

Methodology of Islamic Economics

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1 INTRODUCTION

The main objective of the present paper is to discuss in broad and general terms methodology of Islamic Economics and to show its major differences with the methodology of economics. It would also discuss some of the methodological issues relating to Islamic economics. This paper does not intend, however, to discuss or appraise methodology of economics. A vast literature exists on this subject¹ and its restatement at this place would not add much to the pool of knowledge. In this section we intend to take up two questions: first, why do we discuss methodology of a subject especially that of economics? Second, why do we need a methodology for Islamic economics?

1.1 *Why Methodology at all?*

Methodology of a subject investigates into the concepts, theories and basic principles of reasoning of a subject². There is a wide difference of opinion on the methodology of economics. From the classical emphasis on verification of assumptions to the neoclassical falsification of predictions, the debate on methodology touches such issues as positive vs. normative, inductive vs. deductive, incorporation vs. exclusion of values, prescription vs. description, apriorism vs. empiricism, to name only some main cross-currents. Economists have taken positions on these issues and often heated debates have ensued as a result. The

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¹Some of the recent works which give a comprehensive view of the methodological debate are:

Mark Blaug, *The Methodology of Economics* (Cambridge: C. University Press, 1980). Bruce Caldwell, *Appraisal and criticism in economics* (Boston: Allen and Unwin, 1984). Sheila C. Dow, *Macro economic Thought: A methodological approach* (Oxford: Basil Blackwell, 1985). A.S. Eichner, *Why Economics is not yet a science* (London: Macmillan, 1983). Daniel M. Hausman, *The Philosophy of Economics: An Anthology* (Cambridge: C. University Press, 1984). J.J. Kiant, *The Rule of the Game*, (Cambridge: C. University Press, 1984). Peter Willes & Guy Routh, *Economics in Disarray* (Oxford: Basil Blackwell, 1984).

²Blaug, M. (1980), p. xi.

question arises: why a discussion of the methodology at all? The answer is that the economists are keen to reach the truth and each methodological approach claims to reach it in a surer manner as compared to the others.³ Looking from this angle the debate on methodology is an inborn human demand. Man has been keen to reach the truth in all ages. The Quran also invites people on the plea that it is a book of sure knowledge.⁴ Thus it appeals the human instinct to reach the truth. The Qur'an argues that one should discard the 'doubtful' against the 'the sure'.⁵ The debate on methodology in economics (and other sciences as well) shows that there is hardly a disagreement on this basic fact. The entire debate is intended to establish clear and consistent rules to sift the true from the false.**

1.2 Need for Methodology of Islamic Economics

Despite the differences in various strands of methodological debate in economics there is a broad agreement on at least three points:⁶

- (i) The basic assumption is that man is selfish by nature and he behaves rationally.
- (ii) Material progress is a supreme goal.
- (iii) Every person has an inherent tendency to maximise his material welfare and he also has the knowledge and ability for deciding what is good for him.

The Islamic view-point is quite different on these points. Firstly, it is not true that man is selfish by nature. There is an overwhelming evidence that in all civilised societies men have been motivated by altruistic motives. Altruism is a fact of life. Islam encourages people to adopt altruism and to make sacrifices for others.⁷ The Quran has praised Muslims because they prefer others over themselves although they are in difficulty.⁸ Caring for others is a paramount value of Islamic society. Muslim societies have a history of *waqf* institutions devoted to philanthropic activities.⁹ Even in this age when the religious

**We are aware of the instrumentalist 'distortion' in the debate which does not concern itself with the truth or falsity of a theory but with its usefulness or efficiency. But this approach remains only one of the many approaches. the majority adheres to the Popperian realism which through falsification of theories, tries to reach the truth of a theory.

³Klant, J.J. (1983), p. 2.

⁴Al-Qur'an, 2:1

⁵ibid. 10:36, 53:28

⁶Siddiqi, M.N. (1982), p. 18

⁷All the injunctions in the Qur'an and Hadith on *infaq, sila rahm*, generosity towards others are a testimony to this statement.

