sociology.

Among the **economic-related Islamic assumptions** (category 4), the following could serve as examples:

- (a) God says in *Surat al-Alaq*, which was the first *Surath* to be revealed, "Nay, but man doth transgress all bounds. In that he looketh upon himself as self-sufficient" (96:6-7). He also says in *Surath al-Shura*, "If God were to enlarge the provision for His servants, they would indeed transgress" (42:27). There are many traditions that also link wealth or richness to transgression, such as the Prophet's saying "Take the initiative to do (good) deeds...or else you would be waiting for either poverty that would make you forgetful about (initiating) such good deeds or richness that would make you transgress all bounds"<sup>(12)</sup>. This is a descriptive economic statement that links affluence and richness to transgression, a statement that, as far as the author knows, has not caught the attention of economists.
- (b) God says in *Surath Al-Imran*, "Fair in the eyes of men is the love of things they covet: women and sons; heaped-up hoards of gold and silver; horses branded (for blood and excellence); and (wealth of) cattle and well-tilled land. Such are the possessions of this world's life; but in nearness to God is the best of the goals (to return to). Say: Shall I give you glad tidings of things far better than those? For those that fear God are, with their lord, gardens underneath which rivers flow, therein dwelling forever, and spouses purified, and God's good pleasure. For in God's sight are (all) His servants" (3:15-16). In these verses of the Holy Qur'an there are two descriptive statements: the first is man's unlimited love of wealth. An authentic tradition has the same meaning: "Should the son of Adam possess two valleys of money, he would still love to have a third..."<sup>(13)</sup>.

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(12) Narrated by Al Tirmidhi, who classified it as a 'good' *hadith*. It is quoted also by Nawawi in his *Riyad al-Salihin*.

(13) Narrated by Ibn Majah in his *Sunan* (1984), (Vol. 2, p.435, traditions # 4289). Researcher Al 'Azami reports about the authenticity of this *hadith*. Bukhari and Muslim narrated the *hadith* in words similar in meaning to the above wording. It was also narrated by Al Mundhiri in his *Al-Tarhib wa Al Tarhib* on the authority of Anas in the following words: "Had man two valleys of money, he would have still sought a third one. Nothing can satisfy the son of Adam except earth. God would have mercy on that who has repented". Abridged version of *Al Tarhib wa'l Tarhib*, by Ibn Hajar (1960), p. 161, tradition # 587.

The second states that belief in God's reward in the hereafter mitigates man's unbound love of wealth in life. The first statement is shared by economists.

- (c) Allah the Exalted says in *Surat Al Nisa'*, "Do not covet that whereby God in bounty preferred one of you above another...and ask God of His bounty"(4:32). He also says, "Stretch not thine eyes to that We have given for enjoyment to parties of them"(20:131). The Prophet (P.B.U.H.) says "Look to those who are below you (in wealth) as this is better suited to not look down scornfully to the bounties God has given to you" (Narrated by Muslim).

One could conclude from the two verses quoted above that, in seeking life's material gains, man is influenced by what others have of these gains. One could conclude from the tradition quoted above that a consumer's satisfaction of what he has is influenced by what others have, i.e. by his relative position among the total population of consumers. There are many other Shari'ah texts that emphasize the interrelatedness of individuals' behaviour and the link between the changing utility among them and the great influence external and social factors have on all that.

Such texts are incompatible with two basic assumptions in the theory of consumer behaviour and in the theory of welfare economics: the assumption that "consumers' tastes" are external variables and the assumption that changes in consumers' utility are independent of each other.

- (d) God says, "...and if ye believe and guard against evil, He will grant you your recompense, and will not ask you (to give up) your possessions. If He were to ask you for all of them, and press you, ye would covetously withhold, and He would expose all your ill-feeling"(47:37). He also says "Hold to forgiveness..."(7:199) and "They ask thee how much to spend; Say "What is beyond your needs"(2:219). The descriptive assumption these verses make is that there are certain limits to what could be taken from people by way of donation; should these bounds be transgressed, people would start showing hidden ill-feelings.

**Third: Descriptive Assumptions of Economics** (category 6): In spite of the famous differences in opinion among economists, economics contains many descriptive statements that capture economists' consensus of opinion, some of which shall be mentioned to point out how incorrect is the view that modern economics is nothing but a group of Western values:

- (a) The Law of Engle (a German statistician), which states that the proportion of income spent on food diminishes with increase in such income.
- (b) The aggregate surplus of countries posting surplus in their balance of payments equals the aggregate deficit in the balance of payments of countries posting a deficit.

- (c) The value of a currency, i.e. its purchasing power, is not linked to its gold coverage.
- (d) The Law of Diminishing Returns: The incremental output from successive and equal increases of one input will eventually diminish when other inputs are held constant.

### **Postscript**

The writer has intentionally overlooked mention of the above assumptions to avoid complicating the diagram given earlier and the discussion.

The simplest way to include the assumptions is to integrate them into our diagram under normative assumptions, where the upper part of the diagram (categories 1, 3 and 5) would include the normative assumptions and statements, leaving the lower part of the diagram (categories 2, 4 and 6) for descriptive assumptions alone.

Based on this, category 3 of the assumptions would include those normative statements or assumptions that are shared by both Islam and economics, regarding which illustrative examples have been given.

Regarding categories 1 and 5, these would include only the values or assumptions peculiar to either Islam or economics.

### **Fourth: Two Conclusions about the Relation between Islam and Economics:**

We can draw from the above discussion two conclusions. The first is that Islam is basically a religion of guidance, the main purpose of which is to supply us with normative statements, i.e. Shari'ah rules commanding what we should do and what we should refrain from doing, or statements expressing normative preference of one situation over another. But Islam also draws our attention to some variables and supplies us with some descriptive statements that fall within some academic disciplines, such as economics, sociology and psychology. This is of great importance to the Islamization of social and human sciences and to their protection against deviation or error.

Factors, such as the myriad of variables and factors influencing social and economic phenomena, the multiplicity of descriptive statements that could be made in regard of such variables and factors, the need to disregard the greater part of such factors and to concentrate on a limited number of them (as mentioned earlier) and the inability of holding some social factors constant or of subjecting human being to laboratory experimentation - all these factors open the way for "great confusion in the social sciences and the succession of conflicting theories...Should understanding and reflection on the laws of the universe, existence and relations lead the Muslim astray, he would have a guardian and protector in revelation...thus Islamic knowledge

employs, simultaneously, sources of rational and empirical inductive knowledge, along with general, deductive universal sources of knowledge (derived from revelation)<sup>(14)</sup>.

Therefore, reference by God-given Law (Shari'ah) to some of the factors and variables influencing economic life and behaviour and its supply to us of some descriptive statements are considered a valuable intellectual aid to establish an Islamic quality for the science of economics as well as for other sciences. But it is noticed that most contemporary writings about the Islamic quality of economics and other disciplines ignore the descriptive aspect of Islam, limiting their reference to the normative assumptions only<sup>(15)</sup>.

The second conclusion is that there is a common ground of interest between Islam and economics (categories 3 and 4 of the assumptions).

In the light of what has been mentioned above, we shall explain in part 4 of this paper how to achieve integration between Islam and economics, or how to establish an Islamic science of economics.

## 4. Essential Elements and Scope of Islamic Economics

### 4.1 The Relation between Islamic and Conventional Economics

The final result of integrating economics and Islam would be an Islamic Economics that should consist of the following assumptions:

Category 3: Islamic normative statements and assumptions. We mentioned earlier that this category would include, inter alia, the rules of the Islamic Economic System.

Category 4: Islamic descriptive statements that are related to economics.

Category 6: Descriptive economic assumptions and statements.

In other words, we shall exclude from such science category 5, which includes those normative assumptions and statements that are the exclusive property of modern economics, i.e. those that do not have an Islamic basis. Category 3 items would replace

(14) **Abu Sulayman** (1982), p. 16.

