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Rethinking the concept of economic man and its relevance to the future of Islamic economics

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Abstract: This study sheds light on the philosophical underpinnings of Islamic economics, especially its version of a social and moral economic system. The prospect of value-laden economics, the gap between the theory and practice of the Islamic economic system, and an epistemological exposition on the observed gap are discussed. On the first aspect, the study indicates that the future for Islamic economics as one alternative of a value-based approach is indeed promising with the ongoing replacement of Robbin's fact/value dichotomy with Putnam's entanglement of fact and value notion. Interestingly, the widely reported gap, in the form of non-achievement of social goals, has led the study to identify a serious flaw in the micro-foundational aspect of Islamic economics; one that has not been noticed before. A more holistic reading of the Qur'ān could solve this micro-foundation issue. Therefore, the study calls for a fresh epistemological approach in Islamic economics methodology that could set in motion a renewed interest in the Islamic economic system discourse.

Keywords: Epistemology; *homo Islamicus*; Islamic economics; Islamisation of knowledge; philosophy of economics.

Abstrak: Kajian ini menerangkan tentang asas falsafah disiplin ilmu ekonomi Islam terutamanya yang berkaitan dengan cadangan ke arah mewujudkan sebuah sistem ekonomi sosial dan bermoral. Perbincangan kritis dilakukan terhadap tiga aspek: prospek disiplin ilmu ekonomi yang sarat dengan nilai, jurang antara teori dan praktis sistem ekonomi Islam, serta penjelasan epistemologi berkaitan dengan jurang tersebut. Mengenai aspek pertama, kajian ini menekankan bahawa masa depan ilmu ekonomi yang sarat dengan nilai sememangnya amat cerah. Ini adalah kerana berlakunya proses penggantian

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konsep pemisahan fakta/nilai yang dipelopori of Robbins dengan konsep kesebatian fakta dan nilai yang dipelopori oleh Putnam secara berterusan. Menariknya, jurang teori dan praktis yang dilaporkan secara meluas, iaitu dalam bentuk kegagalan sistem ekonomi Islam untuk mencapai matlamat sosialnya, telah diutarakan dalam kertas ini untuk mengenal pasti satu masalah serius yang berkaitan asas-mikro dalam ilmu ekonomi Islam; suatu masalah yang belum pernah disebut sebelum ini. Pemahaman al-Qur'ān secara lebih holistik mampu menyelesaikan isu asas-mikro ini. Justeru, kajian ini menyeru kepada pendekatan epistemologi yang baharu dalam metodologi ilmu ekonomi Islam supaya berupaya merancakkan kembali diskusi topik sistem ekonomi Islam.

Kata Kunci: Epistemologi; *homo Islamicus*; ekonomi Islam; Islamisasi ilmu; falsafah ekonomi.

The 2008 global financial crisis has resulted in worrying instability in current growth patterns and their future projections. Coupled with the lagging effects of remedial policies, this heightened level of anxiety becomes the source for the waning interest in "neoclassical capitalism" as the dominant socio-economic order that is supposed to save the day (Iwai, 2008; Stiglitz, 2010).[1] Meanwhile, the contagious nature of these economic crises that are spread by financial capitalist structures and powers completes the perfect recipe for future economic, political, and social turbulences. The ineluctable fact that the global reach of trade and finance networks, with super-fast technology as its most significant enabler, is at its historical peak exacerbates these economic woes. Thus, it is not surprising that the philosophical foundations of capitalism are again put under great scrutiny; only this time, the soul-searching exercise is more focused on the validity and reliability of *homo economicus* as the mainstay of economics (Bardsley & Sugden, 2006). Some prominent Western and Islamic economists are now promoting the belief that these bleak scenarios are caused by the moral factor within the operations of *homo economicus* (Chapra, 2008; Mirakhor, 2008; Siddiqi, 2008; Stiglitz, 2010). This increasing sense of awakening has given weight to the fresh demand for a more humane economy.

Consequently, this demand has spurred the progress of the New Traditional Economy. This should be expected given that the New Traditional Economy has an affinity with the domain of ethics via the influence of religion. Rosser and Rosser (2004) acknowledge this influence and capture its significance by defining the New Traditional Economy as the "effort to embed a modern economic system into a traditional socio-cultural system, usually one tied to a major world religion" (p. vii). Interestingly, among the New Traditional Economy, the Islamic economic system possesses the most prominent and fully developed form of a system (Rosser & Rosser, 2004). The proposal by Muslim economists of having an Islamic economic system is apparently a frontrunner in the race towards establishing a moral and social economy.