⁸Al-Qur'an, 59:9

⁹Gilani, S.M. Ahsan, *Islami Ma'ashiyat* (urdu), Karachi: Sh. Shaukat Ali and Sons, 1962 (1947), p.449-450.

hold has gone weak, people in Muslim societies display a spirit of altruism. In non-Muslim societies also philanthropy is a fact of life. Only in America 22000 organisations are engaged in philanthropic activities.¹⁰ In sum, the assumption of selfish nature of man is not supported by evidence in real life.

Secondly, the material progress is not a supreme objective in an Islamic society.¹¹ It is a desirable goal but is subservient to the *falah* in the 'Akhira, should there be a conflict. The prophet (S.A.W) led a simple life and his companions also adopted an arduous life-style. The Qur'an talks of worldly pleasures as a plaything and a fleeting joy. It seems that the primary emphasis is on the well-being of man in the 'Akhira. It does not mean that Islam teaches monasticism or fatalism.¹² Far from it. It enjoins upon its followers a balanced attitude. Material prosperity is desirable so far it helps one to perform his duties towards God, society, family and one's own self.¹³ It should be a means to achieve *falah* in the 'Akhira. Adopting material progress as a supreme objective of life is thus alien to the Islamic framework. Thirdly, Islam considers man incapable of knowing what is best for him.¹⁴ Only God has perfect knowledge. The human knowledge is imperfect and man needs guidance for making various decisions in life. God in His ultimate mercy has revealed guidance for man through prophets and books. Man needs this guidance.

Thus on these basic assumptions Islamic economics has a different position. This provides, in part, need and justification for a separate methodology of Islamic economics. There is another difficulty with economics. It does not accept any source of knowledge other than the human knowledge, derived through mental hypothetico-deductive process. Thus it has closed upon itself the doors of sure knowledge available from divine sources. This has not only increased the confusion in economic thinking but has always left the question of criteria for truth unsettled. As a result there is hardly anything in economics which is universally accepted as valid and true. It seems that the entire knowledge of economics has been developed for its own sake and not for the sake of humanity.¹⁵ The complete denial of any divine knowledge

¹⁰ *Economist*, 23, August 1986, p.75.

¹¹ This is based on such Qur'anic verses as: 6:32, 14:3, 16:107, 75:20-21, 100:8

¹² Al-Qur'an categorically denies monasticism, 57:27

¹³ The Prophet S.A.W said: (Lawful) wealth for a virtuous man is an excellent thing". al-Hakim, *alMustadrik*, Vol. II, H.1, Hyderabad (India): Diara Ma'arif Nizam-yya, 1340 A.H.

¹⁴ Al-Qur'an, 4:11

¹⁵ Sir John Hicks has observed: 'There is much of economic theory which is pursued for no better reason than its intellectual attraction: it is a good game'. (Hicks, J.R., *Causality in Economics*, Oxford: Basil Blackwell, 1979, p.viii). Also Hutchison T., "Our Methodological crises" in Peter Wiles and G. Routh, *Economics in Disarray*, Oxford: Basil Blackwell, 1984, pp.1-21.

has left economics without any universally accepted framework. Almost everything is questionable, including the boundary conditions.

This is not to contend that the process of criticism and rational examination of economic theories itself is questionable. It only means that economics does not have any hard core of sure knowledge which may be treated as a point of reference and criteria for judging the truth and falsity of various theories. Therefore there is a need for a methodology which not only provides basis for sure knowledge but also eliminates confusion of contradictory theories by laying down a criterion for judging the contending theories. Since mainspring of Islamic economics is divine knowledge, it cannot accept a methodology which relies only on human knowledge.

2 METHODOLOGY OF ISLAMIC ECONOMICS

2.1 *The Hard Core*

The basic function of methodology is to help in reaching the truth. The hard core of Islamic economics consists of postulates of the Qur'an and the *Sunnah* of the Prophet (S.A.W). These postulates are divine in nature. Therefore question of their truth or falsity does not arise. They are true because of their origin. The method of Islamic economics is that for each situation reference is made, first of all, to these two sources. It is only after we do not get any guidance in these sources that human reason comes in and question of methodology arises.

