



## **BOOK REVIEW**

### **WHAT DO ECONOMISTS CONTRIBUTE?**

*Edited by Daniel B. Klein, Houndmills, Basingstoke, Hampshire: Palgrave, 2001, ISBN 0333777603, 156pp. (excluding i-xv).*

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As Islamic economists work to develop the still new discipline of Islamic economics, many issues also arise relating to the Islamic economist. At least three categories of scholars can be found within the ambit of the Islamic economist: modern trained economists committed to developing an Islamic alternative, traditionally trained *Sharfah* scholars discussing economics and those who have undergone an ‘integrated’ program combining the above two. While there are numerous issues concerning what Islamic economics is, how to develop it and how to apply/practice it, there is also a great deal of work to be done to answer the question: “what do Islamic economists do and/or what should they do?”

This edited volume of critical essays consists of the ideas of nine scholars on the profession of economics and the responsibilities of the economist. It is based on the “belief that academic institutions are failing and that they take a dim view of certain research activities which do advance the sound practice of political economy,” choosing to do well (academically and maybe financially) instead of doing good (by contributing to society). The writers included in the volume are Frank D. Graham, Ronald H. Coase, William H. Hutt, Clarence Philbrook, Gordon Tullock, D.N. McCloskey, Thomas C. Schelling, Israel M. Kirzner and Frederich A. Hayek, and the writings range from the 1930’s till 1999. The introductory article, where Klein attempts to present the key ideas from the nine contributors, forms the main part of this review.

Since the ‘practitioner’ of political economy is the ‘everyman’ (as opposed to the expert economist), one of the main issues raised is the role of the economist, i.e., should he strive to enlighten the practitioner by teaching the basics or should more sophisticated works be done addressed to other academics as the academic profession rewards this? (p. 2). Related to this is the view that elemental economic ideas

and policy solutions are often forsaken by policy-makers and as related by Kirzner, “economists exert a minor and scarcely detectable influence on the societies in which they live.” Hence, quoting Stigler, “economists might as well focus on academic pursuits” (p. 5). However, most of the authors in this volume (with the qualified exceptions of Hutt and Hayek) would urge economists to take a greater part in public discourse, even if their influence is minimal (p. 7).

As Klein rightly points out, knowledge is not merely information. It involves insight and judgment, which can provide new interpretations in the area of public policy. Thus, even if there is agreement on the basic ideas in a certain issue, disagreement occurs on which ideas need to be stressed in policy reforms. This, quoting Polanyi, involves an “element of commitment in believing” and is the moral dimension of knowledge (p. 7). Economists should not only provide facts and interpretations, to help Everyman see where his interests lie, *but also by providing moral guidance about what his interests should be* (emphasis added, p. 7). According to Graham (p. 29), while ‘objectivity’ is a necessary condition in scientific inquiry, achieving “perfect objectivity in the sense of freedom from emotion and from more or less conscious judgments of the relative values of different ends is impossible” for human beings. In fact, he rightly points out that the assertion that the scientist should be completely value-free, is in itself a value-judgment.

As far as economists’ role in public policy is concerned, Coase (p. 35) argues that economists do have something to contribute but that they are often “willing to give advice on questions about which they know very little.” Also, he claims that the advice given does not really require great economic knowledge and, more often than not, the advice given is rejected or ignored. Klein, however, states that even if economists’ advice falls on deaf ears or is rejected, economists should not be disheartened at being unpopular or despair and get frustrated into turning ‘inward’, i.e., “into the academy and into strictly *economist-to-economist discourse* as an escape from frustration of public discourse” (p. 10) and in the hope that such an economist would be like the ‘pure scientist’ in other fields. Those who turn inward also claim that “advancing science will do more for society than will direct engagement with the public” (p. 11).

However, according to Klein, this view is misplaced as it is based on an erroneous and largely unexamined faith in academic institutions which he calls the ‘great faith’, i.e., a faith in dominant formal modes

of scholarly discourse or *paradigmaticism* (p. 11-2). A leading form of paradigmaticism is undue stress on formal model-building or empirical work, sometimes leading to the pursuit of 'irrelevant' questions and speaking in esoteric language. This, of course, does not serve the practitioners of political economy and has costs such as diverting resources and attention away from the economic system itself to the technical problems of measurement (p. 13). In addition, Klein suggests that paradigmaticism inhibits the cultivation of economic judgment in the professional economists. The process of cultivating good economic judgment requires rigorous probing of public policy issues from all sides leading to the development of convictions based on understanding different arguments and how these stand up, something termed a process of 'edification' (p. 16). There is also a need, according to Philbrook (pp. 75-86) to develop models and policy prescriptions based on what he terms the 'probability approach' that tries to bridge the gap between ideals and realities.

Rather than criticizing those works in nonparadigmatic areas as being 'nonscience' and policy-relevant areas as 'advocacy', *there is a need for economists with good judgment to work together*. There is a need to agree that even the most paradigmatic science is not completely value-free. Thinking that economists should only deal with the means (thought to be value-free) and leaving the final determination of the ends to those suited to make value-judgments, whoever they might be, is an error and really a dereliction of responsibility on the part of the economist. In fact, a case could be made that it is not enough for economists to understand how things operate but they should also explore things as they could and should be (p. 20).

In conclusion, Klein suggests that there is a need to encourage economists to become more engaged in public discourse. He suggests that economists could attempt a marginal shift towards less paradigmatic, more policy-oriented work. While not without its difficulties, he advises academic economists to find their marginal rate of transformation that maximizes not just their own comfort and sanctuary, but the service that economics renders to society (p. 23). It would be possible, quoting Tullock, to do good while we are doing well (p. 102).

For Islamic economists and the still nascent discipline of Islamic economics, the discussion of the normative-positive distinction, of what economic knowledge is, the position and relationship of formal theory versus practice/reality and the role of the Islamic economist in society

needs to be addressed. Not enough attention has been given to foundational issues like methodology and the development of theoretical perspectives. Rather, Islamic economists have jumped into downstream issues in banking and finance, especially in creating ‘innovative’ financial instruments without realizing that these downstream areas must be supported by strong foundations reflective of the Islamic worldview and vision. Due to this mistake, Islamic economics is severely criticized both internally and from outside as being a bad imitation of conventional neoclassical economics. To support this, critics point to the ‘acceptance’ of Islamic finance by the IMF, through some commissioned works as proof that Islamic economics is just a variation of the existing paradigm. Hence, Islamic economists have not really contributed anything substantial ‘from an Islamic perspective’.

It is certainly not advocated that Islamic economists stay away from public policy debates. However, as far as Islamic economics is concerned, even the theoretical constructs are far from established. Unless the Islamic positions on the various issues are understood, unless we have ways of developing the Islamic positions and unless we have criteria to evaluate the successes and shortcomings of our policy prescriptions *from Islamic perspectives*, we will not be able to claim that Islamic economics is a legitimate discipline in its own right, let alone offer policy prescriptions for the good of society. The present writer looks forward to the near future when he will have the opportunity to review a book called ‘What Do Islamic Economists Contribute?’ Till then, Islamic economists will just have to work harder, not get discouraged if their advice is rejected or criticized and be willing to subject their discipline and themselves to critical evaluation.

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