

Journey of Islamic Economics in the Modern World

Masyhudi Muqorobin

*Department of Economics, University of Muhammadiyah
Yogyakarta (UMY), Indonesia*

*Islamic Economic Forum for Indonesian Development (ISEFID),
Kuala Lumpur – Jakarta
masmubin@yahoo.com*

Abstract

After passing through the decades with a great effort, Islamic economics has currently taken place as a newly-developed body knowledge, which provides new insight of economic analyses in the modern world. This is indicated by the fast growth of the literatures available in many languages, apart from mushrooming the Islamic banking and financial institutions. This paper provides discussion on the process of the latest development of Islamic economics by analyzing abstracts and/or outlines of about 5 thousand literatures available—in English, Arabic and Malay/Indonesian—in the Islamic economic database of the International Islamic University Malaysia (IIUM) Library. The result shows that studies of banking and finance remain to lead the growth of the literatures, followed by the invigorating theories and methodology, fiscal policy, trade, and development. It is thought that faster expansion of financial markets and institutions in the world will attract more studies on those subjects, which will further dominate the bulk of the literatures in Islamic economics.

Keywords: Islamization, Islamic economics, finance, banking, literature

Introduction

Recent development of Islamic economics indicates wide recognition and acceptance to its presence, especially after global evidence in rapid growth of banking and financial sector, supporting theoretical underpinning which is anchored in the Islamic teaching. Scientific procedure on which Islamic economics must rely necessitates not only “consistency” and “commitment” of this subject for acceptance, but also empirical proofs which, on the other hand, creates self-confidence among Muslims. Obviously, further researches and other intellectual exercises are in need.

Therefore, it is among the Muslim economists’ obligation to get involved in Islamic economics journey towards a more matured subject; and it is what this paper attempts to contribute. Discussion plan for this paper starts with the overview of the meanings and definitions given by the pioneering Muslim scholars, and literature review for investigations, which are briefly mentioned in this outline, will be spread over the overall discussion, along with the works under review. The trace of historical sketch encompassing both Islamic economics in form of *usul fiqh* and *fiqh of muamalat*, as had been developed in the past and the newly growing Islamic economics in its

contemporary form is of significance in this study. The next is how far the imprints of conventional economics govern the direction of Islamic one so as to lead the latter facing the dichotomous position between the Islamic and conventional heritages. The paper further develops its discussion of developing “self-reliance” of the subject in face of future challenges, both in theoretical plane as well as in empirical facts of the modern economic life.

The journey of Islamic economics in the modern world is arriving at the decisive point the Muslims with commitment have to maximize their ideas through nurturing interaction among ideas, and between ideas and empirical facts, in line with the demand for acceptable scientific procedure. Then, the “Journey of Islamic Economics in the Modern World” provides review of recent Islamic economics researches and other intellectual discourses made available by those committed with the subject.

Overview of the Meanings and Definitions

It is to note that the “truth” of a definition is interpretative depending upon the spectrum and horizon of the person or people behind in understanding the subject matter defined. For this reason too, some economists such as Siddiqi (Haneef, 1995) avoid using clear cut definition in their works. Another group as exemplified by Arif (1985)—who quotes Robbins definition—tends narrowing the meaning and definition down into restrictive scope, so as to bring Islamic economics down to be subordinated (under conventional) economics, or rather extremely under neo-classical (see Ansari, 1985), instead of placing the subject as subcategory of Islamic disciplines.

The above definition carries, at least, two difficulties. *First* is the difficulty in relating the subject to the Islamic heritage from the past. Once Islamic economics is declared as a new discipline, any attempt to seek historical justification that its origin and methodology simultaneously rely on the values and on the works of the *usul al-fiqh* erected since the beginning of Islamic dissemination, seems to be counterfactual. This is because, according to such a definition, the discipline was born in response (or as a reaction) to development of conventional economics, and partly to attract a wider recognition from the Western and Westernised-Muslim economists; it thus follows methodologically its counterpart.

Second, as a consequent, the building self-image that development of Islamic economics is independent from conventional stance requires extra ordinary efforts. For being “scientific”, Islamic economics should obey the conventional empirical procedures either of verification or of falsification, among other things (Naqvi, 1994). This may neither be entirely wrong nor otherwise. The problem is that the strong insistence on such procedures may result dubious theoretical statements, of which the ability for the Divine confirmation is questioned, and thus Islamically value-less. The economic behaviour of the present Muslim society is little reflective of the Islamic teaching, it is reasonable to say so, since the gap between the facts of the Muslim society and the Islamic ideals remains significant. Also, in this context Choudhury (1992) argues, many assumptions made under Islamic approach can neither be verifiable nor falsifiable.

