

Toward a New Framework of Islamic Economic Analysis

Akhmad Akbar Susanto

Abstract

Despite a profusion of literature, efforts to develop Islamic economics as a discipline have not brought about anticipated results. This paper argues that it is the absence of clarity on what would make economics “Islamic” which impedes the development of Islamic economics. To fill that absence, this paper proposes three conditions under which an economics can be considered “Islamic”, and then defines the scope of Islamic economics and its methods. Finally, this paper suggests three implications which, taken together, entail that developing Islamic economics and building its body of knowledge is less complicated than was feared.

Introduction

For more than half a century, Muslim scholars have been preoccupied with reviewing contemporary economic practices and policies from an Islamic perspective.¹ Insisting on the difference between the Islamic worldview and the worldview of Western capitalism, they have further attempted to establish Islamic economics as an alternative discipline, which is distinct from conventional economics.² Yet, despite the thousands of conference papers, journal articles, book chapters, and monographs circulated or published so far, efforts to develop Islamic economics do not seem to have brought about the expected results. This is true, at least, from the point of view of several leading figures in the Islamic economic literature.

Akhmad Akbar Susanto holds a Master’s degree in Economics (Monash University, 2009) and a PhD (The Australian National University, 2014) in the same field. Currently, he is a lecturer at the Department of Economics, Universitas Gadjah Mada, Indonesia with research interests including Islamic economics, Islamic finance, and Islam and economic development.

Zaman, for instance, writes that in spite of some partial successes, “It would be fair to assess the overall outcome [of the efforts] as a failure.”³ Islamic economics, for Haneef, does “not seem to be moving forward”;⁴ its current status, according to Kahf, is still “a mission unaccomplished.”⁵ In the words of MA Khan, Islamic economists were “unable to break any ground” and regardless of their claims, “the end product is not significantly different from mainstream economics.”⁶ Expressing his assessment of Islamic economics, Choudhury laments, “Present-day Islamic economics is in a dire state. It is not original; it is failing to be derived from the teachings of the Quran, Sunnah or Islamic scholastic thought.”⁷ He earlier commented that “Islamic economics has become a total slave of mainstream economic theories”⁸ and that as a field of study Islamic economics “is no different from the neoclassical approach to ethical behavior.” Less forcefully, Chapra admits that, “The practical wisdom of Islamic economics ... has not been able to come to grips with the task of explaining the rise and fall of Muslim economies.”⁹ Likewise, he admits that “the theoretical core of Islamic economics” has been “unable to get out of the straitjacket of conventional economics.” Citing Nasr,¹⁰ Chapra accepts that the discipline of Islamic economics has “failed to escape the centripetal pull of Western economic thought and has, in many regards, been caught in the intellectual web of the very system it set out to replace.”¹¹

Regardless whether one agrees or disagrees with each of these statements, the bottom line remains that (whether for technical issues¹² or substantive-methodological ones¹³) efforts to develop Islamic economics have not brought about the expected results. Thus, rather than taking the current situation for granted, those championing the development of Islamic economics need to adopt an open mindset and reflect critically upon what has happened. This paper attempts to make a fresh diagnosis of why efforts to develop Islamic economics have not brought about the expected results, and to suggest some solutions.

The key point to be made is that it is an absence of clarity on what would make economics “Islamic” which impedes the development of Islamic economics. This clarity is essential, for it is the end state Muslim scholars are trying to achieve that should eventually guide them in the development of Islamic economics. To fill the absence of such clarity, three conditions under which an economics can be considered Islamic are proposed. Further, based on these conditions, the scope and methods of Islamic economics are defined.

The significance of this paper lies in its potential to re-energize the development of Islamic economics. Digging deeper into one of the most fundamental (but neglected) issues in Islamic economics, this paper comes back to the surface not only with a solid basis for a genuine and robust discipline of Islamic economics, but also a simple, more operational framework of Islamic economic analysis. This paper makes no claim that existing works in Islamic economic literature have been futile or gone off track. Rather, what this paper proposes is a methodological basis on which valuable but scattered contributions in the current Islamic economic literature can be rearranged and unified to develop the field and to further build its body of knowledge.

Justification to Develop Islamic Economics

The development of Islamic economics has been justified with the argument that there are “distinct Islamic responses” to economic problems,¹⁴ on the presumption that particular economic approaches are “the logical outcome of the prevailing worldviews.”¹⁵ Such “worldviews” encompass beliefs about the origin of the universe, the nature of human life, the meaning of righteousness, virtue, and worth, human relations, and the norms of resource ownership and use—in short, a worldview is “an organized set of beliefs concerning how the world works.”¹⁶ Different worldviews afford different economic perspectives, leading to different economic sciences.