The breadth and depth of discussion on Islamic fiscal and monetary policy, trade, economic history, development, and other topics in Islamic economics is expected to be quite advanced when compared against other types of the New Traditional Economy; notably Christian, Jewish, Buddhist, Confucian, and Hindu economics. One may find some support to the preceding statement in Klay (2014). Klay enlists economic journals and associations linked with Christianity, Judaism, and Islam in which the detail related to Islam has the second highest number of entries after Christianity. In addition, Muqorobin (2008) reveals that the Islamic Economics Database in the International Islamic University Malaysia Library alone functions as a depository for approximately 5000 publications on Islamic economics and finance from 1994 to 2005. While the concern about the quality of the discussion in this Islamisation of economics endeavour is a matter of open debate, no one can deny the monumental impact of the academic revolution referred to as the "Islamisation of Knowledge" (IOK), which started in the early 1970s (Barom et al., 2013).

For Islamic economics to progress as a legitimate social science, this paper concurs with Wahbalbari et al. (2015) who aver that "in Islamic economics, there is a need to recognise human behaviour as the basis of the micro-foundation of the Islamic economics system" (p. 137). The critics of the Islamisation of economics project, for example Kuran (1983, 1995a, 1995b) and Shams (2004), also tend to base their points of attack on the micro-foundation issue of the adopted economic man in the form of *homo Islamicus*. Therefore, it is imperative for us to properly clarify the true nature of the economic operative who tirelessly tries to solve the basic questions of what, how, and for whom to produce in any society. To that end, we will critically look at the Islamic economic system which stands as the Islamic version of an ethico-politico-legal economy. Nonetheless, the scope of discussion is restricted to the role of economic man in both the theory building and the practice of Islamic economics.

This paper's primary aim is to philosophically analyse the future of the discipline of Islamic economics. The existing discourse on the Islamic economic system then serves as the platform for us to situate the real problem with this discipline. Therefore, we will focus our discussion on three pertinent aspects. First, we will deal with the question: Are we seeing the end of value-free economics? Here, the intent is to search for a window of opportunity for Islamic economics to develop within the current progress that is shaping the future of economics. If the answer to this first issue is yes, the prospect for further development in Islamic economics is potentially positive. This is because, due to the value-laden nature of Islamic economics, progress in the study of economics would provide the catalyst and environment for Islamic economics' sustainability, if and only if, such progress gives recognition for the role of values. Second, a basic assessment is carried out on the Islamic economic system. The approach is to relate the representative institutions with its micro-foundation *viz*. *homo Islamicus* whose very conception is not only as value-conscious beings, but also presumed to be the exemplar of moral individuals (Asutay, 2007a, 2007b; Kuran, 1995a, 1995b; Shams, 2004).[2] This assessment serves as a quick reality-check on the proposal of Islamic economics thus far. This step is crucial since it frames the viability of Islamic economic issues that have far-reaching implications on the future of this discipline. Third, this paper tries to furnish an epistemological reasoning to the outcome of the reality-check exercise. This introspection underscores the need to get the right picture about this entity called "man" as painted by the primary sources of knowledge in Islam. This paper is firm in its belief that the ensuing elucidation on the Islamic economic system can assist interested intellectuals, Muslims and non-Muslims alike, in bringing the existing discourse beyond its present breadth and depth since it touches on some fundamental epistemological issues.

Following Kuran (1995a), Chapra (2000, 2009), and Mahyudi (2015a, 2015b), this paper applies a discursive approach in achieving its objectives. It consists of five sections. We have clarified the aims and scope for this paper in the introduction. The second section delves into the prospect for ethical-based science of economics from a philosophical perspective. Then, we investigate whether there is a gap between the theory and practice of Islamic economics in our current time. The main conclusion from this investigation is connected to the prevalent concept of Islamic economic man, i.e. *homo Islamicus*. This connection is later analysed under the light of insights traceable to the Qur'ān. The paper concludes by reinforcing that promoters of Islamic economics must promptly settle important philosophical matters in order for them to effectively present the Islamic economic proposal as a coherent, complete, and realistic model of the desired moral and social economy.

The end of value-free economics

In contrast to mainstream Western sciences, ethics and morality are the unique salient features of Islamic economics (Chapra, 2000, 2009; Mahomedy, 2013; Mirakhor, 2014). A foundational course for Islamic economics entails deliberations on the role of the worldview that is part of the ontological realm of science. This is later followed by topics related to the question of epistemology in Islamic economics before proceeding to the axiological realm. It is in this last segment of the course that the do's and don'ts for individuals, firms, and states, operating as economic agents, are exposed. Ethical action and behaviour of the economic agents are given the widest coverage with the objective to let the students appreciate the distinctive conducts of *homo Islamicus* as compared to that of *homo economicus*. This basic structure enables the course instructor to infuse Islamic values in his or her weekly teaching assignment. Thus, it is apt for Naqvi (1981) to affirm,

> in the climate of Islamic philosophy, it is ethics that dominate economics and not the other way round…The key to a thorough understanding of the originality of the Islamic economic system lies, therefore, in its ethical value system (p. 18).