On the other hand, a broader definition with its insistence on Islamic ethics is of the paper's concern, as also maintained, among others by Kahf (1990), Naqvi (1994), and Haneef (1995). Though this definition may be widely acceptable, inclusion of other less relevant aspects of social behaviour by tracing the heritages to accommodate, for instance, Ibn Khaldun's assertion concerning the "science of mankind civilisation and human socialisation" (*ilm al- 'Imran al-Bushra wal- Ijtima al-Insani*), as suggested by Kahf may blur the meaning. Once the definition is widened, the scope of discussion accordingly also enlarges. For Islamic economics to be a science, its general definition, as Robbins (1984) suggests restricting merely on relationship between ends and scarce means with the alternative uses, should exclude other social behaviours. Despite that the discussion of the *rizq* may be expanded to include other human behaviours, the primary concern is *to be wise*, in the sense that it is to *economise* the ways of both earning and using the *rizq*. Therefore the Arabic term *iqtisad* is used, adopted from the Qur'anic verse:

"if only they had stood fast by the Torah, and the Gospel, and all the revelation that was sent to them from their Lord, they would have eaten both from above them and below their feet. There is from among them a party of the right course (to spend economically¹); but many of them follow a course that is evil."²

While the scope of Islamic economic theory remains in the boundary of the *economic* behaviour of the Muslim society, it should also be *exclusive*, or *restrictive*, for the Islamic society. Any type of empirical confirmation is limited to the Muslims to whom the *Shari'ah* is applicable, though revealed to all human being. This does not necessarily mean to deviate from the nature of Islam as *rahmatan lil 'alamin* (the mercy for the whole universe) but to ensure the consistency of scientific requirement itself.

Islamic economics can be broadly defined to stretch from the beginning of the history of Islam, which has been enriched with the conventional legacy, to shape the subject in a modern form. Under this definition, it is possible to incorporate the Islamic legacies of the *usul al-fiqh* and the *fiqh* itself, from which the legal maxims (*qai'dah*, or pl: *qawa'id*) have been developed to provide useful principles or postulates for further developing the Islamic economic theories. This definition also allows for Islamization of conventional economics to take into effect, as expedient exercises to make Islamic economics theoretically acceptable to the West. Islamic economics is thus a study of *economic* behaviour of human being based on values, norms, laws and institutions derived from the Islamic *Shari'ah*.³

An acceptable meaning or definition of the subject will by itself provide in the scientific procedure a mechanism to develop, dependence upon the stream of interaction of evidence-supported thought, which govern its direction. If the influence of

¹ This additional phrase is translated from Bahasa Indonesia, *ummat yang berhemat (melakukan ekonomi)*, translation of the term *ummatan muqtasidah*, by Fachruddin (1982: p 9).

² Al-Ma'idah (5): 66. English translation by Abdullah Yusuf Ali, *The Holy Qur'an: English Translation of the meanings and Commentary*, 1410 H, p. 307, the phrase in bracket is addition.

³ This partly accommodates the definition given by Mohamed Aslam Haneef, "Islam, the Islamic Worldview and Islamic Economics," *IJUM Journal of Economics and Management*, vol. 5, No. 1, 1997, p. 50.

conventional economics is enormously dominant, then criticism as propounded by Timur Kuran (1995), for instance, that the subject is adequately placed under subheading of (conventional) economics or even under neoclassical economics does make sense. Conversely, if the Islamic teaching and heritage can administer the stream of ideas, Islamic economics will provide new insights of *fiqh* of *muamalat* in the modern forms that accommodates economic thought together with its detailed methodological contents, which can be assimilated into Islamic precepts. It is a dilemma that places Islamic economics at the crossroad, where interests in combination with intellectual power that at least can be vested into two general characteristics may give directions, under subcategory of conventional (neoclassical) economics or of Islamic knowledge. Although recent literatures do not put any clear-cut definition, the dilemma apparently remains to exist, and demands for further attention.

Literature in Islamic Economics

Since the late 1970s, there have been works on Islamic economics in its modern form. In the end of his “Survey”, Siddiqi (1980) enumerated about 700 books and articles published on the subject in the second half of this century, covering three languages – Arabic, English, and Urdu, in addition to the work by Zaim for the Turkish literature. It is, however, unfortunate that there has been no considerable survey of the Malay works (both in Bahasa Indonesia and in Bahasa Malaysia), another principal language in Islam, which in fact also supplies numerous references in Islamic economics.

Limitations compel this study to focus only on the literature written in English, Malay and Arabic, which represent the languages widely used by the Muslim majority in the world. It comes across the recent 4,580 abstracts and/or outlines of works, selected from 1994 to 2005, which are available in the Islamic economics database of the International Islamic University (IIUM) Library. These include 1830 Arabic, 2593 English, 189 Malay literatures, and 16 publications in other languages such as French, Urdu and Turkey. It obvious that this number is understate, since collection of the IIUM Library cannot cover all literatures in Islamic economics.

More than 92% of the literatures (4200) available are in form of books and articles—either as part of book or those of journals—while the rest is various, such as conference papers, internet articles, unpublished papers, book reviews and other reports. Theses—both of the IIUM and from outside—are documented separately and not included in the library database, since they are treated as special collections, to which access is limited. Unfortunately, time and other technical constraints lead the exclusion of those theses from this study. Another limitation in database collection is the exclusion of the more recent works after 2005. However, it is also recommended, these constraints provide the room for further researches in the same area.