For example, a number of the verses in the Qur'an lay down general principles and predictions relating to economic phenomena. We cite below some of these verses. These verses need no verification or confirmation because they have been revealed by the All-knowing God. In Islamic economics they are accepted as given. These and other verses of the Qur'an and authentic *ahadith* of the Prophet (S.A.W) form the hard core of Islamic economics:¹⁶

- (i) 'God takes away (gain) from usury but adds (profit) to charity' (2:276)
- (ii) 'And if they had followed the teachings of Torah and the Gospel, and what has been sent down to them by their Lord, they would surely have enjoyed (blessings) from the heavens above and the earth below their feet' (5:66)
- (iii) 'When they had become oblivious of what they were warned, we opened wide the gates of everything to them; yet as they rejoiced at what they were given, we caught them un-

¹⁶ Translation of the Quranic verses has been taken from Ahmad Ali, *al-Quran: A Contemporary Translation*, Karachi: Arkash Publishing, 1984.

aware, and they were filled with despair' (6:44)

- (iv) 'And you should seek His forgiveness and turn towards Him. He will bestow the best things of life on you for a time ordained, and favour those with blessings who are worthy of grace. But if you turn away, I fear the punishment of terrible Day for you' (11:3)
- (v) 'O my people, beg your Lord to forgive you, and turn to Him in repentance. He will send down rain in torrent for you from the skies and give you added strength' (11:52)
- (vi) 'I shall give you more if you are grateful, but if you disbelieve then surely My Punishment is very great' (14:7)
- (vii) 'But he who fails to hear my warning will have his means restricted' (20:124)

All these verses state general economic principles and make certain predictions. These predictions need no verification. They are true and Islamic economics accepts them as given. The hard core of Islamic economics consists of such axioms. They define the boundary conditions of Islamic economics. At the same time they are criteria for testing theories propounded by human beings. Any theory put forward by a human being is tested on these criteria and if there is a clear and undeniable contradiction, the theory is rejected straightaway without any further examination.

The above methodology applies only to the divine texts but not to the human interpretation of these texts. The human interpretation of these texts is open to examination and criticism. There exists a well formulated methodology (*'ilm al-usul*) to derive inferences from these texts. The Islamic economist applies the same methodology for testing the inferences from, and interpretation of, the divine texts. It is pertinent to add at this point that the methodology to interpret the Qur'an and the *Sunnah* also needs re-thinking. The scholars of the Qur'an and the *Sunnah* in the early era of Islam showed remarkable insight, imagination and vision and interpreted the basic sources in the context of their times. With the passage of time the methodology developed by them has lost relevance due to change in time and place. The entire context has undergone a major change. Therefore, there is a dire need to review the whole methodology in this age. For example, the *hadith* sources may be studied as a whole to study the rationale and objectives of the Prophet (S.A.W.) on any particular issue. The insight thus gained may be used to decide the *Shari'ah* position on an analogous contemporary question. A host of new questions in the contemporary life require the *Shari'ah* position but the scholars are unable to present an answer mainly because the existing methodology

does not take them very long. The need to review the *Shari'ah* methodology is another subject, however, and it should not detain us here.¹⁷

2.2 *The Role of Reason*

The scope of Islamic economics includes study of Islamic values, analysis of real-life economic phenomena and exploration of ways and means to transform the existing economies into Islamic economies. Therefore, the hard core of Islamic economics provides direct guidance on a small number of questions. A dominant part of the economic reality requires application of human reason and intellect within the over-all divine framework. The question of methodology becomes imminent mainly in the area where human reason is applied. In this area the general principle is that if a theory does not contradict any divine text it would be open for criticism. The criticism would be on two planes: rational as well as empirical. A theory must satisfy both the criteria. It should be true on rational grounds and should also be confirmed by empirical evidence. The confirmation is sought by Popperian thesis of falsification. It means that a theory would be tested on the criterion of falsifiability. The theories which are not falsified by these two criteria would be accepted. To this extent the methodology of Islamic economics is similar to that of economics.