(15) Among the exceptions worthy of mention is the research of **Muhammad Al-Mubarak** (May Allah rest his soul in peace) entitled: *Nahwa Siyaghah Islamiyyah li Ilm al Ijtima'* (Towards an Islamic Formulation of the Science of Sociology), which was presented to the First Conference on Islamic Education held in Makkah Al Mukarramah. He emphasizes in this paper that Islam provides us with a number of social laws and descriptive statements, giving many illustrative examples in support of this view (pp. 15-22).

these. It is expected of this replacement to result in two types of change in the content of category 6.

The first relates to modification or correction of those assumptions that were originally based on category 5, and the addition of new assumptions (or emphasis of those ones that did not receive enough attention before) that are derived from category 3, i.e. from Islamic values and assumptions. Moreover, such replacement may result in a new and comprehensive research programme and in a wide-ranging modification of a large number of the discipline's assumptions.

- (A) Let us give as an example of the possible modification to some of these assumptions the issue of possible depletion of some natural resources, which is the subject of much controversy now. One of the assumptions of Westerners is that the universe was created accidentally or as a result of the interaction among the blind forces of nature. Given this, the assumption goes on, it is not unlikely for the quantity of some natural resources to be incompatible with the needs of a decent and honourable human life. Thus when dealing with the problem of scarcity of resources and the possibility of their depletion, one of the assumptions that will be worthy of discussion based on this assumption would be that of the possible incompatibility between available resources and human needs. Much literature, statistical studies etc. on this assumption would accumulate. But owing to the nature of the subject, the very narrow scope of making it subject to experimentation and the fact that the observations made are merely hypothetical (as it is difficult to give an estimate of either the quantities that are already existing, or those that may be discovered in the future) - all these factors indicate that it would be difficult to establish or verify the error of this view in a convincing manner; its acceptance or rejection would still depend on previously-held assumptions to which the researcher sticks, either explicitly or implicitly.

However, if we take our starting point the Qur'anic verses "Verily, we have created every thing by measure"(54:49); "We have honoured the sons of Adam"(17:70); "It is We Who have placed you with authority on earth and provided you therein with means for the fulfillment of your life"(7:10); "And there is not a thing but its (sources and) treasures (inexhaustible) are with Us, but We only send down thereof in due and ascertainable measures"(15:21); "It is He Who hath created for you all things that are on earth"(2:29) - I say that if we take the above, and other similar verses, as our departure point, we will reach the assumption that earth and all that is on it have been made, by God's will, serviceable to man<sup>(16)</sup>, and that the quantities of any natural resource endowment on earth are deliberate and not haphazard; in endowing them, God has taken into consideration fulfilment of the needs of the honourable life He accepts for his servants throughout their predetermined lifespan on earth. The **only source of incompatibility** that might arise between human desires and

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(16) Al-Faruqi (1982)

the quantities of natural resources available would be man's misbehaviour and his deviation from the norms of production and consumption that have been ordained by God. The only solution to this problem of incompatibility would be through the correction of these deviations. Hence, the research plan and the assumptions to be given on the basis of the aforementioned basic assumption would concentrate on study of the possible relation between certain deviations in the human economic and social behaviour and the impact of such deviations on the depletion of resources.

There is room for opinions to diverge regarding the above example, which we have supplied to clarify the idea under discussion and not to prove the content of the example.

It is worthwhile here to explain the position of the economic descriptive assumptions (category 6) vis-à-vis Islamic economics. Many of these assumptions have been arrived at by non-Muslims, a matter that does not preclude their inclusion as part of Islamic economics (as it is the case with so many descriptive aspects of the empirical

sciences, such as agriculture, medicine and physics). We should, however, correct, modify or re-formulate those descriptive assumptions that are founded on non-Islamic values or assumptions. We cannot ascertain in advance the extent of change that would occur to the content of category 6 as a result of this 'Islamization' process. However, this process requires great intellectual efforts, of which little has been exerted by Muslims. It is worth emphasizing that the mere act of discovering whether a particular assumption rests on non-Islamic assumptions would never be an easy task, let alone correcting or re-formulating it to make it compatible with Islamic viewpoint. The following example (B) illustrates the case in point.

- (B) Many aspects of the conventional economic theory depend on the basic assumption that man is selfish by nature and that self-interest is the basic motive for his behaviour. Western economists of the neoclassical school have derived from this assumption the concepts that are suitable for 'explaining' economic behaviour, such as the consumer's utility function and the producer's objective of realizing personal gain. On this foundation is based the bulk of theories dealing with issues such as consumer's behaviour, production, the characteristics of general equilibrium under a competitive economy and the realization of such equilibrium of the conditions of Pareto's concept of the optimal distribution of resources...etc.

Let us now try to assume for the sake of argument that our study of the texts of the Holy Qur'an and Sunnah that relate to human behaviour has led us to a different assumption holding that there are two forces affecting human behaviour: selfishness and self-denial, which motivates us to do our duty regardless of any personal gain. In the light of this new assumption, we start to see that conventional (secular) economics is very advanced in its analysis of the

economics of selfishness, but quite lagging in its analysis of the economics of self-denial (i.e. economic behaviour motivated by ethical considerations).

Perhaps the rejection of conventional economics any interest in unselfish human behaviour could be an expression of an implicit normative attitude that is consistent with its lavish praise of the concept of the hidden hand in economics (a concept which claims that in his pursuit of self-interest, man would realize indirectly the interest of the entire society) more than an expression of a former assumption maintaining that unselfish behaviour is in fact of little importance in life.

Whatever explanation we might give to the attitude of conventional economics, our attempt to correct such attitude in a manner that would be consistent with the new assumption we adopted about the nature of human behaviour would require an extensive theoretical research programme that would modify our theories about the behaviour of the consumer and the producer, the forces influencing market equilibrium etc.

- (C) Let us now try to give some examples on adding new assumptions to category 6: Muslim narrated in his Collection of Authentic *Hadiths* on the authority of Abu Hurairah that the Prophet said "Look unto those who are below you (in wealth and affluence) and do not look unto those who are above you, for this is more becoming not to look down scornfully upon the bounties that God has bestowed upon you..."<sup>(17)</sup>. The meaning gathered from this prophetic tradition shows that the level of satisfaction (or what economists call 'utility') an individual feels vis-à-vis a certain bounty (let us assume it to be a certain quantity of consumer products) is influenced, inter alia, by his conception of his own position relative to that of other people and the bounties bestowed upon them.

This calls for our inclusion of an additional explanatory variable into the individual utility function, namely **the relative position** of the consumer, where it would be added to the traditional variable in this function, namely the quantity of commodities and services. There are many analytical results for introducing this additional variable, which results have no place for review here.

#### 4.2 *The Relationship between Islamic Economics and the Economic History of Muslims*

No doubt that study of the economic history of Muslims from the time of prophethood to the present deepens our understanding of the Islamic economic system, when Muslims tried to apply it to new events and cases. Moreover, even our

(17) An Abridged Version of Muslim's Collection of Authentic Hadiths, by **Al Mundhiri** (n.d.) (Hadith # 2087).

understanding of the economic rules of Fiqh (such as those governing the currency in circulation and its relation to *riba*) will not be complete unless we familiarize ourselves with one side of the economic history of money used by Muslims.

However, we should not mix the events of the economic history of Muslims with the Islamic Economics, whether in its normative or descriptive aspects. This confusion often occurs in books about public finance in Islam, where the registers and financial procedures adopted and applied by Muslims are described as the Islamic financial system. It is clear that one should distinguish between the various principles underlying certain procedures; should any of such procedures have supportive legal (i.e. Shari'ah-based) evidence, then it should be considered as a part of the Islamic economic system (such as the principle of separating Zakah funds from funds of the Public Treasury (*Bait al-mal*)). On the other hand, if a procedure lacks such supportive evidence, or if it is a mere executive administrative procedure that falls within the domain of what is permissible, then it should be considered a purely financial arrangement used by Muslims and does not in any way constitute a part of the Islamic financial system.