For simplicity, the literatures are categorized under two general classifications:

- a) Classification of science and its subcategories such as economics, business, banking and finance, accounting and other related subjects; and
- b) Classification of economic sectors such as sales, *waqf* (*awqaf*), agriculture, properties, industries, and corporation.

Eighteen (18) subjects are defined, with the results as exhibited in Table 1. Literatures that are not classified under those subjects are accommodated in the miscellaneous class. The major categories of those literatures are discussed in the rest of the following passages.

Table 1: Recent Publication in Islamic Economics (1994 – 2005)

No	Subject	Language			Total	%
		Arbic	English	Malay		
1	Banking	219	713	15	947	20.75
2	Finance	297	557	26	880	19.28
3	Theory & Methodology	317	498	48	863	18.91
4	Fiscal Policy	199	130	23	352	7.71
5	Trade & Commerce	165	102	16	283	6.20
6	Economic Development	102	157	7	266	5.83
7	Economic History	29	99	5	133	2.91
8	Properties	79	28	1	108	2.37
9	Insurance	45	53	2	100	2.19
10	Monetary Policy	30	66	3	99	2.17
11	<i>Waqf</i>	49	21	7	77	1.69
12	Inheritance	45	3	0	48	1.05
13	Capital Market	10	34	4	48	0.33
14	Labor	23	15	1	39	0.85
15	Marketing	10	18	0	28	0.61
16	Agriculture	14	10	1	25	0.55
17	Industries	14	14	14	14	0.31
18	Corporation	10	10	10	10	0.22
	Miscellaneous	173	65	6	244	5.35
	Total	1830	2593	189	4564	100

Source: Database of the International Islamic University Malaysia (IIUM) Library

Difficulties may exist in categorization, since many of the works, especially in form of books, contend overlapping subjects. To avoid the difficulties, this study considers only the main subject. Other issues that supposedly deserve mentioning are, for technical reasons, placed under one of those subjects. Ethics, for instance, is an issue that nearly all subjects— such as economic behaviour, development, banking and finance and economic theory—discuss, and thus ethics is placed under those relevant subjects. In addition, the *zakah* (*zakat*) issue is put under fiscal policy, together with other fiscal components including taxes. Other issues or subjects such as methodology, poverty and so on fall within the above general classification. This is also among the task of further researches, to provide a better categorization.

Another difficulty relates to the availability of the abstracts, with only about 780 works, while information given in the subjects provided by the database is not as complete as in the abstracts. Consequently, some of the subjects may be misplaced under different category.

Imbalance between Interest in Monetary and Real Sectors

As found in Table 1 above, a significant contribution of banking and finance to Islamic economics covers 40% of the overall literature available or more than 1,800 studies during 1994 to 2005. Out of this, about 1,200 works or about two-third is articles published in journals. This is consistent with the fact that banking and financial subsector has been growing rapidly, and further accelerated by the establishment of the Islamic Development Bank (IDB) in 1974. Banking and financial subsector becomes “the best” choice for any study or research to find empirical evidence in satisfying its methodological requirements. On the other hand, explosion of this (banking and finance) subsector seems to follow the growth of monetary market, which has been very fast in the last decades, in contrast to its counterpart of the real market.

Subjects that can be thought of having discussions on the real sector—such as fiscal policy, trade & commerce, properties, sales, agricultures, and corporation—cover about 750 works or about 16.5% of the overall studies. This also indicates that monetary sector remains to be more attractive than the real sector. It is thought that this unhealthy tendency may not be well admitted in Islamic economic environment, since the existence of the monetary sector should be in complementary to, and rather dependent on, the existence of the real sector, without which the monetary sector is meaningless.

Hence, modern Islamic economics, which “almost completely” follow the conventional path, especially in banking and finance issues, is under challenge. Can Islamic economics find its own way to attain its ultimate end towards establishing Islamic economic system independent from conventional stance? The answer may be NOT, at least in the short run. The bulk of the literature provides the evidence that the subject is still under the shadow of conventional position. The danger of this trend is that it proofs the statement that Islamic economics is just conventional economics added by the *Shari’ah* touch. In banking system, the bulk of *murabahah* schemes—over those of *mudharabah* and *musharakah*—committed by Islamic banks in the world, speaks of an unclear demarcation between Islamic and conventional bank operations. Banks always avoid taking risks and thus have no interest to get involved in the *mudharabah* and *musharakah* schemes due to higher risks, as compared with the *murabahah* one; while sharing the risks in line with profit among parties is among the principles of introducing Islamic banking system.

Currently, the presence of future, option and derivative markets becomes impetus for the faster growth of the monetary sector, which can obviously make the real market farther left behind.