It further implies that the hypotheses of Islamic economics must be stated in a form that they can be falsified. In other words the hypothesis must make clear its conditions and predictions. A hypothesis would merit consideration only if it tells the situations in which it would not hold or if it specifies the conditions which would falsify it.

It may be mentioned that the falsifiability criterion applies only to theorems which ask 'how' of an economic system. It does not apply to questions of 'why' in an economic system because reason can be applied only to questions of 'how'. It cannot be applied to questions of 'why' which takes one to the domain of faith and morality. In economics the questions asked are: how markets behave? How firms take decisions? How economy responds to a certain phenomena? It does not ask 'why' because it takes economics into field of morality. Since Descartes, the West has learnt to segregate reason from faith and morality. In Islamic economics, questions of faith and morality are quite valid. Therefore, for questions of 'why' applies the criteria of faith and morality.¹⁸

¹⁷ For a persuasive discussion on the subject, see Abu Sulayman, A.H., "Islamization of Knowledge with special reference to Political Science", *The American Journal of Islamic Social Sciences*, (2:2), December 1985, pp. 263-290.

¹⁸ Garudy, R. "The Balance Sheet of Western Philosophy", *AJISS*, (2:2), pp. 169-178.

2.3 Inductive or Deductive Reasoning

What is the response of Islamic economics to the question of choice between inductive and deductive reasoning? The brief answer is that Islamic economics applies a combination of both the methods. But this brief answer needs qualification. Muslims are the inventors of the inductive reasoning.¹⁹ Before the advent of Islam the ancient world did produce some great systems of philosophy but they were based on abstract speculative reasoning.²⁰ The Qur'an invited people to look and see. It argued on the evidence of such natural phenomena as sun, moon, day, night, rainfall, seasons, differences of colours and tongues.²¹ This ignited a spirit of inquiry which led to the discovery of inductive method in research. The Qur'an cites the example of Prophet Abraham who asked for an empirical evidence for life after death.²² The discovery of One God by Prophet Abraham also came by an empirical method.²³ At this place the Qur'an says "Thus we showed to Abraham the visible and the invisible world of the heavens and the earth so that he could be among those who believe" (6:75). Hence the emphasis on the word *showed* (*nuri*) refers to seeing and looking. God has used the experimental method to establish validity of metaphysical truths. It shows that for physical reality, it would be still more preferable to hold on to this method.

Therefore, in Islamic economics inductive method is only a continuation of the tradition set by Muslims in the past. But it has been argued that it is not possible to derive any scientific conclusions merely by inductive methods. The argument goes like this. Whenever a person looks around and sees a thing, there is always a *priori* thought in his mind which made him select the particular thing he saw out of the numerous others which he ignored. Therefore, the real source of knowledge is man's intellect and not observation. We do not dispute this argument. We accept that human intellect is the source of knowledge. But we want to add that there are other sources of knowledge as well. For example, revelation and institution are sources of knowledge.²⁴ Human mind is capable of receiving flashes of brilliant ideas

¹⁹One of the prayers of the Prophet (S.A.W) bears testimony to the fact that the Prophet (S.A.W) himself was very keen for rational explanation of natural phenomenon. He used to pray: 'God! grant me knowledge of the ultimate nature of things: *Allahumma Arina Haqu'iq al-ashya' kama hiya*, a well known tradition found in *sufi* works such as 'Ali b. 'Uthman al Hujwiri (d.465/1072) *Kashf al-Mahjud*, p. 166, as referred to by Saeed Sheikh in his notes on Allama Iqbal's *Reconstruction of Religious Thought in Islam* (Lahore: Institute of Islamic Culture, 1986, p. 158).

²⁰Iqbal, (1930, 1986), p. 100

²¹al-Qur'an, 2:164, 15:16, 16:68-69, 21:33, 24:43-44, 30:48, 35:9, 36:40, 37:6, 41:12, 45:5, 50:6, 67:5, 85:1.