Understandably, every proponent of Islamic economics pushes for the establishment of a moral economy and this essentially forms the intrinsic motivation in all of his or her scholarly contributions; in teaching, research, and even consultancy works.

In stark contrast, a stance of that sort can never be said to exist in conventional economics, particularly in the mainstream neoclassical economics school of thought. Any attempt to bring in values in formal economic discussion within the mainstream school is hampered by the fact/value dichotomy that conditions conventional economic thinking. To clarify, let us recap the demarcation line drawn by Robbins (1932),

> it does not seem logically possible to associate the two studies [ethics and economics] in any form but mere juxtaposition. Economics deals with ascertainable facts; ethics with valuation and obligations (cited in Putnam, 2012, p. 113).

Throughout centuries of its scientific development, mainstream economists seem to conform and respect Robbins' demarcation line. The predominant position of neoclassical economics has seen the triumph of its vanguards in ensuring that that line is not crossed in this perennial challenge of "the quandary of choice" or "science of scarcity" (Evensky, 1990, p. 2). Justifiably, in heterodox schools reside those economists who have a profound dissatisfaction "with the austere "value-free" diet offered by the positivistic neoclassical paradigm" (Lutz, 1990, p. ix). Such is the impact of the predominant thinking about Robbins' fact/value dichotomy.

On the future path of economics as a scientific discipline, the Harvard philosopher, Hilary Putnam (2012), presents a cogent case for the end of value-free economics. He argues that there is a moral side to various crucial economic deliberations, be it on income redistribution or measure of welfare, to cite a few examples. In fact, the crux of what he terms as the "second phase classical theory" is "economic theory that tries to combine both the best mathematical models of an economy and the best ethical reflection" (Putnam, 2012, p. 112).

As a replacement to Robbins' fact/value dichotomy, Putnam (2012) proffers the idea of the entanglement of fact and value. He claims that there are vital facts of life which are worth noting only through an "evaluative" or, as Williams (2001), the student of the renowned philosopher A. J. Ayer, puts it, a "normative" outlook. Putnam argues that when we analyse success or failure of man in any area beyond the scope of exact science, we instinctively tend to simultaneously describe and evaluate. Putnam asserts that even Sen's celebrated "capabilities approach" must be conditioned by the sense of "capabilities for valuable functioning". This stance of Putnam further reinforces the practical usefulness of his "entangled" concepts *viz*. concepts that cannot be simply factored into a "descriptive part" and an "evaluative part"

(Putnam, 2012, p. 113). Accordingly, the act of combining economics and ethics by a rising number of contemporary economists is perfectly valid owing to the intermingling nature of values and facts (Putnam & Walsh, 2012; Broome, 1999; Hamlin, 1996). Clark (2014) convincingly reasons why this is the case,

> Every term and concept in economic theory is a socially constructed term, and every economic 'reality' is a socially constructed phenomenon; within these constructions are layers of value judgement and thus the constructions are in no way morally neutral (p. 137).

The sight of this emerging trend in scientific theory building prompts Farina et al. (1996) to report that "several economists are now prepared to take into serious account the ethical dimensions of rational decisions" (p. 1). This positive development serves as a body of proof about the illusionary nature of Robbins' fact/value dichotomy or demarcation line.

The premise for this section lies in the interconnectedness between Islamic economics and economics. Siddiqui (2011, p. 141) emphasises on this vital link when he states, "Islamic economics is then, simply, *to study economics from an Islamic perspective*" (emphasis in original). Definitely then, any happenings in economics would eventually find its way in Islamic economics. Therefore, it is worth noting that the observed philosophical shift in economic theory building outlook does offer a great window of opportunity for Islamic economics to develop within the current progress that is shaping the future of economics. The prospect for Islamic economics is very promising.

While conventional economists are still grappling with the idea to erase Robbins' demarcation line, Islamic economists have been well positioned since its beginning. They are seen as spearheading this ethical crusade owing to the early Islamic reformist rhetoric of the Islamic state, the precursor of the IOK. Choudhury (1990) is indeed optimistic with this prospect when he declares, "the advent of contemporary paradigm shift in the social sciences can now be *powerfully* examined in light of the upcoming field of Islamic economics (p. 42)" (emphasis added).