However, there are differences between Islamic and conventional economics, and the substantial of which in contributing to minimizing monetary and real sector imbalance, and thus its implication to the general equilibrium in an economy, is the presence of *value addition* in Islamic banking and financial transactions. This is because the basic idea of Islamic transaction is based on sale, even under the *murabahah* scheme, instead of borrowing as found in conventional banking and financial system. Value addition in monetary and financial transactions by sale will always create dual

implication in the two sectors, monetary and real, equally. Islamic economics, by virtue of its equilibrium principle based on the notions of *mizan*, *qist*, *'adl* and *ihsan* (see also Naqvi, 1981; 1994) does not entertain imbalances in an economy.

There is something left behind, the discussion of the Islamicity of Islamic banking and finance, as Anwar⁴ also criticizes. Most of the Islamic bank schemes are based on *murabahah*, of which the banks attempt to avoid great risks of using *mudharabah* or *musharakah*. This creates difficulties in two aspects: (a) difficulties in explaining to the public the difference between Islamic banking system and that of conventional; and most importantly (b) the deviation from the drive towards *Maqasid Shari'ah*, by means of *hiyal (hilah)* in avoiding the rule of *riba* prohibition, but often doing injustice by charging high mark-up to the consumers. The use of *murabahah* seems to be calculated based on interest, so that Islamic banks may compete with their counterparts in conventional system.

Economic Theory, Methodology, and the Issue of Islamization

Discussion on methodology and philosophy of any branch of science apparently does not attract many people. This is proved by the presence of the scarce literature in the subject, including Islamic economics, even though methodology and philosophy is very important to scientifically develop the discipline.

Our examination finds about 863 studies (18.91%) on economic theories and methodology available in the Islamic economics database of the IIUM Library. 317 works are found in Arabic, 498 are in English and the rest (48 studies) is done in Malay. This includes 19 works specifically written on methodology.

In addition, the theories are made up of a number of issues such as Islamic law and its modes of *ijtihad*, law of transactions, income theory, market and price theories, theory of profit, theory of money, accounting theory, distribution, and some behavioural issues such as production and consumption, to mention some.

Some of the discussions on methodology trace the history of conventional methodology of economics, urge the need for integrating with the methodology of Islamic jurisprudence, and provides Islamic solutions based on *usul fiqh* methodology (Choudhury and Malik, 1992; Muqorobin, 2004, Zarqa, 1992). However, the discussion still leaves the questions if economics methodology should follow that of natural sciences as found in conventional economics, based on the Vienna Circle's *unity of science* doctrine.

In economics literature, it is well-known (as also advocated by Galbairth and Darity, 1994), Adam Smith applies the *Newtonian reductionism* into economics, while JM Keynes applies Einstein's *general theory of relativity* to curb the classical analysis in labour market during the 1930s economic depression. The analysis of those two great economists, whatever their differences are, remain anchored on the *unity-of-science*

⁴ Muhammad Anwar in his Inaugural Speech for Professorial Lecture at the IIUM in 2000 gives a hint to criticize Islamic banks, which seems to deviate from the Maqasid Shari'ah in their business activities.

paradigm by applying methodology of natural sciences into economics, treating human being equal with other creatures.

Blaug (1980) in his *methodology of economics* states that after sixty years from Newton's *Principia*, Adam Smith confessed to deliberately apply Newtonian method to economics by laying down certain principles, primary or proved, in the beginning, from whence we account for the several phenomena, connecting all together by the same chain

From an Islamic angle, the unchallenged agreement with the doctrine of the unity of science indicates an ambiguous position of human being. On the one hand, the degradation of human existence that accord the "best creature" of Allah (at-Teen: 1-4), diminishing into *asfala safilin* whose status is even lower than *animal* (al-A'raf: 176,169). On the other hand, man is also viewed as "superman" who has declared firstly in the history of science in the simple Descartes's words *cogito ergo sum* (I think, therefore I am), and so has crowned human reason as powerful having the absolute sovereign for himself in place of God's ordains and revelation, and moreover of faith and intuition.

Islam clearly demarcates between Qur'anic thought and thought that is based on radical doubt (*dzan*), of which the use is prohibited. A "gigantic invisible power" generated from the elements of worldview, epistemology and reality, operates through accidental variations in a self-designed and self-propelled evolution, creating inevitable mechanistic consequences in the laws of universe as well as of human nature. Eventually, the higher scientific and methodological breakthroughs in physics and natural sciences in general permeate economics and elsewhere in social sciences. This leads to mechanical explanation of human soul and its equal treatment as other creature or even lower, non-living qualities. Nowadays, the quality of an economic research is often measured by the use of mathematical exposition, without which the research is thought to be meaningless.