The idea that different worldviews lead to different sciences is not unique to Muslim scholars. Even Thomas Kuhn, a famous historian and philosopher of science, held that the course of a particular science is conditional upon the adoption of specific “paradigms”. For Kuhn, science is not the result of a steady, evolutionary process of knowledge accumulation. It is instead the product of a “series of peaceful interludes punctuated by intellectually violent revolutions” in which “one conceptual worldview is replaced by another.”¹⁷ Changes in worldview “cause scientists to see the world of their research engagements differently,” leading to changes in the types of questions that scientists ask and the ways they tackle problems. Within the circle of economists, Heilbroner believes that the economy represents “the social totality,”¹⁸ that is, a system of complex, mutually related elements that are composed of various subsystems. He also believes that behind the veil of economics lie power and ideology, the “thought and belief by which dominant classes explain to *themselves* how their social system operates and what principles it exemplifies.”¹⁹ Thus he argues against such a thing as universal economic laws. Similarly, Spengler believes that “the content

of economic thought was not initially independent of the socio-physical parameters of the society within which it developed, nor did it ever become completely independent even in modern times.”²⁰ These scholars agree that (conventional) economics reflects the social totality of Western (capitalist) society, within which a worldview based purely on human reasoning stands out and vindicates the pursuit of self-interest as well as the accumulation of wealth. To combine their ideas, (conventional) economics is essentially “a product of European civilization,”²¹ whose purpose is to help economists better understand “the capitalist setting in which we will most likely have to shape our collective destiny for the foreseeable future.”²²

The Islamic worldview differs from that of Western capitalism. According to the former, the universe does not exist by itself. As with every one of its creatures, it was created and is sustained by God. Human beings are no exception. Yet unique among creation, human beings have been entrusted with a certain degree of sovereignty. They lead the universe with the mission to worship Allah and to improve the world for and on behalf of Him. To discharge this trust, human beings are equipped with faculties, including reason, and endowed with divine revelations (in our contemporary dispensation, in the form of the Qur’an and the Sunnah), from which they can derive detailed teachings, rules, and judgments. Thus, norms of resource ownership and use are not based purely on human reasoning but on rationality in dialogue with revelation. After all, humans are left with the freedom to live how they choose: whether to adhere or not to the divine revelations. Ultimately, humans are held responsible and accountable for their choices on the Day of Judgment.

In this Islamic perspective, the pursuit of individual self-interest and the accumulation of wealth are not seen as the key to achieving the greatest happiness. Moreover, it is not hedonistic “happiness” in Bentham’s utilitarian sense that is to be achieved.²³ Rather, the ultimate objective is called felicity (*falāḥ*): true welfare in this worldly life and in the hereafter. It is on this basis, that is, to the extent that Islamic economics is directed toward achieving *falāḥ*, that it provides an alternative to conventional economics.

What Has Happened?

To explain why efforts to develop Islamic economics have not brought about the expected results, several authors dwell on a lack of research funding.²⁴ For Siddiqi, the amount of public funds devoted to research in Islamic economics is insufficient.²⁵ Others emphasize the relative historical youth of the discipline of modern Islamic economics, which—in contrast to the

centuries of development of conventional economics—was only formalized a few decades ago.²⁶ The discipline is still in its infancy.

It is true that research funding and maturity matter. Nevertheless, the slow development of Islamic economics has more to do with substantive-methodological issues than technical ones. In fact, despite the touted lack of research funding, the scholarly literature mentioning the English terms “Islamic” and “economics” has increased from 6,670 in 1976-1985 to 205,000 texts in 2006-2015—and from 547 texts mentioning the phrase “Islamic economics” in the earlier period to 13,000 in the latter one (Google Scholar, May 2018). This increase in textual mentions clearly indicates a substantive growth in research.

Before this paper continues with fresh accounts for why efforts to develop Islamic economics have not brought about the expected results, three substantive-methodological reasons offered thus far deserve a comment. The first is that there remain ambiguities about the extent to which Islamic economics overlaps with *fiqh*, narrowing the scope of Islamic economics to legal and juridical matters.²⁷ Studies of “Islamic economics” in this vein often present the jurisprudence (*fiqh*) of the early periods of Islam, without reconceiving their relevance to modern society.²⁸ The second reason is that Islamic economists fail to maintain a proper distance from conventional economics. For Mahomedy, efforts to develop Islamic economics have brought little success because the epistemological roots of Islamic economics remain firmly within the neoclassical framework.²⁹ In similar terms, Zaman argues that the acceptance of mainstream economic assumptions in Islamic economics leads to irresolvable contradictions.³⁰ For him, it is impossible to integrate mainstream economic assumptions (derived from the worldview of Western capitalism) with Islamic economic thinking (derived from the Islamic worldview). The third reason is that Islamic economists have been too focused on Islamic finance,³¹ thus incurring opportunity costs³² and diverting Islamic economists away from (what Siddiqi calls) “the grand Islamic agenda.”³³ To quote Kahf, Islamic finance has been “a beautiful illusion for which [Islamic economists] neglected the main concerns of [Muslim] societies as well as the core of Islamic economics.”³⁴