²²Ibid 2:260

²³Ibid 6:75-78

²⁴Ibid 16:68, 20:38, 28:7.

which do not have any visible linkages in the empirical world or which are not result of systematic observation. The point we want to make is that the source of a theorem may be inductive or a *priori* but the Islamic economist tests it on the multiple criteria of *Shari'ah*, reason and empirical-evidence. Should we say then that Islamic economics does not use deductive reasoning at all? It cannot be said in simple words until we qualify our reply. The deductive reasoning in economics assumes a perfect knowledge of the future by economic agents. Abstract deductions are made on the basis of this assumption.²⁵ As a matter of fact the corpus of economic theory consists of, mainly, on these deductions. The validity of the assumption of perfect knowledge has been called into question by empiricists. Islamic economics also cannot accept this assumption as it clashes with one of the fundamental beliefs of Islam. Perfect knowledge of the future is only with Allah and man has only an imperfect knowledge.²⁶ Therefore, the method of abstract deductions on the assumption of perfect knowledge cannot be acceptable to Islamic economics. The whole argument can now be summed up to in one sentence. Islamic economics accepts human intellect as a valid source of knowledge but does not accept model building on the basis of deductive reasoning. Model building involves a series of deductions from initial premises, which presumes perfect knowledge of the future.

The question remains: how does Islamic economics proceeds to model building? Islamic economics accepts the real life situation that individuals do not have perfect fore-knowledge and different individuals have different knowledge. Therefore, in a given situation the possible reactions could be numerous. Therefore, the only rational approach for Islamic economics is to *observe* the human behaviour in the historical and institutional setting and then hypothesise on the basis of actual knowledge. This would require adoption of unusual research methods borrowed from such disciplines as sociology, marketing, social psychology, social anthropology, history, business management and industrial relations. The sources of data would be as unusual as national accounts, company accounts, national budgets, trade practices, behaviour of employees, behaviour of farmers, etc.

2.4 Assumptions and Method

The basic assumptions of economics have influenced its method as well. The economist assumes that human beings are selfish, rational, maximisers of their own material well-being and possessors of perfect knowledge in the future. These assumptions led to the hypothetico-deductive method with a limited number of variables. Islamic economics

²⁵ Hutchison, T., *op. cit.* p.5

²⁶ Al-Qur'an, (e.g.) 31:34

does not agree with any of these assumptions.

In Islamic economics there are high-level assumptions derived from the divine texts and low-level assumptions based on human reasoning. The high level assumptions need no verification. Therefore it dispenses with the need to discuss the validity or otherwise of these assumption. So far as low-level assumptions are concerned, they needed to be tested against the twin criteria of rationality and empirical evidence. This is a distinct position than that of economics. The western economists have argued (most prominent being Friedman) that the assumptions need not be empirically valid.²⁷ In fact some have gone to the extent of saying that valid predictions are possible only from invalid assumptions. Islamic economics does not accept this position on the basis of rationality and empiricism.

This leads us the question: What are high-level assumptions in Islamic economics? Firstly, man is neither selfish nor altruistic; he is both.²⁸ He has an inborn tendency to be selfish, to love wealth but he has also been endowed with the ability of being altruistic. Caring for others is a trait of human character which can be verified by overwhelming evidence. Secondly, by education altruistic behaviour can be cultivated and made persistent. Thirdly, human beings have imperfect fore-knowledge.²⁹ Therefore, all economic analyses would be carried out in a world of uncertainty. Fourthly, in the ultimate analysis, *falâh* of the 'Akhira is preferable over material progress in this world. This is not an exhaustive list. More high-level assumptions may be framed from the Qur'an and the *Sunnah*.

2.5 Problem-Solving

Islamic economic thought has a long history, though it has not been properly documented. Early thinkers like Abu Yusuf, Abu Ubaid, Yahya b. 'Adam, Qudama b. Ja'far, al-Mawardi, Ghazali, Ibn Taimiyya, Ibn Khaldun, Shah Wali Ullah, Afghani and thinkers of recent past like Iqbal, Mufti 'Abduhu, Rashid Rida, Mawdudi, Baqar as Sadr, Taleqeni to name a few, have almost unanimously adopted a problem solving approach.³¹ They have been concerned about the economic problems of their respective times. They have written on poverty, social justice, taxation, economic balance, market imperfections and allocative role of the state. They based their arguments on