The Western unity of science doctrine is entirely rejected in Islam, not only of its equal treatment of man and other creature; but to a greater extent of philosophical bases underlying it. Consequently, secular objection to this doctrine that methodology of natural sciences is not applicable to economics is also rejected, because of their similar foundation. Positivism, in any form, being the "best method" in economics denies the existence of substances or forces, which are neither observable nor verifiable. Since the existence of God falls under this deniable category, therefore, there would be no accountability and responsibility before Him in the hereafter. This is spelled out by Robbins that *means-ends* relationship relating to the purpose of human life is a merely a question of worldly affairs. Hence, it is devoid of ethical values (al-Qasas: 28). Islam, in contrast, suggests the more important life in the hereafter as the ends of human life.⁵ It is worth underlining the above explanation that methodology (Hasan, 1998) came after economics had been relatively established, to justify its existence and empirical

⁵ While Robbins and other methodologists refuse any role of ethics, Islam takes it as the absolute values central to any economic thought and activities. This is also explicitly pronounced elsewhere by Islamic economists. (Naqvi, 1994).

practices. Thus, daily economic life that always changes becomes the basis of economic methodology, which currently shows the more matured form of its development. Consequently, inevitable fundamental changes in global economy would lead the economists as well as methodologists to seek a new methodological justification in conformity with such changes, or otherwise if methodology fails to provide the answers, the economic consequences would be unpredictable.

Islam has different answer. A relatively complete form of methodology of social sciences in Islam is found in *usul al-fiqh*. It is firmly tied up in the depth of the Divine revelation. Kamali (1989) said, *usul al-fiqh* is the science of sources and methodology of law, in the sense that the Qur'an and the Sunnah constitute the sources as well as the subject matter to which the methodology of *usul al-fiqh* is applied. It "refers to methods of reasoning such as analogy (*qiyas*), juristic preference (*istihsan*), presumptions of continuity (*istishab*) and the rules of interpretation and deduction. ... all serve an aid to understanding of the sources and *ijtihad*." It is aimed at helping the scholars to deduce an adequate knowledge of the two sources of the *Shari'ah*.

The issue on methodology covers a number of works not only in economics, but also in banking and finance. Apart from the 19 studies discussing general issues of methodology and philosophy of economics (under theory & Methodology), there are about 10 studies focused on methodology of Islamic finance and/or banking (under numerous monetary categories). Thus the total literatures available on methodology are 29 studies, which make up about 0.6% of the works in the Islamic economics collection of the IIUM Library.

Another interesting issue currently in debate is Islamization of knowledge, in particular, economics. The term *Islamization* as sparked off in the 1970s propounded by scholars such as al-Attas in 1969 (al-Attas, 1993) and al-Faruqi (1982) also deserves discussion in the literature, of which 15 works are available in the database. In many cases, this issue does not appear in separation with the issue on methodology of any branch of knowledge, including economics. Islamization as found in the literature has two integrated angles: institutional Islamization and Islamization of thought and knowledge. Institutional Islamization is a practical form of the Islamization, whereas the latter involves scientific and academic exercises for long period of time. The need for Islamization will be further discerned in the end of the paper.

Trade and Business Ethics

The concept of ethics is found in 79 works, of which the most is under category of trade and commerce with about 43 studies; and about 20 studies are under various subjects such as property, banking and finance. The bulk of the concept talks particularly about ethics in business, how Islam teaches the Muslims to conduct business—in micro-perspective—as part of fulfilling their *fardh al-kifayah* in social interaction among them and also among human being in general.

Islam is revealed to the mankind for their blessing (*rahmatan li al-'alamin*). This brings a consequence that every single Muslim is an agent for a social interaction and change towards establishing a prosperous society in the world as well as in the hereafter

(al-qasas: 77). The notion of *falah* or *sa'adah* in Islamic economics derived from this version of the Qur'an as found in the bulk of economics literature makes the material purposes of economic and business activities integrated with attaining the spiritual heights in the hereafter, as an ultimate aim.

This notion may also be associated with the notion of *amanah*, as propounded by Hasan (1986), for instance. He accentuates the conversion through the *amanah* concept from ambitious attainment of a Muslim in socio-economic activities into a spiritual height by achieving eschatological welfare in the hereafter.

In relation to macro-perspective, the notion of ethics may be defined as equal to honourable moral precept, which illustrates the mission of the Prophet (pbuh) being sent to the world. He said:

إِنَّمَا بُعِثْتُ لِأَتَمِّمَ مَكَارِمَ الْأَخْلَاقِ

“Truly, I was sent only to perfect the honourable moral.”

Elaboration of this perspective of ethics is generally found in the works below category of economic theory and methodology. Under this category, economic behaviour is also discussed. There are teens of studies found in the database under consideration. Among those literature, ethics is well elaborated in Naqvi's *Ethics and Economics* (1981) and *Islam, Economics and Society* (1994).

Zakat, Poverty Eradication and Economic Development

More than 20 works on poverty are found under economic development subject. This makes up about two-third of the whole poverty studies available in the database. There have been discussions of the acceptance of *absolute* and *relative* approaches to poverty among Islamic economists. However, they are likely to accept their conventional counterparts in defining these approaches, with the exception that the spiritual contents play an important role therein. Given the definitions and meanings, they present numerous opinions about such approaches. Their conclusions are same: all definitions, approaches, measures, or whatever the names, which are devoid of ethical spiritual values, are unacceptable. Most of them, including Mannan (1992) and Hassan (1997), advocated the use of relative measure.