It is to be noticed that there was a period in the economic history of Muslims, which has its own normative and legislative significance. That, of course, was the period of the Prophet (P.B.U.H.) because it was the period of legislation, and the period of the Four Rightly Guided Caliphs succeeding him, for the Prophet (P.B.U.H.) says: "You should follow my path and the path of the rightly guided caliphs succeeding me; hold to them tenaciously"<sup>(18)</sup>. This is known in the literature on the principles of Islamic jurisprudence and we need not dwell long on it.

### **4.3 Between Islamic Economics and History of Muslims Economic Thought**

A number of our predecessors have made very valuable intellectual contributions that fall, totally or partially, within the domain of modern economics. No doubt that these contributions should be subject to both study and teaching within the history of economic thought for they constitute part of it. This is all the more mandatory in the light of the fact that many Western economists are either unfamiliar with them or treat them with negligence. We have every right to be proud of such contributions, as they constitute part of our civilization.

The question that arises is do these contributions have any value outside "The History of Economic Thought"? Do they have any special Islamic value within the

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(18) Narrated by Al Tirmidhi, Ahmad and Ibn Majah in their collections of hadith. Wording of the quoted hadith is taken from Ibn Majah. See Sunan Ibn Majah, ed. by Mustafa Al 'Azami (1984), (traditions # 34 and 35).

intellectual efforts aimed at 'Islamization' of the economy? Is the analysis offered by Al Maqrizi of the impact of money supply on price levels necessarily more 'Islamic' or correct than the analysis of the same phenomenon offered by non-Muslims? The same question could be posed in regard to the insightful economic and social views of Ibn Khaldun?

Our previous discussion allows a clear answer for such questions. Part of the economic contributions of Muslim thinkers are normative hypotheses or assumptions that have supportive evidence from Shari'ah, and thus have special significance to our efforts aiming at 'Islamization' of the economy. Some others, however, are descriptive statements (many of the analyses offered by Ibn Khaldun are of this type) that are treated analytically the same way other descriptive statements of economics are treated; we do not have to consider them more correct than others for the mere fact that they have been arrived at by Muslims. But we should add that as long as such statements are based on Islamic assumptions and are compatible with Islam's worldview, they should be accorded an advantage over other statements.

#### **4.4 The Relationship between Islamic Economics and Fiqh (Jurisprudence)**

##### **4.4.1 The Main Idea**

The main difference between the science of jurisprudence and Islamic economics is that the basic objective of jurisprudence is to arrive at normative statements, which are legal judgements or rulings. These normative rulings constitute a very great proportion of juristic material. On the other hand, the objective of Islamic economics (as well as conventional economics) is to arrive at descriptive hypotheses or assumptions that diagnose reality and link the various economic phenomena.

This is the basic difference, although it has many exceptions and details, some of which have already been pointed out, some others would be given now.

Jurisprudence is basically 'knowledge of the practical rules of Shari'ah along with their supportive evidences'<sup>(19)</sup>. These rules fall into five categories: *wajib* (obligatory), *mandub* (recommended), *mubah* (permissible), *makruh* (abominable) and *haram* (forbidden, unlawful).

These five rulings are explicitly normative in nature: they give a preference to one situation or behaviour over another or consider them as equal. Thus the discharge of an obligation (or abstention from committing a prohibition) is, in the view of Shari'ah, far better than neglecting its discharge (or than committing a prohibition) etc. Thus Islamic jurisprudence is a science the majority of whose assumptions are normative in nature; they belong to the upper side of our diagram and fall under the first and third

(19) This is the first article of *Majallah al Ahkam al Adliyyah*, for details please see Zarqa (1984), para 2, p. 59.

categories<sup>(20)</sup>. Despite this, *Fiqh* is not lacking in descriptive statements that are given in the course of explaining the reasons behind Shari'ah rules or pointing out their wisdom (or when applying them to new real cases, which is called in the principles of Islamic jurisprudence '*tahqiq al manat*' - ascertainment of the cause)<sup>(21)</sup>. For example, wine and games of hazard are both prohibited, a rule that is normative. God has mentioned some of the reasons of the prohibition: giving rise to enmity and hatred among people and keeping people back from worshipping God and offering their obligatory prayers are some. These are descriptive rules (See Holy Qur'an, 5:91).

Just as *Fiqh* is not totally void of descriptive statements, economics (even the ordinary or conventional type) cannot but depend on some normative statements, as we mentioned in the second part of this paper. This should not make us forget that the most important elements of *Fiqh* are the first elements of science (i.e. normative assumptions and rules). The most important element of Islamic economics is the third element of science, namely descriptive assumptions (See paragraph 2.2).

Let us clarify the difference between economics and jurisprudence in one of the famous topics dealt with by both jurists and economists, namely the subject of monopoly. Books on Islamic jurisprudence<sup>(22)</sup> discuss the Shari'ah evidences (*adillah*) in support of the prohibition of monopoly, the commodities that should not be subject to monopoly, the conditions of prohibited monopoly and the penalty to be imposed by the ruler against the monopolist. Books on economics deal with issues such as the factors giving rise to monopoly, the types of monopoly, the effects of monopoly on income distribution, how do prices in a monopoly market differ from those in another similar, but competitive, market and how do the quantities sold in the two markets differ from one to the other etc. It is clear that the economist directs himself to the descriptive aspect of the phenomenon under examination, where he studies the factors influencing it and the causal relationships related to it. The jurist, on the other hand, directs himself to the normative side of the phenomenon, which is the Shari'ah rule governing it, and to the permissibility and prohibition criteria of the various forms of the phenomenon.

(20) Juristic normative statements, or rules of Shari'ah, that are related to economic life are the backbone of the Islamic economic system. They fall under the third category of assumptions in the diagram given earlier. However, this category includes also prior economic assumptions that are not part of *Fiqh*. It is noticed also that the proper study of the Islamic economic system cannot be limited to economics-related Shari'ah rules, or to what is called '*Fiqh Al Mu'amalat*' (Jurisprudence of Transactions); it should, as well, deal with the results and economic reasons behind such rules. This would require utilization of the descriptive aspect of Islamic economics.

(21) For an explanation of the relationship between ascertainment of the cause, see Dr. Al Ras (pp. 23-30).

(22) See for example, *Al Mughni*, by Ibn Qudamah (1969), the chapter on *Riba* and Exchange as representative of the Hanbali School; *Hashiat Ibn 'Abdin*, the Book on Prohibition and Permissibility, the chapter on Sale, as representative of the Hanafi School. See also a comparative juristic study by Al Duraini (1979), pp. 64-132, and 593-608 and *Al Muntaqa* commentary on *Malik's Muwatta*, by Al Baji Al Maliki (1984), Vol. 5, p. 15 forward and *Al Hisba*, by Ibn Taimiyah (1983).

In the light of what has been said earlier, I do not hesitate to hold in error those who define Islamic economics in such a manner as to strip it from its descriptive content and make it synonymous to jurisprudence of transactions<sup>(23)</sup>.

We have the right to ask: is not there a relationship between the task of *Fiqh* in arriving at Shari'ah rules and the task of Islamic economics in describing and interpreting the economic phenomena related to these very same rules? The answer to this question is affirmative; there is a relationship between the two tasks, which could be summed up by saying that among the tasks of Islamic economics is to seek the economic wisdom of the rules of Shari'ah<sup>(24)</sup>, that is to analyze the results of these rules and their short and long-term impact on the economic life<sup>(25)</sup>. This will require use of the third essential element of economics, which is the descriptive side.

One of the outstanding examples about the difference between the function of economics and the function of *Fiqh* is the question of the prohibition of *riba al nasi'a'*\*. Jurisprudents have examined this issue in detail, showing the rule of Shari'ah on this question and clarifying that the rule applies to any increase in the original debt amount that is stipulated in advance, regardless of the name given to such increase ('*fa'idah*' - interest, '*umulah*' - commission, '*ta'wid*' - compensation etc).

