

**Asad Zaman**

## **Crisis in Islamic Economics: Diagnosis and Prescriptions**

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Asad Zaman's article expresses deep concerns about the way Muslim economists explore an Islamic alternative to mainstream economics. Citing relevant remarks from notable Islamic economists (Chapra, Siddiqi, Kahf), Asad Zaman sets out to argue the point that disagreements between Islamic views and Western views are so strong that it is impossible to 'integrate' the two bodies of knowledge. He refers to Timur Kuran's remark that "Islamic economics has not emerged from a desire to correct economic imbalances, injustices, or inequalities ... (but to) restore Islamic community's self-respect. Because Islamic economics was developed to serve cultural and political ends, it did not have to meet scientific standards of coherence, precision, or realism." Adopting the same line of thought, the author believes that "Islamic Economics has no substance or content. It is simply a part of an effort to create a differentiated Islamic identity".

With the above background, the author outlines four fundamental flaws of economic theories – claim of universality, mathematical formalism, materialism and the positive/ normative classification of economic knowledge as prelude to the Islamic alternative. It is evident that the author draws his views from the Western critique of neoclassical economics - the German Historical School and its American offspring, New Institutionalism. In fact, the Western critique of neoclassical economics is awash with humanist and moral outlooks to economic theory, partly questioning the Law of Scarcity and seeking to revolutionize the foundation of neoclassical economics through alternative analytic schemes. To the disappointment of the author, mathematical formalism has continued to dominate the scene in the new moral economics taking, for example, modern 'humanomics' and the way it has been domesticated to Islamic thought through relentless efforts of M. A. Choudhury. There is no denying the fact mathematics has contributed

significantly to the analysis of economic phenomena as it does in other disciplines. Yet it the excessive use of mathematical formalism that is obviously counterproductive as where mathematics becomes an end rather a means to explain economic phenomenon. This applies not only to excessive mathematical formalism but to all forms of excessive formalism in scientific investigation where preoccupation with tools overshadows the objective of research.

Perhaps, it is part of what the author has called ‘Crisis in Islamic Economics’ that we often patch up an Islamic critique to modern economic theory by falling back on Western moral critique of neoclassical economics, whereas methodological originality requires direct access to the received legacy of Islamic scholarship. If the end product is to be deemed ‘Islamic’ rather than another Western product, then the standpoint towards ‘the four flaws of economic theories’ – universality of laws, mathematical formalism, materialism and the positive/ normative criterion - have to be assessed from the viewpoint of Islamic scholarly legacy. The author rightly admits the fact that “the Quran uses ... universal laws” even though it is a key flaw from the viewpoint of moral Western critique. In fact, there are universal behavioural economic laws clearly stated in the Quran and rightly adopted by Muslim scholars in the classification of economic contracts into exchange and *irfaq* (i.e. benevolence) contracts.

It can also be shown that the positive/ normative classification of knowledge is an important criterion to promote the understanding and development of human knowledge, which, incidentally fits well with the scholarly Islamic legacy of classifying texts into *khbari* (informative) and *insha’i* (prescriptive). Although there are admitted moral concerns against the standard approach of forging positive economics and normative economics as two separate disciplines, yet the contextual interplay of positive and normative statements is indispensable for the understanding and promotion of Islamic economics. Again, it is part of the ‘Crisis in Islamic Economics’ to seek an Islamic alternative from Western moral philosophy with little reference to the intellectual heritage that early Muslim scholars have patiently developed in almost all walks of social, economic and political life. Part of the problem is negligence of Muslims’ economic history through the Schumpeterian 500-years Great Gap which has been critically invoked recently. The genuine Islamic alternative would soon emerge as one that shares common analytical tools of market economics with neoclassical economics but breaks away from it categorically in matters that relate to the creation of sustainable equitable socio-economic order. Rather than re-invent the wheel of Islamic economics from modern philosophical reflections on the moral values of the Qur’an, the real challenge is to extrapolate the received legacy of deep-seated Islamic scholarship under clear understanding of current economic challenges and problems.

I agree with Asad Zaman that Islamic economics is primarily transformative far from being subservient to the existing capitalist order. This is basically what I have adopted in “*Conventional Growth policy and the forgotten Ethical Resource: A Case for the Ethical Economic Resource*” (*J.KAU: Islamic Econ.*, Vol. 9, pp. 3-28, 1417 A.H / 1997 A.D), which extended the scope of human resource development to promote socially caring behaviour in addition to the conventional promotion of productive skills. Using standard tools, enhancement of productive skills has been defined as ‘production function norms’ whereas the promotion of mutually cooperative and socially caring behaviour has been defined as ‘utility function norms’. Thus, individual indifference curves as well as production isoquants were shown to shift upwards as a result of a balanced human resource development that focuses not only on the promotion of productivity skills but also of the moral policy of transforming individual utility functions. In particular, this exercise proved that standard neoclassical tools could be extremely helpful in the representation of Islamic moral policy. In other words, there is no contradiction between the transformative function of Islamic economics and the relevance of neoclassical economic tools.

At any rate, the quest for an Islamic alternative cannot simply capitalize on the Western critique of neoclassical economics to contrive a seemingly ‘flawless’ economic paradigm. In the nature of social sciences there is nothing like an impeccable theory that silences all perceivable critics. But the real test of the pudding is in the eating! The author has rightly referred to Kumar Khan’s remark that “Islamic economics has not emerged from a desire to correct economic imbalances, injustices, or inequalities ...” which points towards the need for a problem-oriented Islamic economics rather than something to create a differentiated Islamic identity. In the final analysis, it is the pragmatic appeal of Islamic economic strategies in the resolution of grave imbalances and injustices that will give Islamic economics world-wide appreciation rather than becoming involved in the endless debate about intricate issues in the philosophy of science. Islamic banking and finance has won world-wide recognition as a profitable product satisfying a ‘differentiated Islamic identity’. Therefore, part of the crisis of Islamic economics is failure of Muslim economists to play their part with Shariah scholars in the re-orientation of Islamic finance towards highly desirable socioeconomic goals.