Poverty, and also poor, in Islam is not merely a matter of material concerns. Islamic definition of poverty entails more spiritual aspect than that of material. The Prophet (pbuh), as narrated by Abu Huarairah (Mannan, 1988: 305) is reported to have said: “Indeed, the real richness is that of the heart (spiritual) itself.” The *mafhum mukhalafah* (or inverse meaning) of the above statement is that *the real poverty is the spiritual poverty*. Though spiritual aspect of poverty is more important in Islam than that of material, the existence of both is interrelated and thus undeniable. Therefore, deprivation of either one of these aspects may give rise to poverty. The Prophet also says that either poverty or hunger may lead to infidelity (Rahman, 1995).

Thus, redefinition of these terms is merely reconsideration of the Islamic spiritual values. This is a first step, as it has significant consequences, in changing human perceptions about all these things related to poverty, especially measurements. Redefinition also applies to those of earlier Muslim scholars. It may be worth noting in this case one definition given by al-Ghazali that poverty is a state of not being able to fulfill one's needs (*al-faqr 'ibarah 'an faqd ma huwa muhtaj ilaih*), as quoted by Sadeq (1992). This al-Ghazali's definition is quite general, and may fall under either absolute or relative modern definitions. Nevertheless, his *absolute poverty* in terms of spiritual aspect referring to the Qur'anic verse (al-Fatir/35: 15): "Allah is rich and you all are poor," that everyone is poor and thus needs the help and blessing from Allah SWT, requires redefinition to satisfy modern approaches.

Whatever the definition can be, poverty is among social illnesses that Islam suggests to minimize, if not to eliminate. Macro-perspective of this suggestion demand for the better progress of two interrelated policy issues: development and fiscal policy under which zakah administration is of importance.

The idea of "development" as a modern concept, which encompasses economic, military and technical aids to developing economies, was initiated in 1947 by the United States (Pramanik, 1997), in effort to defeat socialist forces, and spread over the Third World. The concept is primarily measured by technological progress and industrial advancement contributing to the improvement of total factor productivity (TFP), while its progress is measured by either gross national product (GNP) or gross domestic product (GDP). The concept imposes every developing economy to compete in attaining a certain level of economic growth. Following years of implementation of the concept, most developing economies have experienced substantial increase in the economic growth and income per capita, so as to catch up with their counterparts in developed countries.

As the concept was defined as "economic development",⁶ highly materialistic nature of such a definition, which is devoid of ethical values has resulted high material growth and development. Consequently, the decadence of human civilization is inevitable. Pramanik (1977), among others, shows this decadence as growing inequality, deprivations, disenchantment and also environmental destruction. Therefore, in order to eliminate (or at least to minimize) this decadence, rethinking development to accommodate greater considerations of human aspects in development is thought necessary.

Gradually, the concept has developed, of which redefinition gives new insight of *sustainable development*, which is more humane and gives more emphasis on environmental concerns, eradicating poverty and basic need fulfillment as its primary goals. Nevertheless, it remains to play around material dimension, and does not go beyond. This is the major defect of capitalism, which has unfortunately also been gradually transformed into the majority of the Muslim economies. Therefore, the solutions it presents have failed to cure major illnesses stemming from the lack of

⁶ This definition has been quoted by Abdul Rashid Moten in his "Preface" for Ataul Haq (Pramanik), *Human Development with Dignity*, 1997, Cahaya Pantai, Kuala Lumpur, p. xv.

ethical values. Human tendency towards materials often leads to imbalances in pursuit of integrated mundane and spiritual dimensions. Consequently, the proposed sustainable development concept does not sufficiently solve the problems of inequality, poverty, environmental damages, social distrust, crime, and other kinds of socio-economic disorder.

Sustainable development still leaves some people behind, especially the poor. Among substantial role of *zakah* is to meet their basic needs. In a macro-perspective, *zakah* is often discussed in relation to fiscal policy; and it is found, most of the literatures on fiscal policy deals with *zaka*. In addition, studies of fiscal policies also cover several issues such as their instruments including *infaq*, *kharaj*, *jizyah*, and other forms of taxes. Literatures in those issues are found about 199 titles in English, 130 titles in Arabic and the rest is in Malay.

Waqf and inheritance are excluded from this category for two reasons, most of their discussions are more on micro-perspective; and there is no clear-cut indication of involvement of many Muslim countries in practical arrangement of those two components as exposed in the abstracts/outlines. *Zakah* in micro-perspective also covers a number of issues like *nisab* for each kind, issues of *mustahiq* and *muzakki*, and its collection and distribution management.

Labor, Human Resource Development and Gender Issues

There are 39 studies on labor available in the IIUM Library database of Islamic economics. 23 studies are written in English, 15 are in Arabic and only one is in Malay. Numerous issues are discussed in the labor studies such as wages, trade union, industrial (worker-employer) relation, rights of workers, women employment and some countries' case studies.