Modern Muslim economists researched the reason for the prohibition of interest charged on loans. Among the important conclusions they reached was that the prohibition of interest on productive loans was expected to achieve two things:

- \* Increase economic stability; in other words, it was expected to reduce economic fluctuations at the micro and macro levels of the economy, as such interest-based financing would increase such fluctuations<sup>(26)</sup>.
- \* Realize higher efficiency levels in utilizing resources under certain conditions<sup>(27)</sup>.

#### 4.4.2 More Details

Shari'ah jurisprudents are in agreement that the rules of Shari'ah have not been ordained by God "for the mere purpose of bringing people under the authority of

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(23) See **Dr. Al Fangari's** statement quoted earlier in footnote 3. See also the strong counter arguments put by **Dr. Dunya** (1984), pp. 30-36, which supports the author's view.

(24) I would like to thank **Dr. Nejatullah Siddiqi**, for bringing this idea into my attention and for a detailed discussion thereon.

(25) Books on jurisprudence often mention briefly the causes or rationale of a Shari'ah rule, but the arrival at the relevant Shari'ah rule remains the main function of *Fiqh*.

\* Interest charged on account of delay in payment of an original debt falling due.

(26) See (in English) **Zarqa** (1983/b), **Chapra** (1985, pp. 117-122) and **Khan** (1984), pp. 89-92.

(27) In Arabic, see **Siddiqi** (1982), pp 8-10 and p. 25) and **Chapra** (pp.17-18); in English, see **Ziauddin Ahmad** (unpublished handout) and **Khan** (1984), Chapter 3. This second reference is a valuable Ph.D. thesis presented at Boston University, USA, in 1983, in which Dr. Waqar Khan proves that interest-free financing is superior in terms of efficiency to interest-based financing as long as partners adhere to the principles of honesty or as long as the cost of controls is kept within reasonable limits.

religion..., they were rather ordained to realize the objectives of Shari'ah in maintaining people's religious and mundane interests"<sup>(28)</sup>.

Thus the Rules of Shari'ah are based on what is in the interest of people, regardless of whether the reasons for such rules are seen or hidden. In other words, these rules are based on the expected results of human behaviour and universal laws, as well as on Shari'ah weighing of benefits (manafi') against evils (mafāsīd); they are based on descriptive relationships (laws) that fall within the domain of different disciplines, regardless of whether these relationships are known to man or not. For those issues whose rules are supported by definitive Shari'ah textual evidence God has saved the believers the trouble of speculating about their possible results and of weighing the benefits and evils underlying such results<sup>(29)</sup>. But for those issues on which no definitive Shari'ah textual evidence has been given, proper deduction of the law or rule from its sources should be based on:

- The nature of the case under consideration and its expected results, which cannot be known except from the descriptive side of the various sciences, such as economics.
- Evaluation of these possible results in accordance with the meaning of relevant Shari'ah texts and objectives.

Jurisprudents express the idea of building Shari'ah rules on the basis of their expected results and on the legal weighing (of the benefits and evils) of such results by saying: "In every matter there are two sides, a beneficial side and a harmful one, and legal (i.e. Shari'ah-based) consideration should be given to the preponderant side"<sup>(30)</sup>. That matter in which the beneficial side is preponderant gets the 'hukm' (rule or value) of 'permissible'; the more preponderant such benefit becomes, the closer it moves to the value of 'obligatory'. That in which the element of evil is preponderant is given the value of 'abominable'; once the evil element becomes more acute and outweighs the beneficial side, Shari'ah would assign it the value of 'forbidden'. What confirms the accuracy of this viewpoint, the verse in the Holy Qur'an regarding wine and games of hazard or luck:

(28) From the Introduction of Shaikh Abdullah Daraz to Al Shatibi's *Muwafaqat* (n.d.), Vol. 1, p. 3.

(29) This absolutely applies to Shari'ah texts of definitive evidence. For those rules of speculative evidence, it seems that Imam Malik (May God rest his soul in peace) used to seek help, in determining their purport and limiting their absolute sense, from the descriptive expected results of the Hukm (rule). See an example about such procedure that is given by Al Qarafi related to Malik's interpretation of the tradition dealing with the issue of the Imam (Ruler) giving a supererogatory amount to a soldier fighting for the cause of God. (Al Qarafi, (1967), 25th Question, issue # 3, pp. 105-108).

(30) This statement is made by my father (See, **Mustafa Al Zarqa** (1984), Vol. 1, p. 104, paragraph 26/2) as an expression of the idea emphasized by Imam Al Shatibi in his *Al Muwafaqat fi Usul Al Shari'ah*, (n.d.), Vol. 2, pp. 37-48.

[They ask thee concerning wine and gambling. Say: "In them is great sin, and some benefits for men, but the sin is greater than the benefit"] (2:219). [In a subsequent Verse, God ordained their total prohibition, "Ye who believe! Intoxicants and gambling, (dedication of) stones\*, and (divination by) arrows\*\* are an abomination, of Satan's handiwork: Eschew such abomination"] (5:90).

In the light of the above, one could say that in those cases regarding which a definitive *hukm* has been given in clear definitive Shari'ah texts, knowledge of their results and the process of weighing their benefits and evils have been done by the Lawgiver, where He has given us the entire outcome in the form of the *hukm* given. The more the text(s) of Shari'ah - that are indicative of the *hukm* - are speculative, the greater becomes the need to determine its/their expected results and evaluate them from a Shari'ah perspective. Determining the possible results of a certain course of action is a matter that falls within the domain of the various sciences, economics included.

Let us now try to give some examples about those cases in which assistance of the various sciences, including economics, is sought to interpret texts and arrive at the *hukm*. By seeking help from the various sciences we mean attempting to benefit from their information content regarding reality or the expected results of a certain behaviour. (This has been called in 2.2 the 'descriptive side' or the 'third essential element of science'). The assistance sought would be for the purpose of interpretation in accordance with the rules stipulated by the *ulama* of *usul* (jurisprudents specializing in the principles or methodology of Islamic jurisprudence) for interpreting and deducing the rules of Shari'ah.

(a) Imam Al Shatibi says that it would be incorrect to interpret God's verse "And never will God grant to the unbelievers a way (to triumph) over the believers" (4:141) as a statement of reality, for we have seen instances of the unbeliever "having a way over the believer by capturing and humiliating him. The meaning intended should not be save that which is in keeping with what happens in reality"<sup>(31)</sup>. In other words, the verse decides a Shari'ah rule, which is that a believer should not accept having the unbeliever triumph over him. Thus, according to Al Shatibi, the verse does not describe what is, but rather what should be.

Here we find that historical knowledge of what happened to Muslims at the hands of the unbelievers who occasionally managed to overpower them has been a key issue in interpreting the text of the verse<sup>(32)</sup>.

\* The stones referred to here were stone altars or stone columns on which oil was poured for consecration, or slabs on which meat was sacrificed to idols. Any idolatrous or superstitious practices are here condemned.

\*\* The arrows referred to here were used for the division of meat by a sort of lottery or raffle. Arrows were also used for divination, i.e., for ascertaining lucky and unlucky moments, or learning the wishes of the heathen gods, as to whether men should undertake certain actions or not.

(31) al Shatibi (n.d.), pp. 99-100.

(32) Shaikh Abdullah Daraz in his marginal commentary on *Al Muwafaqat*, Vol. 1, p. 100, mentions some of the objections of Imam Shatibi to this view, where he responded to them by lending them his support.

(b) Authorities on the exegesis of the Qur'an (*al mufasssirun*) have differed since ancient times on the interpretation of certain verses of the Qur'an that relate to the shape of earth. Some were of the opinion that verses on the matter tilted to the side of considering earth as flat in shape, whereas others believed that these verses tilted to the side considering it round.