²⁷Hutchison, T., op. cit, p.5

²⁸We find verses in the Qur'an which bear witness to both the traits of human nature. For example the Qur'an says: Selfishness is ever present in human souls (4:128). At another place it says: we created man of finest possibilities (95:4)

²⁹Al-Qur'an, 7:188

³⁰Al-Qur'an, 20:71, 20:131, 28:60, 87:17

³¹Siddiqi, M.N., *Recent works on the history of Islamic Economic Thought*, (Research paper), Jeddah: ICRIE, 1980.

the world view of Islam and brought rare insights in their respective times. Islamic economics in the contemporary era is a continuation of this tradition. Islamic economics studies the economic behaviour of individuals, households, firms and state with the following focus:

- (i) Understanding the behaviour and decision-making processes.
- (ii) Relating the behaviour with the *falah* of owners, employees, participants, clients, citizens and the society at large.
- (iii) Hypothesising about a change path to maximise *falah* at different levels.

For example, in the first stage, a Muslim economist would *understand* how firms take various decisions regarding production, pricing and marketing of their products. In this phase, he may use with benefit the findings of neoclassical economics with a *caveat* that the assumptions of neoclassical economics are unreal and over-simplified. Therefore, the Muslim economist might have to use other disciplines such as market research, production management and social psychology. At the second stage, he would relate his *understanding* with the *falah* of the firms owners, managers, citizens and point out various trade-offs. At the third level, he would try to build models which maximises *falah* of various economic agents.

From the above discussion emerge two conclusions which are relevant to the discussion on methodology:

- (i) Islamic economics is a multi-disciplinary subject. It will not be meaningful nor would it achieve its objectives if it relies only on the traditional sources of economics.
- (ii) Islamic economics is a normative discipline. It does not study the economic problem for the sake of problem. It has a normative role to explore ways and means for transforming the existing economics into Islamic economies.³² It does not deny, however, the positive content of Islamic economics. The positive content is used for normative purposes. Thus Islamic economics goes a step further to economics.

3 COMPARISON OF TWO METHODOLOGIES

In this section we shall summarise our discussion of the previous section to highlight distinctive features of Islamic economic methodology. First, Islamic economics uses a framework derived from the divine texts. This framework is sacred and immutable. No individual or assem-

³² For a detailed treatment of the issue, refer to writer's *Challenge of Islamic Economics*, Lahore: All Pakistan Islamic Education Congress, 1985, pp. 63-66.

bly of individuals can make it redundant or irrelevant. Human criticism does not apply on the divine texts. This is distinct from the western economics where the fundamental paradigm is also subject to criticism and can also undergo change.³³ However, the interpretation of the divine texts is not sacred. But the interpretation follows the methodology developed by *Shari'ah* scholars (the *usual* methodology).

Second, Islamic economics primarily follows inductive method. It testifies the truth or falsity of the *assumptions* as well as *predictions* on the twin criterion of *rationality* and *empirical evidence*. In economics, the deductive method is more common. The assumptions need not be realistic. The real test is in the non-falsifiability of predictions. The basic assumptions of self-interest, rationality, perfect fore-knowledge, man's ability to know what is best for him have facilitated the use of deductive method by economists. Islamic economics has a different stance on these issues. Therefore, it adopts a combination of inductive and deductive methods with primarily emphasis on the former.

Third, Islamic economics builds ethical values such as justice, benevolence, moderation, sacrifice, caring for others, into analysis as behavioural parameters. The debate whether economics should contain value judgement is a lengthy one. In economics, the balance of the argument says that there is no escape from value judgements. But the economists should produce falsifiable hypothesis. In the process of hypothesis testing, personal, social or political prejudices and value judgements should be eliminated. Herein lies the road to progress in economics. In Islamic economics, so far as the matter relates to personal choices, prejudices or preferences, this approach seems to be acceptable with an important qualification. The ethical values of Islam, which have been given by the *Shari'ah* would continue to be part of economic theories and they would not be falsified by any hypothesis testing. Instead they would serve as criteria for hypothesis testing alongwith factual data. A theory which does not incorporate the *Shari'ah* ethical norms or contradicts them or leads to predictions which would defeat or dilute the ethical norms would be rejected *per se* even in the absence of any empirical evidence.