Women employment is among the current issues getting paid special attention, in particular, from women activists, who demand for more liberation in their life. Nevertheless in Islamic perspective, the issues raised are not very clear, since Islam has given a chance for women to express their rights proportionately. Indeed, Islam recognizes numerous differences between man and woman, stemming from their physical and biological differences.⁷ These differences necessarily lead to possible differences in their role and contributions to development and national building. Consequently, sexual division of work between man and woman is thus possible for application. This is not meant at discriminating women from men but rather differentiating their duties and responsibilities.

In relation to development, a wider concept views it as a process of social change in all dimensions (Pramanik, 1977), stage by stage,⁸ towards the relatively ultimate aim of human being, and can be defined strategically in terms of national requirements of a country, it should reflect the needs for simultaneous and continuous processes of such changes towards betterment of human life. While generating the progresses in a

⁷ See al-Nisa (4): 34.

⁸ The Qur'an also conceives human life as to develop, step by step. See Al-Inshiqaq (84): 19.

particular point of time or generation, it also necessitates intergenerational efforts for the preparation of future breakthroughs. Hence, the need for human investment through education is imperative, and Islam seems to emphasise that these particular efforts should properly be undertaken by women (*Muslimat*), especially young mothers of developing children, who emotionally close to them, and should take care for their growth.⁹ This leads to the division of responsibilities in general between men and women, in undertaking point-of-time progress of the development and intergenerational efforts for future progress respectively. Accordingly, a patriarchal economic order in an Islamic society (*ummah*), particularly applicable to newly formed families having small growing children, is considered necessary.

The Call for a Continuous Islamization Project: An Epilogue

Above all, Islamization project among the interested issue currently attracts Muslims' attention. Islamization as found in the literature has two integrated angles: institutional Islamization and Islamization of thought and knowledge. Institutional Islamization is a practical form of Islamization. It is included in the domain of structural approach of various existing forms of institutions such as economic and political system, the government, country, societies, as well as other social institutions. In this case, whenever imbalance or lameness exists in the society or in the government, Muslim scholars must carry out movement that is relevant in accordance with the form of warning, as well as through various possible media. However before they get involved in the Islamization project, they must also carry out self-correction, starting with themselves (*yabda-u binafsihim*).

For effectiveness of their works, there should be a network of co-operation between institutions. This network could be made in various levels or circles, primarily network between Islamic institutions. In Islamic institutions every *jama'ah* or organization unit respectively must strive to success in achieving the common goal. There are several factors to be paid attention to in this co-operation, including ensuring a healthy competition between units to vitalize the organisation, and building awareness as units under one family. The existence of *jam'iyyat* (organisations) or *jama'ah* (groups/groupings) is hoped not to become *firqahs* that its existence is inexistence of others (mutually exclusive to each other), but as an immense working group that complement each other to produce a synergic effect for the improvement of the *ummah* and the nation.

Islamization of Thought and Science

The unequalled doctrine of unity of science that differentiates social sciences from those of natural has demeaned the existence of humankind as the best creation the Lord to that of a level of animal or merely inanimate object (*asfala safilin*). This happens when the existence of God with His supra-natural power is put in doubt through authentication procedure of scientific truths, which believes that the existence of the

⁹ The quality of a nation is much determined by the quality of women, who mould the future generation, the Prophet Muhammad (SAW) is reported to have said: "women are the pillars of the country (nation), therefore, if they are virtuous then the nation would be virtuous too."

truth can only be verified with the empirical verification, the only truth that is accepted by secular thinking. Therefore, according to this paradigm, the existence of God, which is difficult to prove empirically, is in question. The consequences are, firstly, humankind is “able” to replace the position of God as “the Almighty”, and secondly, the lost of human life’s final destination. Islam has clearly introduced relativity of human and absoluteness of God in one side, and also the concept of the Hereafter.

Being observed from the history of development of scientific methodology, science (secular), was rather established beforehand, and just then followed by its methodology. This makes methodology as no more than a justification for social behaviour that always changes. Then each change needs a new methodological justification, and inability of methodology to do this increasingly causes the difficulties in predicting the coming social changes, perhaps this is what afterwards acknowledged as the sign of chaotic post-modernism. In contrast, the Islamic scientific methodology precedes science. *Fiqh* and the *Ushul Fiqh* explained all of them. However, this paper will not explain further about the historical development of both due to limitations.¹⁰

Islamization of thinking can be carried out through discourses as well as general or religious discussion forums. It is necessary to instil Islamic values in intellectual activities, especially in looking for alternative solution to various social problems. Continuously, this thinking is spread to the community in ways that it can be understood by them, and through various relevant Media, like the Friday sermon, daybreak or public and religious talks. This is also meant to ensure community's readiness to welcome a new era in their life as a nation in a country. Islamization of thinking should be at the same time accompanied by religious-moral embedding in an intensive manner, as a reflection of one of the main mission of Messenger of Allah (peace be upon him), that is the improvement of moral (*akhlaqul karimah*).