Now we do not doubt the correctness of the latter view, as it is consistent with what has been proven scientifically.

Examples 'a' and 'b', and many more similar ones, stem from a principle that has been adopted by trustworthy scholars of Shari'ah, of whom Ibn Taimiyah is one. In his treatise *Dar' a Ta'arud al 'Aql wa al Naql* (Repulsion of Conflict between Reason and Transmitted Texts (of Shari'ah)), Ibn Taimiyah sees that<sup>(33)</sup> it is impossible for conflict to arise between a definitive evidence that is based on reason and definitive evidence based on transmitted texts. Should there be a conflict or inconsistency between speculative evidence and definitive evidence, the scale should tilt in favour of the definitive evidence, regardless of whether it is based on reason or a transmitted text. Should there be a conflict between two speculative evidences, the scale should tilt in favour of that which is preponderant, regardless of whether it is based on reason or transmitted texts.

Therefore, tilting the scale in favour of one interpretation over other interpretations of a text by giving supportive evidence that is based on reason or other material proof is an acceptable matter. Imam Al Shatibi has explicitly supported this meaning<sup>(34)</sup>.

However, in spite of clarity and simplicity of this idea, its application requires complete mastery of the science from whose assumptions we seek help in interpreting a certain text, for many of such assumptions or statements (especially in the social sciences) have not yet attained the status of preponderant speculation (*zann rajih*) that is recognized by Shari'ah. None save those learned authorities can distinguish those assumptions that have such status.

(c) Among examples on the possibility of benefiting from the descriptive assumptions of economics in giving weight to an opinion over another, where both opinions reached through independent reasoning (*ijtihad*), is that of the *fiqhi* issue of giving, free of charge, excess water for others for them and their animals to drink, by a person who has a renewable source of water that is in excess of his own need and the need of his animals and plantations (a case known in *Shari'ah* as '*haqq al shuf'a* - preemptive right).

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(33) I would like to thank Dr. Ja'far Shaikh Idris for bringing this to my knowledge.

(34) **al Shatibi** (n.d.), p. 100.

Jurisprudents differed on whether it is obligatory to offer, free of charge, such excess water for use by others in the irrigation of their plantations. The Hanafi, Maliki and Shafi'i schools of thought are of the opinion that foregoing consideration for such excess water is a commendable act but not obligatory. However, Imam Ahmad sees the act as obligatory, even if water is to be used for the irrigation of plantations.

Economic analysis of this case shows that giving excess water without receiving any consideration ensures efficiency in the use of natural resources and prevents its waste, which is a valid Shari'ah objective that supports Imam Ahmad's opinion on this case. This issue has been discussed in detail by the writer in a former research<sup>(35)</sup>.

(d) Among the contemporary economic issues in which economics could help in reaching deeper understanding and tilting the balance in favour of some juristic opinions over others is that of obligatory pricing, an issue that was discussed by Muslim jurisprudents in the past and that is being discussed in detail by economists.

In case of high prices (without the existence of monopoly or connivance among merchants or without an emergency situation, such as famine), the majority of jurisprudents, based on a well-known tradition and other Shari'ah evidences, prohibit obligatory pricing and consider it illegitimate. But some other jurisprudents permit 'fair' pricing. Some contemporary jurisprudents have tended to give preponderance to the opinion of those ancient jurists who were supportive of pricing. The context does not permit elaboration on this issue. However, it has been revealed to me through a preliminary study that, given the results of modern economic analysis showing that pricing has big hidden administrative and social costs that were not known in their entirety to ancient jurists (as it is shown to the reader of their writings on the subject), nor did they capture the attention of modern jurists - these large costs accompanying pricing give preponderant weight to the view of the majority of jurists who prohibit pricing and interpret the tradition prohibiting it (excepting cases of monopoly, compulsion or connivance among merchants that allow the intervention of the ruler by resorting to obligatory pricing or to other measures, such as sale by compulsion etc.) in its manifest literal meaning.

(e) It is hoped that the above examples give sufficient evidence to the fact that, in the process of interpreting legal texts and in arriving at other rules of Shari'ah reached by independent reasoning and derived from the generalities or texts or analogy, economic descriptive assumptions are expected to be part of the elements giving preponderant weight to one opinion over another.

If we move to Shari'ah rules that are based on *Istihsan* (juristic preference), we would expect economic assumptions to have a greater role to play in helping jurists arrive at the correct Shari'ah ruling. This is so because *Istihsan* to the Hanafi and

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(35) See **Anas Zarqa** (1984), paragraph 4/5, pp. 14-16

Maliki schools of thought (which is called by the Hanafis “*Istihsan al-Darurah*” - preference dictated by necessity) means the abandonment of apparent analogy when its results are opposed to a preponderant interest to the Muslim or when their adoption causes a hardship to him<sup>(36)</sup>. Undoubtedly, identification of the possible results of a rule made on the basis of analogical deduction reveals whether such rule is opposed to preponderant interests or results in a hardship. Identification of the possible results of any Shari'ah rule related to the economic life is certainly a function of Islamic economics in its descriptive side.

(f) If we move to Shari'ah rules that are based on *Istislah* (consideration of public interest), we would expect yet a greater role for Islamic economics to play than that played in *Istihsan*.

*Istislah* is defined as “the building of Shari'ah rules in accordance with the dictates of public interests, namely those interests to which Shari'ah has given no consideration, neither in their individual or collective capacity”, but which realize the general objectives of Shari'ah in the social life of Muslims<sup>(37)</sup>. An example of these are “the rules pertaining to the affairs of public administration that regulate the interests of society... such as the levying of taxes on the rich when there is a need to undertake a public action, such as preparation and equipment of the army, the building of bridges, land planning, census... or other forms of social security required to eliminate misery and guarantee jobs for those who need it”<sup>(38)</sup>.

No doubt that laying down the rules and regulations needed for the realization of such, and other similar, public interests that are in keeping with the objectives of Shari'ah requires, to a large extent, seeking the help of economics and other social and administrative sciences.

Among the important contemporary economic issues, the relevant legal rules of which are expected to be built on the basis of the principle of *Istislah* are the following:

- The extent to which it is permissible for the banking system to generate derivative money<sup>(39)</sup>.
- Determining the appropriate money supply in society. It is known that this issue has diverse and important effects on the levels of consumption, investment, prices etc.
- The rules pertaining to the distribution of the burden of public expenditures (taxes and other fees) among the various categories obligated to share them<sup>(40)</sup>.

(36) I have depended in my remarks on **Mustafa al-Zarqa** (1984), paragraphs 15 and 21. It is to be noted the Hanbalis, in addition to the Hanafis and Malikis depend, in deriving rules of Shari'ah, on the principle of considerations of public interests (among which is *Istihsan*). (Ibid, paragraph 30/4).

(37) **Mustafa al-Zarqa** (1984), paragraph 23 forward.

(38) Ibid, paragraph 29.

(39) See Arabic references dealing with this issue: **Chapra** (1984) **Ma'bid Al Jarhi** (1981).

(40) Among the researchers who discussed this point briefly was **Abdullah Al Thumali** (1985).

- Determining the appropriate prices of commodities and services that should, either for natural or economic reasons, involve monopoly, such as public utilities or monopolies arising from the grant of patents.
- Rules of evaluating public investment projects <sup>(41)</sup>.

Economists see economic affairs that Muslim jurists see as falling within the realm of *Istislah* as falling within the realm of economic policy (or welfare economics). Since the beginning of the 20<sup>th</sup> century, Western economists have been exerting sustainable intellectual efforts in an attempt to arrive at value-free, or objective criteria for economic policy. In other words, they have been trying to arrive at criteria that would allow giving a purely objective preponderance to one economic situation (such as free foreign trade) over another (foreign trade that is restricted by customs or other types of restrictions). The general outcome of such intellectual efforts has been agreement among economists that purely objective criteria cannot be established and that other previously-held normative values must be adopted, on the basis of which the advantages and disadvantages of competing policies could be weighed and decided in favour of a certain policy. Such values and the pertinent weighing criteria are termed "the social interest function"<sup>(42)</sup>.