Fourth, Islamic economics is a normative discipline. It explores the ways and means to change the existing economics into Islamic economics. Economics, on the other hand, claims to be a positive science which studies the existing economic phenomena. Islamic economics is interested in changing the economic reality. Its predictions also relate to a world which has not yet ushered in. Therefore, the actual testing of Islamic economic theories would wait until an Islamic

³³For a brief account of various paradigms in economics, see Arif, M., "Towards the *Shari'ah* Paradigm of Islamic Economics: The beginning of a scientific Revolution", *AJISS*, Washington (2:1), 1985, pp. 79-99.

economy comes into being. However, Islamic economics also concerns itself with the transition path. Its transition theorems can be tested in the real world provided the process of transition also sets in.

Fifth, Islamic economics asks different questions than economics. It is concerned with the *falah* of man and in creating such social and institutional conditions which maximise *falah* in a society.³⁴ Implicitly, it visualises to pursue those research programmes which help in the maximisation of *falah*. In this way, *falah* becomes a criterion for the acceptance or rejection of a research programme. In economics no such criterion exists in unambiguous terms. As a result, research for the sake of research or knowledge for the sake of knowledge, is pursued in economics. In Islamic economics, all knowledge has a purpose. The purpose is derived from the over-all world-view of Islam.

4 SOME RELATED ISSUES

In this section we shall discuss some related issues which often come up for discussion in the forums of Islamic economics.

4.1 *Interaction with Economics*

Should Islamic economics discard economics and make a beginning from scratch? On this question, there are two opinions. One is that "the methodologies of western economics were developed and designed to solve problems that are peculiar to that system."³⁵ Therefore, the Islamic economics should discard economics altogether and develop its own theory in the Islamic framework. The other opinion is that Islamic economics should not set aside the western economic thought which accumulated over centuries. Instead, with a modesty of a learner we should cast a critical look on this pool of knowledge and should try to identify and isolate those components of thought which do not conflict either with the hard core of Islamic economics or with the rational and empirical criteria. It would be arrogance of the first order if we dismiss the entire economic thought as un-Islamic.³⁶ However, we should adopt the following criteria to judge the western economic thought:

- (i) Compatibility with the *Shari'ah*: we should accept a theory if it does not come in conflict with the divine text or the spirit (*illal*) and objectives (*maqasid*) of the *shari'ah*.
- (ii) We should accept a theory if it is not falsified on the twin criteria of *reason* and *empirical evidence*.

³⁴Khan, M. Akram *Challenge of Islamic Economics*, op. cit, pp. 2-12.

³⁵Sardar, Z., "Breaking Free from the Dominant Paradigm", *Inquiry*, April 1985, pp. 41-47.

³⁶Khan, M. Akram, *Challenge of Islamic Economics*, op. cit, pp. 80-FF.

- (iii) We should accept a theory if it helps solve an economic problem. Speculative knowledge which is an exercise in mental gymnastics is not of interest to Islamic economics.

At this stage we need to mention a trap into which many Muslim economists have landed themselves. The economic thought developed in the west overpowers their reason and they are persuaded by its 'truth'. Then they try to interpret the texts of the Qur'an and the *Sunnah* in such a manner as would accommodate the economic thought of the west. They start reading the findings of the western secular economists into these primary sources. While there is no bar on the interpretation of the Qur'an and the *Sunnah* in each age, the danger is that this approach may reduce the entire discipline of Islamic economics into mockery or at least into a sub-discipline of the western economics. Thus the original objective of developing Islamic economics would be defeated. There is no hard and fast rule to remain out of this trap except that the Muslim economists should discuss their ideas widely. It is through a process of self-criticism that they can guard against this trap.