In addition, Islamization of knowledge is a process that takes up a relatively long period, because of the establishment of structure and methodology of secular science that almost “impervious”. While the system, policy and environment of education in most of the Muslim countries still inherit the colonial system, partially or even entirely, including dichotomy in institutional structure (example: Law Faculty and *Syari'ah* Faculty, or that of Education and Tarbiyah, stand separately), design of program and curriculum, reading materials *et cetera*. This gives a hint that the Islamization will process through a long and continuous chain, in a term of achievements (objective factors), as well as chain of generations being Islamization activists that are involved in the process (subjective factors).

Islamization of knowledge covers a sensibly wide theme. The agenda of Islamization of knowledge can not be independent from problems of scientific methodology in its very existence, and although both of them are two distinct problems, but in fact they are interrelated. In this case, Islamization needs comprehensive understanding on methodology, as a prerequisite; on the other hand, scientific

¹⁰ For further understanding, see e.g. “Beberapa Persoalan metodologis dalam ilmu ekonomi, antara Sekular dan Islam,” 2001, *Jurnal Ilmu Ekonomi dan Studi Pembangunan*, Fakultas Ekonomi UMY, vol.2, No.2, pp. 261-277.

methodology “requires” a scientific application, which for a Muslim this application must comply with Islamic values. Apart from methodology, worldview and epistemology also needed a further in depth scrutiny.

Islamization of Economics

The resurgence of new consciousness of the Muslim societies elsewhere in the Islamization project gives rise to a new Islamic paradigm. Al-Attas (1989, 1993) and al-Faruqi (1982) have pioneered the issue since the late 1970s, and critically evaluated among others by Safi (1996), Haneef (2005). Muslim economists invariably search for the new formulation of incorporating certain theories of secular economics, to be assimilated into the *Shari'ah* worldview, under the banner of Islamic economics.

This creates an unprecedented development of Islamic economic literature around the world, even attracts many of Non-Muslims to give their contributions. Notwithstanding that contemporary Islamic economics today shows its promising performance, its existence remains in the vestige of secular economics. Islamic economics stands at the crossroad. It is a tug-of-war between the dictate of further direction of conventional economics, which lends it some sorts of analytical device; and the historical burden of the past, from which its methodology has evolved. Only “self reliance” on its own precepts can save its future existence.

Islamization of the economic discipline have put a number of studies flowering the Islamic and economic literatures such as Ariff (1978), Hasan (1998), Muqorobin (2004) and more on methodological approach, Zarqa (1992), to name a few. To govern the Islamization project in economics, it is therefore necessary to present the scenario of developing future Islamic economics, in which the short-run and long-run strategies at achieving the objectives of the subject and its eventual outcome, Islamic economic system. The strategies are further divided into four agendas:

- Agenda 1: Priorities of the Field Discussed;
- Agenda 2: Strategic Planning for Socialisation;
- Agenda 3: Strategies for Education of Economics; and
- Agenda 4: Strategies for Implementation of the Subject.

Instead of detailed discussion which may not be relevant in this short paper, further researches and studies are recommended to cater such agendas. Apart from these, the paper ends the discussion by suggesting the challenges, internal and external, Islamic economics will be faced with in its journey. Internal constraints are likely to demand more attention. The journey of Islamic economics will not come to an end unless the dream of nurturing more matured-Islamic civilization comes true, where the adjective “Islamic” is no longer needed, and the new era of Islamized economics takes place under the shorter name of *economics*.

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رحلة الاقتصاد الإسلامي في العالم المعاصر

مشهودي مقرويين

قسم الاقتصاد، جامعة المحمدية، أندونيسيا

المستخلص: استطاع الاقتصاد الإسلامي بعد قطعه لمرحلة ثلاثة عقود من الزمن وما صاحبها من جهود معتبرة أن يأخذ في الوقت الراهن شكل العلم المتطور الجديد، وهي المرحلة التي تمكن من أن يكون له فيها رؤاه وتحليلاته الخاصة فيما يتعلق بالقضايا الاقتصادية. هذا التطور الذي وصل إليه يمكن تلمسه من عدة جوانب مثل حجم الكتابات التي ظهرت بلغات عدة وفي مناطق مختلفة. هذه الورقة تقدم مناقشة حول التطورات الجديدة التي شهدتها حقل الاقتصاد الإسلامي وذلك بتحليل مستخلصات أو الخطوط العريضة لخمسة آلاف كتاب، بالإنجليزية، والعربية، والماليزية والإندونيسية والمتوفرة في قاعدة البيانات لدى مكتبة الجامعة العالية الإسلامية في ماليزيا. لقد أظهرت نتائج هذه المناقشة أن الدراسات المتعلقة بالبنوك والتمويل الإسلامي تحتل الصدارة، يليها بعد ذلك الدراسات النظرية والمنهجية، ثم السياسة الجبائية، فالتجارة ثم التنمية. ومن المتوقع أن نمو وتوسع قطاع الصيرفة والتمويل الإسلامي سيجلب مزيداً من الاهتمام بهذا الجانب، مما يعني بقاء هذا الحقل في طليعة الإنتاج العلمي والفكري المتعلق بالاقتصاد الإسلامي.