In other words, economists have now recognized that economic policies can never be built on the descriptive side of economics alone; they must depend also on a number of values-based judgements that are derived from a certain source outside the realm of economics<sup>(43)</sup>. It is natural that, for us, this source is nothing but our Islamic Shari'ah

(41) See two of such attempts, one by **Anas Al Zarqa**, (1982 and 1983a) and the other by **Kawthar Al Abji** (1985).

(42) In Islamic economics, the source of the social interest function is generally Islamic Law. Both Imams, Abu Hamid Al Ghazali then Abu Ishaq Al Shatibi, have presented an innovative Islamic formulation of this function (although they did not give it this modern name). For more details, see **Anas Al Zarqa** (1982 and 1983a), pp. 166-256.

(43) This is the basic conclusion of the well-known article of Bergson, which was published in 1938 and which constitutes one of the key supporting elements of the modern theory of welfare economics. See Samuelson's 'Foreword' to Graaff's book (in this paper's English bibliography). It is noticed that Pareto's Optimal Allocation (while all agree that it is seldom practically feasible to give preference to a certain economic policy over another based on Pareto's principle alone) depends also on some hidden assumptions or normative values; it is not, in other words, purely objectives as some economists have thought for quite a long time. (See **Heilbroner** and **Thurow** (1975), pp. 267-269).

Compensation tests, such as those suggested by Kaldor and Hicks, cannot be considered objective unless a compensation is paid to those harmed by a certain economic policy. They will be considered manifest subjective criteria, which give preference to the interests of a group of people at the expense of those of other groups. For an example, see **Reynolds** and **Smolensky** (1977), pp. 454-455. On the other hand, if a compensation is actually paid to those harmed, they would become similar to the Pareto's optimal allocation principle, which depends on hidden values, as mentioned earlier, (see **Graaff** (1967), pp. 90-92), where he shows that criteria based on compensation tests depend generally on values that are related to income distribution.

Therefore, it is correct to emphasize that neither Pareto's criterion, nor compensation tests are totally value-free and, consequently, that economic policies should, as mentioned earlier, depend on values that are derived from outside the descriptive side of economics.

and all the values, *fiqhi* (i.e. juristic) rules and rules of weighing and giving preference derived from them.

In conclusion, one can say that economic rules that are based on *Istislah*, or affairs pertaining to economic policy, must be built on both Islamic law and economics, for such rules constitute the common ground shared by both subjects.

#### 4.4.3 A Comparison between the Functions of Fiqh and Islamic Economics

We can conclude from the above examples and clarifications that Islamic economics, in terms of its relationship with Fiqh, has the following three functions:

**First: A Function Distinguishable from That of Fiqh:** namely to describe and diagnose real events, discover the relationships that link the various economic phenomena, and to seek discovering the economic rationale of Shari'ah rules, i.e. determining their short or long run impacts in economic life. The function of *Fiqh* is to derive Shari'ah rules from their detailed supporting evidences.

**Second: A Function Shared with That of Fiqh:** namely, the function of formulating economic policies and rules that are based on considerations of public interests (*Al Masalih Al Mursalah*).

**Third: The Function of Aiding Fiqh:** namely, the function of helping the jurisprudent arrive at the Shari'ah rule itself under those circumstances in which the economic effects have special importance in tilting the balance in favour of selecting one from two or more competing opinions.

It is to be noted that the first function is of prime importance as it relates to issues of creed (*aqidah*), as understanding of the rationale behind Shari'ah rules strengthens faith and facilitates the call of people to adhere to Shari'ah.

#### 4.5 Discussion of the Opinion of Al Sadr

Muhammad Baqir Al Sadr, the learned scholar (May Allah rest his soul in peace) has devoted a short chapter in his unique book *Iqtisaduna*, entitled "Islamic Economics is not a Science"<sup>(44)</sup>. The gist of Al Sadr's opinion is that Islamic economics consists of two parts:

**The first is:** The economic system in Islam. The function of this part is not to explain the economic life of a Muslim, but rather to call for changing it to become consistent with Islam.

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(44) Al Sadr (1968), pp. 290-294.

**The second part** is the science of Islamic Economics. Its function is to give a scientific explanation of the events of the economic life of a society that applies Islam.

Thus, Al-Sadr denies the scientific quality of the first part<sup>(45)</sup>. He does not, however, dispute the scientific nature of the second part, which he explicitly calls 'science'. Therefore it does not seem to be appropriate to say that, "Islamic Economics is Not a Science" and give such statement as title of the entire chapter. I wish that he had changed his statement to "Not All Economic Systems are Scientific" since this was his intended meaning.

If we move to the function of Islamic Economics, we find that Al-Sadr has meticulously defined it as follows<sup>(46)</sup>:

**First:** To record and study the economic events in an Islamic society to discover the general laws that control them. This cannot be attained unless the Islamic economic system is applied in real life.

**Second:** To assume an Islamic social and economic reality, then to study the effects of such assumed reality and its general characteristics, as well as the salient characteristics of economic life under such assumed reality. Although this could be done prior to the application of an Islamic economic system, it cannot mature and acquire its depth except after the application of such a system.

Thus it seems that Al Sadr limits the functioning of Islamic Economics to a Muslim society, whereas the writer sees such function to include the explanation of economic reality in any society, Muslim or non-Muslim<sup>(47)</sup>.

Proof of the writer's claim is embodied in the many examples given about the descriptive economic assumptions cited above from the Qur'an and the Sunnah. Thus, people's infatuation with wealth, the effect of wealth increase on man's inclination towards tyranny and the interconnection in utility changes among individuals, all these are general descriptive assumptions about economic life in any society, Muslim or non-Muslim. It is true that some variables and institutions may not be found in a particular society whereas they appear in another. However, this does not require that each society should have its own science of economics; a science of economics should be of so a comprehensive and general nature as to subsume under it all those special cases.

(45) This denial of the 'scientific' quality of the first part is correct only for those who adopt a narrow definition of the word 'science', where they limit it to branches of knowledge that contain descriptive statements (laws) that are amenable to experiment. Since we have adopted a more comprehensive definition of the word 'science' that includes any organized and classified body of knowledge, study of economic ideologies and systems, including the economic system of Islam, should be considered a science. The extended definition is the one that is consistent with the concept of science in the Qur'an and Sunnah. Therefore we should not adopt the narrower definition. (See paragraph 2.2 above).

(46) **Al Sadr** (1968), pp. 292-293.

(47) My views about Islamic Economics are in agreement with that of **Muhammad Al-Mubarak** (1977), (May Allah bless his soul) regarding Islamic Sociology p. 14 forward. **Ba Qader** (1981), p. 22, has the same view regarding social sciences in general.

In other words, claiming that Islamic Economics is of a comprehensive and global nature is not contradicted by some features that are particular to Islamic economics, in terms of the topics it includes in the purview of its interests and studies.

For example, there would appear within the purview of Islamic Economics topics that would not normally be dealt with by Western conventional economics, such as the economics of *zakat* and *hajj*. However, this does not mean that the general descriptive and normative principles of Islamic Economics do not apply to all societies.

#### 4.6 Conclusion Regarding the Essential Elements of Islamic Economics<sup>(48)</sup>

We conclude from the above that Islam offers a Shari'ah-based economic system that does not only consist of normative assumptions about how society's economic life should be. It also draws our attention, through the Qur'an and Sunnah, and all the conclusions and knowledge acquired on their basis, to variables, assumptions and economic descriptive assumptions that should be taken into consideration in our analyses and interpretations of life's realities, in addition to the results of observations and logical deductions reached by Muslims or others.