Theories and models in Islamic economics, however, have been built upon evidence from past practices particularly those that relate to the Golden Age of Islam. Expectedly, gaps between theory and practice are bound to exist; hence, an identification of those gaps will allow us to have a kind of reality-check on the proposed moral economic order. It is an important step for economists to identify any methodological hindrance to rapid progress in Islamic economics as a valid social science. So, the viability of this project becomes the subject of the next section.

A preliminary assessment on the Islamic moral and social economy

As explained above, Islamic economics adopts a value-based approach. The socio-economic system promulgated from this inchoate discipline would also have the character of fact and value assimilation. So, for the sake of future scientific progress, we are interested in assessing the success or failure of this version of a social and moral economy. We will take into consideration Naqvi's (1997) assertion that the distinguishing characteristic of the Islamic model is the prominence of the ethical dimension. Our aim here is to examine the actual practices of the economic actors and the ensuing institutions in the present day context.

In as much as *homo economicus* is formalised as the mainstay of the secular economic order, *homo Islamicus* is the mainstay of the Islamic economic system. Hosseini (1992, p. 111) says, "Islamic economics, as claimed by its proponents, replaces *homo economicus* with *homo Islamicus*". Mahomedy (2013, p. 562) echoes this point indirectly via his critical opinion on the role of *homo Islamicus*, "Islamic economists are at pains to emphasise that *homo Islamicus* would behave in a manner more amenable and conducive to the goals of realising a prosperous society than his cousin *homo economicus* would". Given that in methodological discussions, the makeup of *homo Islamicus* serves as one inherent critical micro-foundation of the Islamic model (Arif, 1985; Zarqa, 2003), it is very sensible to reflect on whether Muslim societies behave in a manner parallel to the presumptions associated with this *homo Islamicus*?

Strategically, to eschew non-realities is one key principle that ensures prolonged success for any economic order, Islamic or otherwise. In fact, the neoclassical economics conception of *homo economicus*, as the unrealistic persons lacking vision and having little concern about others, is the primary reason for faith-based economists to explore *homo religiosus* as the replacement for *homo economicus* (Clark, 2014; Klien, 2014; Rasmussen, 2014; Roberts, 2014). Similarly, if they are serious with their Islamic economy, Islamic economists are duty bound to perform introspection on *homo Islamicus* whom they have theoretically constructed to be "the representative economic agent in an Islamic society" (Arif, 1985, p. 81).

To do so, we now turn our attention to the well-documented critique on the social achievement of Islamic banking and finance (IBF) industry. This approach finds its support from Asutay (2007b) who treats IBF as the operational side of Islamic economics. Shinsuke (2012) seems to concur with Asutay (2007b) when he positively views the practice of Islamic finance to have an important place in the annals of modern Islamic economics history. Furthermore, after analytically reviewing the extensive literature on Islamic economics, Mahomedy (2013) finally concedes that IBF has become the avenue for the expression and operationalisation of the normative assumptions of Islamic economics. Thus, it is reasonable to undertake the preliminary assessment exercise on the achievement of IBF and analyse the influence of *homo Islamicus* on the reported progress.

The IBF initially started with noble aims that could be traced back to the idealistic wishes of the almost angelic being, *homo Islamicus*. That is why the goals of IBF mimic its behavioural norm. On this behavioural norm, Asutay (2007b) describes *homo Islamicus* as,

> socially concerned God-conscious individuals who (a) in seeking their interests are similarly concerned with the social good, (b) conducting economic activity in a rational way in accordance with the Islamic constraints regarding social environment and hereafter; and (c) in trying to maximise his/her utility seeks to maximise social welfare as well by taking into account the hereafter (p. 171).

In line with this Islamic economic man's presumed behavioural norm, Asutay (2007b, p. 172) highlights that "In its alternative system understanding, IBF was assigned an important role: economic development with the objective of human well-being and social justice". In other words, *homo Islamicus* has a pivotal position as part of the necessary micro-foundation in the formulation of IBF models and theories.

IBF is encroaching four decades of practice. Industry players have been in an exuberant mood for the IBF's continuing double-digit percentage growth in commercial banking and *takāful* (Islamic insurance) sectors despite the volatility in the global financial scene.

However, there is a peculiar narrative lurking behind that commendable record. Many argue that this narrative is somewhat tainted by the blotch resulting from IBF's limited ability to make major waves of change in the way the banking business is run and impacting the real economy. A quick trendspotting in the Islamic finance literature signals the emergence of *Maqāṣid al-Sharī'ah* (objectives of *Sharī'ah*) discourse so as to reinvigorate the social welfare or *maṣlaḥah* agenda within the ambits of Islamic financial intermediaries' activities (Dusuki & Abozaid, 2008; Laldin & Furqani, 2013; Mohammed, Tarique, & Islam, 2015; Zakariyah, 2015;).