4.2 *Role of Revelation*

The general principle of Islamic methodology is that a reference should be made to the Qur'an and *Sunnah* of the Prophet for seeking guidance on any issue. But there is a limit to which we can seek guidance from these sources. The Qur'an and the books of *ahadith* are not books on any scientific discipline or on economics. They contain broad and general principles and provide a basic framework. The details have to be worked out by people themselves in each age. But in their enthusiasm Muslim economists often try to read such meanings into the verses of the Qur'an which are not there or which need not be searched in these sources because they are common knowledge and confirmed by casual observation. The point is that if a fact can be seen and confirmed by observation or reason there is hardly any reason to search for an evidence in the Qur'an or *Sunnah*, which often has to be established by laboured interpretations. For example, there can hardly be a dispute that a well-looked-after worker would be more productive than a neglected worker. Some people have unnecessarily tried to interpret and stretch *ahadith* relating to slaves of the early Islamic era to prove this point.

A related point concerns the confusion which often takes place by not recognising the distinction between 'Islamic' and 'Islamic framework'. By 'Islamic' we mean something sacred revealed by God or enjoined by the Prophet (S.A.W.). Whatever is 'Islamic' in this sense is immutable and beyond criticism. But some people append the adjec-

tive 'Islamic' with the concepts propounded by human beings such as Islamic profit, Islamic bank, Islamic business. Sometimes the adjective 'Islamic' is not appended but the discussion implies that the writer or the speaker intends to attach a sanctity to it. This needs to be clarified. All, that is said within 'Islamic framework' need not be 'Islamic'. That is human thought and is subject to criticism.

4.3 *The Assumption of an Ideal Islamic Society*

Most of the literature in Islamic economics assumes an ideal Islamic society which does not exist anywhere and the probability of its coming into being in near future is also remote. Should we continue making this assumption? The assumption of an ideal Islamic society is an analytical tool which presents a relationship of dependence between the ideal and the actual phenomena. Theories stated in this framework explain how the two phenomena are related and what are the factors which cause disturbance in this relationship. In this context it is a powerful tool.

But the Muslim economists should realise that the ideal Islamic society is a special case within a large range of possibilities. The ideal Islamic society may continue to be an ideal to be achieved. But it is also necessary that concrete social reality is also studied. This will help in shedding some of the romanticism in which many Muslim economists rejoice most of the time.

The idealism of Muslim economists has also done some harm to the scope of Islamic economics. Since the analysis is perceived in ideal Islamic conditions most of the ugly problems such as unemployment, inflation, trade cycles are simply assumed away. In ideal Islamic economy they do not exist so why study them. I think this is an overly simplistic approach. These problems are real life issues and there is no guarantee that they would not appear in an ideal Islamic economy. The Muslims in an ideal Islamic society may not behave as expected which may lead to the emergence of such problems. Therefore, the Muslim economists should face the reality and discuss the real-life problems.

5 CONCLUDING REMARKS

In this era, the world at large and Muslim *Ummah* in particular are suffering from a few obstinate and insoluble economic problems such as unemployment, inflation, unequal distribution of income, poverty, balance of payments difficulties, debt overburden and international exploitation. These problems present a serious challenge to Islamic economics. If Islamic economics can present plausible solutions to these problems, it would be accepted by the world, whatever its method of inquiry. Therefore, in the final analysis it is not the method of

inquiry that is important, it is the contribution that Islamic economics can make towards economic progress and prosperity. Islamic economics need not be confined to any one method. It should remain open to all the methods provided the inquiry remains within the basic framework of Islam and it satisfies the twin criteria of *reason* and *empirical validity*.

Islamic economics needs to have a name of Islamic economics and would be open to examination by Muslims and non-Muslims alike. It is ultimately the weight of its arguments and the rigour of its analysis that would fetch merit. Therefore, Islamic economics should come out of the romanticism of the ideal Islamic society. It should devote greater attention to the analysis and solution of the present day problems rather than recount the glory of Islam which it once was. It does not mean that Islamic economics should discard historical perspective. It only means that historical data need be used to learn lessons for the present rather than to rejoice in a trance of glorification.

The assumption of ideal Islamic society should also be kept as a goal to be achieved. The main occupation of Muslim economists should be to present an analysis of the application of the *Shari'ah* in the present day society. It would not only generate a theory of transition (which is missing at the present) but also provide a powerful persuasion for the unconcerned spectator to think seriously about Islamic economic system.

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