Islamic Economics is divided into two parts: the first is the Islamic economic system; the second is Islamic economic analysis. The bulk of the **first part** is normative in nature and deals with how economic life should be in accordance with Islam. It also clarifies the economic rationale of Shari'ah rules, **seeking in that the aid of Islamic economic analysis.**

**The second part**, namely Islamic economic analysis, is concerned with the analysis of the institutions and events of the economic life of societies in general, whether Islamic or otherwise, and to interpret that and know its causes and effects. It is also concerned with the formulation of Islamic policies and solutions to economic problems, **seeking in that the aid of the rules of the Islamic economic system.**

## 5. Work Plans for Islamization of Economics

### 5.1 A Comprehensive Work Plan (Faruqi's Plan)

Dr. Al Faruqi (May Allah bless his soul) presented a work plan for Islamization of the various disciplines<sup>(49)</sup>. The plan consists of 12 steps that could be applied to any discipline. Collectively, these steps constitute a comprehensive map on which one could plot the progress achieved in Islamizing a certain discipline. These steps are as follows:

1. Prepare a diagram of the contents and methodology of the discipline concerned.

(48) Compare with Dr. Dunya (1984).

(49) Al-Faruqi (1982), pp. 38-53.

2. Undertake a comprehensive review of the development of the discipline concerned and its main assumptions.
3. Prepare readings culled from Islamic heritage in the subject of the discipline concerned. These books of readings should be classified in accordance with the main divisions of the discipline.
5. Analyze previous readings and determine their relation to the discipline.
6. Determine in detail the Islamic assumptions related to the discipline.
7. Evaluate Muslims' contributions to the discipline over the ages.
8. Present the major problems facing the Muslim nation that are related to the discipline.
9. Present the major relevant human problems.
10. Re-formulate the discipline from an Islamic perspective in such a manner as to realize linkages and integration between Islamic assumptions and the contributions from Islamic heritage on the one hand, and the best achievements of the discipline at present.
11. Prepare textbooks on the discipline at the university level.
12. Disseminate the contents of the discipline among specialists on a large scale.

## **5.2 *Auxiliary Work Plan***

We should note, however, that there is another auxiliary work plan to achieve 'Islamization' of the sciences; this plan could be called the 'auxiliary work plan' to distinguish it from the 'comprehensive work plan' mentioned earlier. This auxiliary plan involves choosing any of the subjects dealt with by a discipline and applying all or some of the aforementioned 12 points to that subject alone.

If we look at the actual course of the development of Islamic Economics during the past forty years, we will find that it is practically closer to the auxiliary plan, where the researcher chooses a particular subject, such as *riba* or development and reviews it from the perspective of modern economics and the Islamic texts and heritage. He would engage in comparing and discussing the various pertinent issues and attempt to arrive at a harmonious conception, in which Shari'ah values and rules are integrated with what he finds to be true among the assumptions of economic analysis.

The auxiliary work plan is neither an alternative to the comprehensive work plan nor opposed to it; they could both go hand in hand, as each has its own advantages and shortcomings.

Among the prominent shortcomings of the comprehensive plan is that it requires a long time and large human resources. Among its advantages is that it is a well-organized plan; its results are more reliable and comprehensive. It also allows, after achieving its first five steps, participation of large numbers of specialists in the process of 'Islamizing' the science, which is, in my opinion, the decisive advantage in the long run.

Regarding the shortcomings of the auxiliary work plan is that of the lack of a comprehensive view, which the comprehensive plan aspires to achieve. Furthermore, the topics in the auxiliary plan are often chosen in reaction to issues in which there is contradiction between Islamic rules and some of the assumptions of a certain discipline. In other words, the auxiliary method is more of a reaction to a stimuli rather than an initiator of action; it leaves initiative in the hands of non-Islamic thought and then comes to react to it.

However, an auxiliary method has some advantages; it could respond to some of the pressing questions raised within a relatively short span of time and it could be quite appropriate for university dissertations at the master and doctoral levels. (By the way, one notices that the majority of contemporary writings on comparative studies of Islamic and man-made law are done in this form).

Among the commendable achievements of the auxiliary method are those writings that appeared in the last twenty five years on the economics of money, banking and interest from an Islamic perspective. These writings have included in their subject all the steps proposed in the Faruqi's proposed comprehensive plan (except for that of university textbooks). I do not think that I would be trespassing on truth when I claim that all claims about the importance of interest (*riba*) to a modern economy have been refuted at the analytical level. On the positive side, there appeared a relatively integrated conception of a contemporary Islamic monetary and banking system, written in a language that is understood by economists, even non-Muslim ones. Some contributions to economic analysis have also appeared, demonstrating the advantages of interest-free financing over interest-based financing (in terms of efficiency and stability, as mentioned in paragraph 4.4.1). Although these advantages are not yet recognized by the majority of economists, especially that there are few among them who know and discuss them, the mere act of presenting these advantages for sound analytical discussion is by itself a big progress from the point at which we were four decades ago, when "Islam's prohibition of interest (*riba*) was generally regarded as an almost impossible proposition even among most Muslim intellectual circles"<sup>(50)</sup>.

However, we should note that the achievements made by the grace of God in the economics of money and banking in Islam have been, to a large extent, the result of the establishment of many Islamic banks that helped in their achievement.

### ***5.3 An Objective Look into the Work Plan***

If we look in an objective and detailed manner, and from the perspective of contemporary research, into the third, fourth, fifth and sixth steps of Faruqi's work

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(50) Khurshid, Ahmad's "Introduction" in Chapra (1985), p. 9.

plan that we have just summarized, we can conclude that 'Islamizing' economics could take three simultaneous directions:

**(A) First Direction:** To subject Islamic economic system to a careful study that would deepen our understanding thereof, answer the contemporary questions raised about it, discover from the various Shari'ah rules general economic rules (laws) or deduce the economic rationale of some Shari'ah rules.

**(B) Second Direction:** To explore previous postulates and the descriptive statements related to economics and derived from the Qur'an and Sunnah or on which rules of Shari'ah are based. In fact Muslim jurisprudents do not give attention to such postulates and assumptions, as no direct practical Shari'ah rules result from them.

Therefore, the specialist himself must arrive at such postulates and assumptions by giving thought to the texts and rules of Shari'ah, review of the books on the interpretation of the Qur'an and explanations of the Sunnah related thereto, then to think about their analytical significance to his area of specialization. In view of the importance of this second orientation and the lack of attention given to it by the majority of people, we shall clarify it by giving three examples:

**First Example:** Many of the texts of Shari'ah that are normally classified under *raqa'iq* (texts that are meant to soften the hearts and urge them to submit to God and fear His punishment) indicate the close link between the utility functions among individuals (a negative link as in envy, and a positive link as in self-denial). This is a descriptive economic statement that is confirmed by these texts.

While it is customary in economic analysis to assume the independence of such functions from each other, to relinquish such assumption and adopt the Islamic assumption that emphasizes the link between the utility functions would have far-reaching analytic results in economic theory<sup>(51)</sup>.

**Second Example:** Scrutiny of Shari'ah rules prohibiting *riba* and permitting, at the same time, *mudarabah* (sleeping partnership) and other forms of partnership cannot be explained and justified unless one assumes that the results of investment, whether profit or loss, are not certain but speculative. This confirms that uncertainty is a previous postulate (or an implicit assumption) on which Shari'ah rules are based and a Muslim economist should adhere to it in his analysis. The importance of this issue becomes apparent when one mentions that a large portion of the theory of capital in conventional economics, and the larger part of the assumptions claiming the impossibility of abolishing interest from the economy are both based on the assumption

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(51) It is known, for instance, that Pareto optimality criteria depend fully on assuming that utility functions among individuals are independent.

that the results of investment are certain. This assumption collapses when it is replaced by the realistic Islamic assumption, which holds otherwise<sup>(52)</sup>.