This paper concurs with the small but increasing number of Muslim economists who avow that in the marketplace, *homo economicus* is trampling on *homo Islamicus* and IBF's enviable growth serves as an immediate proof for this quiet unpleasant situation. Put differently, it is not shocking to see that Farooq (2011) does not have an iota of belief that *homo Islamicus* is operating in the IBF industry. He provides the following arguments to support his position. Firstly, he argues that the time value of money concept is widely applied in Islamic banking products. This contradicts with the firm stand of some Muslim economists who opine that *homo Islamicus* does not recognise that financial concept. Secondly, the inability for the so-called Islamic financial institutions to express their supposedly innate preference for risk-sharing schemes over risk-transfer ones are symptomatic of *homo Islamicus* being inflicted by the "*murābaḥah* syndrome"; that is, the over-reliance on risk-transfer instruments when the theories of IBF portray the heavy utilisation of risk-sharing modes of financing.[3] This, to him, is a tacit admission that Islamic morality is not reflected in contemporary business setting; thus, "creating a formidable gap between the rhetoric and reality" (Farooq, 2011, p. 58).

On a similar note, Asutay (2007b) boldly exposes the social failure of IBF. He avers that the preference for risk-transfer or debt-based instruments is in itself a surprising departure from the initial ideas, theories, and models on IBF; a phenomenon that has actually taken place since the 1970s (Shinsuke, 2012). Implied in this preference is the dependence of Islamic bankers and *Sharī'ah* advisory committee members on a more pragmatic approach to effectively secure high dividends for their shareholders. The ugly-side of this short-cut exercise is that long-term financing and developmental financing in real economic sectors, such as agriculture and manufacturing, are neglected. Social lending suffers the same fate since the size for *al-qarḍ al-ḥasan* (benevolent loan) is reported to be meagre. As a whole, this line of argument resonates with Warde (2000) who criticises shrewd operational practices of Islamic banks and their lack of interest for the attainment of social justice, balanced economic development, and an equitable distribution of income and wealth objectives.

These serious criticisms on IBF implicate the Islamic economic system proposal. Shinsuke (2012, p. 124) expresses this scathing remark, "both outcomes of the commercial practice of Islamic finance and the comprehensive Islamisation of the economy raised questions about the feasibility of the theoretical suggestions by Islamic economists". There are many who strongly feel that it is justified to conclude that the Islamic economic system is a mere utopian state of economic affairs for the present Muslim majority polities to aspire (Farooq, 2011; Mills & Presley, 1999; Warde, 2000). Overall, this scenario puts into question the viability or context validity of the Islamic social and moral economy idea (Shams, 2004; Shinsuke, 2012).

In view of the bovarism of the Islamic economy, the most fundamental cause can be singled out based on this critique by Kuran (1995, p. 170), "the agents that populate these models are replicas of *homo economicus*, the *bete noire* of every general treatise on Islamic economics."[4] In other words, it is now obvious that the weak performance of the Islamic institution under study emanates from the insignificant observance of the *homo Islamicus* behavioural norm in Muslim majority countries. Therefore, this paper rejects the Islamic economics theoreticians' presumption that *homo Islamicus* is dictating the way resources are allocated in the real world.

As a result, referring to Arif's (1985) structure of economics as a social science, this paper believes that the fundamental problem is neither at the Islamic economics philosophical foundation nor its paradigm. Instead, it is at the basis of Islamic economics micro-foundation; that is, the conception of economic man. So, is there any methodological lesson for Islamic economics to improve on its economic man?

An epistemological exposition on the observed gap

This section aims to answer the instrumental question posed above. One feasible way to do this is to appreciate the basic process of formulating

Islamic economic institutions that fits into the theory of Islamic economics. Once we have understood this epistemological process, we would be in a better position to identify the flaws that lead to the existence of inherent weaknesses in those institutions. Only then can we offer one solution that is inspired by the Qur'ānic framework to rectify these procedural flaws.

Understanding the context of the process

Since Islamic economics is a *Sharī'ah*-based social science, the sources of knowledge for Islamic economics are both the primary and secondary sources of Islam. All classical institutions in the Islamic economy, for instance, the *waqf* and *zakāh*, have their firm roots in the primary sources of Islam, namely, the Qur'ān and Sunnah. According to Saleem (2010), a lot of the *fiqh*-related building blocks, especially those that have specific individual and not group-oriented qualities, acquire a permanent status. Owing to this permanent status, they naturally find their place for operation in the theoretical discussions on the Islamic economic system and in present day application.