**Third Example:** Many of the Shari'ah rules related to behaviour in an Islamic market and the duties of contractors therein (such as those related to the prohibition of *najash*\*, *talaqqi al rukban*\*\* or abstinence from disclosing the defects of the object of sale - generally, the rules prohibiting *khilabah* or fraudulent action in all of their forms)<sup>(53)</sup> - we say that many of these rules have no practical benefit or necessity unless we assume non-parity of the information available to the parties of the contract. This assumption of non-parity is a descriptive hypothesis on which many market-related Shari'ah texts and rules have implicitly been built<sup>(54)</sup>. Meanwhile the bulk of market analyses in modern economics, especially under a competitive market, assume, implicitly or explicitly, parity of the information available to both parties to a contract. It is clear that such descriptive assumptions or postulates are not normally mentioned in books of Fiqh, interpretation or commentary, despite their extreme analytic importance to the Islamization of economics, because of their relation to the descriptive part of this discipline.

These assumptions or postulates cannot be reached without the specialized economist receiving training in giving sustained deep thought to texts of the Qur'an, Sunnah and Shari'ah rules, seeking in such effort the aid of all possible sources that would enable him understand these texts and deduce their underlying assumptions.

No significant effort has been yet exerted to discover the Islamic descriptive assumptions and postulates. Even those who are most interested in Islamic Economics have not yet been aware of such assumptions and postulates in the first place. (This is contrary to wide-spread awareness of Islamic values, the existence of which no one disputes). There is no way this situation could be rectified or propagate this type of contributions in the short term, for it requires people who are well versed in both Shari'ah and economics. However, it would be beneficial, in this context, to:

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(52) Economists do not dispute that the assumption of uncertainty is realistic and correct, although they used the assumption of certainty for simplification. However, many economists tend to quickly forget that and hold tenaciously to the results of analysis, forgetting that these results change completely when we assume uncertainty. This happened with many renowned economists. See for example the conventional analysis of the subject of time preference and the claim that the use of an interest rate is necessary for wise investment decisions. For more details, see (in English) (Anas Zarqa 1982 and 1983, 'a').

\* *Najash* in Arabic means 'to raise the price of a commodity offered for sale without a real interest in purchasing it, for the purpose of ensnaring other really interested buyers into bidding a price higher than the commodity's market price value'.

\*\* *Talaqqi Al-Rukban* in Arabic means 'the reception or meeting of merchants on horsebacks or camels and buying the commodities they carry before these merchants reach their destination towns and cities and know about their commodities' prevailing prices'.

(53) See explanation al Zarqa, Mustafa (1964), Vol. I, pp. 404-417, paragraphs. 186-188.

(54) Among those who mentioned this idea is Awad (1981), pp. 89-90.

- publish several research papers on this subject, in which specific examples are given with detailed and careful economic analysis in order to stimulate the interest of specialists;
- compile selected texts from the Qur'an and the Sunnah, with reference to accessible commentaries thereon; and
- to assign a small group of researchers (two economists, an expert in interpretation, an expert in Sunnah and its exegesis) to undertake a quick review of the text of the Qur'an, then texts of authentic Sunnah, commenting briefly on every excerpt thought to include a descriptive statement or a postulate of Islamic Economics.

Needless to emphasize that it would be impossible to exhaust all the significance and meaning of the Shari'ah texts in this context, even if reviewed several times, each by a group of the best specialists. A realistic objective would be to plough the ground by an initial serious effort that would furnish economists with a set of Islamic descriptive assumptions and postulates that they would not have the ability to discover on their own. This is important to develop Islamic economic analysis.

**(C) Third Direction:** Discovery of the economic descriptive assumptions arrived at by Muslim scholars over the ages. This is the third direction to establish Islamic economics. Among the examples about these are the economic analytic assumptions of Ibn Khaldun and Al Maqrizi (unless these rest upon, or explain Shari'ah texts; if they do, then they are of type 'B' mentioned earlier).

This third direction is true and of benefit. However, I do not hesitate to consider it less important for the next phase in the development of Islamic Economics, for I believe that the decisive influences that would determine the course of this science should come the normative and descriptive assumptions mentioned in 'A' and 'B' earlier. It is worthwhile mentioning in this context that the contributions of early Muslim scholars like Abu Yusuf, author of *Al Kharaj*, and Abu Ubaid, author of *Al Amwal*, are among the richest in Shari'ah-based normative assumptions<sup>(55)</sup>.

They have high priority in the process of formulating the Islamic Economic System. Regarding the contributions of Ibn Khaldun and Al Maqrizi, these are basically descriptive and based on the two authors' own observations and analyses. I do not see according them the same priority.

#### **5.4 Required Human Resources and Division of Labour**

Scholars who could contribute to the Islamization of economics could be

(55) This is apart from important descriptive contribution for Abu Yusuf that were noted by **Dunya** (1984), pp. 11-70.

classified into three categories: economists, Shari'ah scholars *mukhadramun*<sup>(56)</sup> well versed in both economics and shari'ah. The first two categories are available at present, but the number of scholars in the third category, which includes economists with good Shari'ah knowledge and Shari'ah scholars with good knowledge of economics, is very small indeed, which is the main obstacle on the way of Islamizing economics.

It is this third category of *mukhadramun* that could mitigate the problem of duality and dissociation of Shari'ah knowledge from conventional knowledge. It is the category, which could cooperate and address the issues and coordinate work among economists and Shari'ah scholars. Thus, it could facilitate benefiting from the relatively large numbers of members of the first two categories, who could help in the Islamization process if they found someone who could speak their own language, coordinate and direct their efforts.

If we carefully review steps 3 to 7 of the Faruqi's Action Plan (par. 5.1), we will find that implementation of this Action Plan decisively depends on the presence of the third category (*mukhadramun*). This confirms the fact that scarcity of scholars in this category is the main bottleneck for the economics Islamization programme.

A possible ground for optimism regarding the mitigation of this problem lies, a few years from now, in the first groups of graduates in the departments of Islamic Economics of some universities (such as Umm Al Qura University, Imam Muhammad University and the Islamic University in Islamabad, Al Azhar University and the International Islamic University Malaysia). We hope that some of these graduates, once they complete their graduate studies, would have among them mature students who will be able to combine knowledge of both economics and Shari'ah and continue serious work towards achieving the Islamization of economics.

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(56) *Mukhadramun* in Arabic is the plural of *mukhadram*, a person who lived in two different periods such as Islam and days of ignorance (*Jahiliyyah*).

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## تحقيق إسلامية علم الاقتصاد : المفهوم والمنهج

محمد أنس الزرقا

باحث اقتصادي

المستثمر الدولي - الكويت

**المستخلص :** هل يمكن أن ينشأ علم اقتصاد يصح وصفه بأنه "إسلامي" ؟ وهل يعني ذلك إنكار وجود سنن (قوانين) اقتصادية عالمية شاملة لجميع النظم الاجتماعية ؟

يسعى البحث للإجابة المتعمقة عن هذين السؤالين من خلال :  
(أ) بيان أنه على الرغم من أن العلم عموماً يتميز بمقولاته الوصفية أي (القوانين) التي يتوصل إليها، إلا أن هناك جوانب أساسية من كل علم (وبخاصة العلوم الاجتماعية ومنها الاقتصاد) لا مفر لأي باحث أن يستند فيها لقيم سابقة.  
(ب) إن نصوص الشريعة الإسلامية على الرغم من أنها أساساً مصدر للقيم، لكنها كثيراً ما تنطوي على مقولات وصفية عن الحياة الاقتصادية.

فإذا استبدلنا بالقيم التي لا بد أن يستند إليها علم الاقتصاد (المذكورة في أ) قيماً إسلامية، وأضفنا إلى المقولات الوضعية التي توصل إليها هذا العلم حتى الآن المقولات المذكورة في (ب)، يمكننا حينئذ أن ننشئ علم اقتصاد إسلامي .  
كما يوضح البحث العلاقة بين علم الاقتصاد الإسلامي والفقه ويناقش خطة عمل مقترحة لتحقيق إسلامية علم الاقتصاد .