Contrariwise, the fixed and unchangeable feature cannot be given to contemporary Islamic institutions in such an outright manner. This is because they are merely the brainchild of the modern day scholars and academics whose proposals are based on their individual limited mastery of the text while relying on their limited techniques and consideration on the intricacies of present times. The IBF outfit is the best example since, as Hefner (2006) expounds, it has no direct cultural precedent in classical and middle Islamic history. Earlier on, we have purposively shown that *homo Islamicus* has a pivotal position as the necessary micro-foundation in IBF theories and IBF's meagre social achievements is caused by the absence of *homo Islamicus* in the marketplace. On this pretext, this paper believes that the flaw in the theoretical conception of contemporary institutions ultimately falls back onto Islamic economists' mistake in adopting *homo Islamicus* as its operative economic agent.

To illustrate our argument, let us utilise the IBF case in the ensuing exposition. The Qur'ān, Prophetic Tradition, and consensus of scholars make it clear that *ribā* is prohibited. Furthermore, the Prophetic Tradition is also rich with practical instances of *Sharī'ah*-based financing principles; for example, *murābaḥah* (cost-plus sale), *muḍārabah* (profit-sharing), and *mushārakah* (profit and loss sharing). Nonetheless, the primary sources and the long history of Islamic civilisation have never packaged the impermissibility of *ribā* consensus and *Sharī'ah*-based financing modes into a credit-industry framework, complete with dedicated legal and governance mechanisms, as practised for more than three decades now. In agreement with Hefner (2006), this full-blown form of application is truly a modern creation.

This paper asserts that the same can be said of *homo Islamicus* due to the fact that Islamic economics, as a scientific discipline, only emerged in the 1970s. To emphasise further, *homo Islamicus* is entirely a modern identity given to the economic man concept. Mahyudi (2015a) claims that many contributors of Islamic economics have embarked on the exercise of deciphering both primary and secondary sources of knowledge in pursuit of the most noble elements, character, and roles for *homo Islamicus*. However, enlightened by the observed gap identified in the preceding section, we humbly posit that the first generation of in-depth debates, commentaries, and analyses by Islamic economists are very much born out of their *earlier understanding* on the identity of the operative economic agents in the Islamic moral economy.

Identifying mistakes in the process

To reiterate, the Islamic economic system has been designed and structured based on the economic behaviour of *homo Islamicus*. Arif (1985, p. 81) affirms that "this micro-foundations' link between the human behaviour and the *Sharī'ah* paradigm (in an Islamic society) is the scientific basis of our efforts to develop [*sic*] Islamic economic system". This has led to the formulation of economic ideas, practices, policies, and institutions that collectively represents the substance of the existing theory. Notwithstanding these theoretical ideals, this paper ardently argues that this approach is flawed due to the *homo Islamicus* misrepresentation of the economic agent concept.

Epistemologically, given the existing micro-foundational place granted to the presumption on *homo Islamicus* in Islamic economics methodology, this misrepresentation is a pressing concern to be addressed if we are adamant in projecting Islamic economics as a legitimate social science that aims to describe past observable phenomenon within the realm of economics, with the added instrumental value of predicting future events and changes. This is because the idea of inexact sciences like economics and Islamic economics, as opposed to natural sciences, rests upon the ability to best explain the most significant facts of individual and social happenings based upon certain preconceived understanding on innate features of human nature in both personal and societal aspects. Unfortunately, in coming up with *homo Islamicus*, those early contributors have committed two strands of mistake; first, they have given too much focus on the individual person's positive aspect of his innate being. Second, they have undermined the interplay of social dynamics in influencing actual expressed preferences.

Addressing the mistakes

To rectify these mistakes, by no means are we proposing the irrelevance of Revelation. Instead, we are emphasising on the correct reading of Revelation. As an extra incentive, this proposed attempt is able to enhance the prominence of Revelation in Islamic sciences. Therefore, this paper exhorts that the failure of the Islamic economic man archetype stems from the preoccupation of Islamic economists on the notion that the Islamic economic man must be the ideal person. This preoccupation, which is sometimes tantamount to overzealousness, inadvertently distorts their correct understanding about the truism on the nature of man as enshrined in the Qur'ān itself. In short, to sustain Islamic economics development as a legitimate scientific pursuit, its key protagonists cannot sideline the inherent frailties of man in his individual state of being (*al-insān*), and the ignorance and torpor of societies, i.e. man in his plural state of being (*al-nās*).[5] Notice that this *sine qua non* of Islamic economics that speaks of the two sides of objective analysis on man is the mirror image of the two strands of mistake identified in the previous paragraph. This point then serves as a very strong reminder for Islamic economists that the scientific norm of embracing objectivity, rather than being overwhelmed by one's zeal, is the kind of ingredient that has made Western sciences superior to Islamic sciences.

To put things right and proper for Islamic economics at least, it is imperative to give due attention to one analytical observation made by Professor Syed Naquib al-Attas (1993). In his no-holds-barred comment on the modernists and reformists groups, who first propagated the Islamic economic system as part of the Islamic state's grand design, al-Attas expresses a very poignant question,

> They naturally neglect to lay as much stress on the concept of the individual and the role the individual plays in realising

> and establishing the *ummah* and the Islamic state. Now it is true that the *ummah* and the Islamic state are paramount in Islam, but so is the individual Muslim, for how can the *ummah* and the Islamic state be developed and established if individually Muslims have become confused and ignorant about Islam and its worldview and are no longer *good* Muslims? (pp. 113-114)

In relevance to our discussion on the Islamic model of a social and moral economy, it is obvious that al-Attas, via his inveighing against the modus operandi of the Islamic movements wherein the modernists and reformists find home, is implicitly hinting at the absence of *homo Islamicus* within the society. Realistically, it is not wrong to say that the existing individual economic agent is not the angelic *homo Islamicus* presumed by Islamic economists.

Furthermore, the fact of life reflected upon by al-Attas above is a testament to the absolute truth that man, as an individual, is also prone to behave contrary to the moral standards ascribed to *homo Islamicus* (Wan Daud, 1989). Among the lowly self-attitudes of this individual that are reported in the Qur'ān include laziness, selfishness, greed, corruption, and extravagance (Furqani, 2012).

In fact, this truism is also highlighted by al-Imām al-Ghazālī in his extant ethical treatise, *Mīzān al-'Amal* (Criterion of Action). When classifying the three stages of man in his personal struggle against passion (*hawā*), al-Ghazālī posited that the lowest stage refers to "man may be vanquished by it, so that it becomes his object of worship or God, as the Koran has put it in verse 25:43. This is the condition of the *majority of mankind*" (quoted from Fakhry, 1991, p. 198, emphasis added). Undoubtedly, the divine words point to the truth and reality of individuals being susceptible to the demands of their own irrational, irascible, and concupiscent souls. Thus, it is plausible to perceive that man is not as saintly as pictured by the Islamic economists' *homo Islamicus*.

The same conclusion can be arrived at when we ponder upon the state of societies that have evolved across time and space. In several verses of the Qur'ān, when the Arabic word referring to man in the collective sense is made reference to, mankind is presented in a negative light. From Ali's (1938) English translation of the Qur'ān, we gather that man was created weak (4:28), is given up to injustice and ingratitude (14:34 and 43:15), is given to hasty deeds (17:11), turns away from Allah's favours (17:83 and 41:51), is niggardly (17:100), is contentious (18:54), is a creature of haste (21:37), is a most ungrateful creature (22:66, 42:48 and 100:6), is an open adversary (36:77), is blasphemous (43:15), very impatient (70:19), wishes to do wrong (75:5), rejects Allah (80:17), created into toil and struggle (90:4), loves wealth (100:8), and is in loss (103:2). This tends to further suggest that *homo Islamicus*, as a micro-foundation concept, should be replaced with the concept of "true man" to reflect its comprehensive and true makeup, as argued by Mahyudi (2015b).

This urgency to rethink about the economic agent for Islamic economics arises because, based on the proper Qur'ānic worldview, the conception of the economic man that is closer to the worldly truth should portray both his positive and negative behavioural urges. At this juncture, one should now get a better understanding for the case of the IBF's social failure, upon knowing that even the Revelation clearly displays the overpowering of *homo Islamicus* by *homo economicus* as a very likely scenario in reality, particularly when man ignores his positive behavioural tendencies and entertains his negative ones instead.

Now, the overpowering situation observed in the practice of IBF can be properly explained via the micro-foundation position of *homo Islamicus*. The theory of IBF was built upon the preference of risk-sharing instruments over risk-transfer. According to Shinsuke (2012), this pre-1970 theorisation about the ideal nature of IBF was suitably captured by the "*muḍārabah* consensus". Shockingly though, since the IBF industry took off, the "*muḍārabah* consensus" has been marginalised to give way for the "*murābaḥah* syndrome", which was described in the previous sections. Decades later, there has not been any significant change about the practitioners' view on the viability of the "*muḍārabah* consensus" due to the highly pragmatic nature of the "*murābaḥah* syndrome" (Choudhury & Hussain, 2005). Thus, it is critical to note that this polemic of "*muḍārabah* consensus" versus "*murābaḥah* syndrome" arises solely because of the fact that the founding fathers of the IBF idea had proclaimed that, in line with their presumption on *homo Islamicus'* moral rectitude, Islamic financial institutions are presupposed to have preference for risk-sharing schemes over risk-transfer products.

Therefore, this paper asserts that had we started the conceptualisation of contemporary Islamic economic institutions from the right Qur'ānic worldview, Islamic economists would not have needed to propagate second-best solutions, such as Asutay's (2007b) Islamic social banking, due to the unsuccessful attempt of their first-best ones. This is because the error is not in the attempt, but in the formulation of the first-best solutions.

Here, we refer to Mannan (1983). Taking cue from his seven integrated steps in Islamic economics theory building, instead of putting the blame at the realm of practice, the source of the problem actually lies in the faulty theory formulation stage. Thus, from a methodological angle, a genuine error is made when the *homo Islamicus* presupposition is applied during the initial theorisation phase. With this error, Islamic economics theoreticians project that *homo Islamicus* would naturally prefer risk-sharing modes to risk-transfer modes of operation. Implicitly, the theoreticians are ignoring the universal fact that it is perfectly palatable for the marketplace to utilise a mixture of financing modes and for the financial service providers to choose the most expedient means in order to survive in a competitive environment. After all, they are profit-oriented entities by default. Hence, this paper justifiably argues that a more realistic conception of the Islamic economic man may have resulted in a totally different scenario that would not demonise the "*murābaḥah* syndrome", *inter alia*.

To be concise, the most vital takeaway here is that in formulating and operationalising Islamic ideas, the divine message must be understood in its holistic and correct manner. Failure to do so would require us to correct our mistake later, as shown by the error committed in the economic man conceptualisation process.

Conclusion

To progress along all three separate paths of Islamic economics evolution identified by Nasr (1989), a philosophical look at Islamic economics becomes a necessary exercise. In view of this precondition, the three relevant aspects covered in this paper are the prospect of value-laden economics, the gap in theory and practice of the Islamic economy, and the epistemological exposition on the observed gap. The future for value-laden economics science is certainly promising given the greater acceptance on the entanglement of fact and value notion of Putnam. However, the grounds for the Islamic proposal is found to be shaky owing to the predilection of its proponents for developing institutions using a framework of behavioural norms which are detached from the actual realities and truth about their operative economic agents. Inevitably, the future of Islamic economics discipline is at stake if its proponents continuously ignore Kuran's (1995b) valid critique that "Islamic economics presents no empirical support for its far-reaching theoretical claims" (p. 159).

Interestingly, a closer look at the Qur'ān reveals that there is a stronger connection between the text and the present context than initially thought by Islamic economists. Thus, it is the main contention of this paper that Islamic economists should take note of their past fundamental error in deciphering the text *vis-a-vis* the economic man concept. The faulty presumption of *homo Islamicus* has inadvertently led to faulty theory formulation. This demands an immediate rectification by undertaking a fresh reading of the Qur'ānic text about this operative economic agent as suggested in the above section. If not, future theorisation in Islamic economics will bear the high risk of having little context validity (Fox, 1997).

The appeal in responding positively to the above points corresponds to the fact that the basics of a moral and social economy espoused by contemporary economists are compatible with the philosophy of Islam. Any improvements in the idea of Islamic economic system will definitely further the moral and social economy agenda. Therefore, this paper concludes by reasserting that Islamic economists must reread the Revelation in the right light. This would potentially allow Islamic economics to offer viable, universal, and sustainable Islamic solutions for the overall well-being of mankind.

Endnotes

1. Both Iwai (2008) and Stiglitz (2010) call for a New Capitalist Order; one that does not adopt the neoclassical economics laissez-faire philosophy.

2. Kuran (1995a) identifies the Islamic behavioural norm as one of the three distinguishing features of an Islamic economy and explains, "the intended effect of the norms is to transform selfish and acquisitive *homo economicus* into *a paragon of virtue*, *homo Islamicus*" (p. 159, emphasis added).

3. This forms the basis for Shinsuke (2012) to classify two distinct schools in Islamic economics. In contrast to the aspiration-oriented school that tends to

have a preference for the "*muḍārabah* consensus", the reality-oriented school is receptive to the "*murābaḥah* syndrome".

4. Muslim nations need *homo Islamicus* among their populace. Without those behavioural norms, the economy operates with a moral deficient disposition; which thwarts the evolution of the Islamic moral economy. See Mahyudi (2015a) for a discussion on *Sharī'ah*-based public policy to nurture *homo Islamicus*.

5. Wan Daud (1989) affirms that the Qur'ān, when making references to man as a species, acknowledges that there are two sides to the concept of man; that is, the individual person and the collective group.

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