These three reasons are valid but are not root causes in themselves. They are affected by a more fundamental issue at the heart of the discipline. For instance, ambiguities regarding to what extent Islamic economics overlaps with *fiqh* are due to the fact that there is no clarity on what economics can be considered Islamic. To resolve this issue, simply demarcating

“economics” from “law” will be insufficient. Rather, scholars and advocates must note that the discipline of Islamic economics emerged with the spirit of realizing Islamic teachings and injunctions. In the absence of clarity on what economics can be considered “Islamic”, Muslim scholars are in a struggle to describe exactly what discipline they are trying to develop. Many fall into confusion, including some who believe that Islamic economics is part of *fiqh*. One author even writes that, “After the economic rules have been derived from the books of Shariah and put for discussion in independent research studies, then we would have what is called Islamic Economics.”³⁵

The same reason accounts for Islamic economists’ failure to maintain a proper distance from conventional economics. As a discipline, Islamic economics emerged at a time when conventional economics had dominated economic discourse and theory around the globe. Islamic economists are in a struggle to set alternative standards of what to do and how to do it, thus falling into a “comparison trap”. This yields a tendency either to locate much of its discourse against the backdrop of conventional economics or to overstate the distinction of Islamic economics. For example, some authors argue that the key concept of scarcity is simply absent in Islamic economics,³⁶ for God has created sufficient resources for His creatures. Scarcity then is not essential in economics, for it results from human laziness and neglect,³⁷ or misuse of resources, or imbalanced distributions.³⁸ Other authors exaggerate the nature of *homo islamicus* (Islamic man), the altruistic and right-minded economic agent who is the proper subject of Islamic economics, who is always committed to Islamic values and concerned with social justice and welfare.³⁹

Finally, an overemphasis and concentration of works on Islamic finance is also due to the absence of clarity on what economics can be considered Islamic. For when no one can delimit what is properly Islamic economic research, Islamic finance is far easier to seize hold of—it is the “most saleable literature.”⁴⁰ In short, MF Khan astutely commented, “If we have not reached anywhere near where we want to be, then one of the most important reasons could be that we did not choose the right starting point.”⁴¹ If Islamic economists have not succeeded in developing Islamic economics, the reason may be that they forgot to first discuss the conditions under which an economics can be considered Islamic.

Islamic Economics Redefined

What economics can be considered Islamic? There is hardly an unequivocal answer to this question in the current literature. Rather than setting out the

conditions under which an economics can be considered Islamic, Muslim scholars have been more interested in offering formal definitions of what Islamic economics is.⁴² For example, Hasanuzzaman writes that “Islamic economics is the knowledge and applications of the injunctions and rules of the Shariah that prevent injustice in the acquisition and disposal of material resources in order to provide satisfaction to human beings and enable them to perform their obligations to Allah and the society.”⁴³ His focus is on the injunctions and rules of the Shariah. By contrast, Naqvi focuses on the actual behavior of Muslims and defines Islamic economics as “the representative Muslim’s behavior in a typical Muslim society.”⁴⁴ Mannan defines it as “a social science which studies the economic problems of a people imbued with the values of Islam,”⁴⁵ while Siddiqi defines it as “Muslim thinkers’ response to the economic challenges of their times.”⁴⁶ These definitions, albeit important, do not offer much help in answering the fundamental question at hand. The section above noted that Islamic economics is founded on the argument that the Islamic worldview differs from the worldview of Western capitalism. It is on the basis of that worldview, then, that the conditions under which an economics can be considered Islamic may be articulated.

In Islam, as observed above, it is God who creates and sustains the universe. Every single creature belongs to Him, with human beings no exception. Yet, they are granted the vicegerency of earth and a divine mission to worship God and improve the world. To allocate resources or to manage the economy for human welfare is a divine duty, which is as sacred and spiritual in purpose as the offering of prayers. Therefore, to qualify as “Islamic” an economics cannot ontologically neglect the relationship between human beings and God. In other words, that economics must not divorce scientific inquiry from its divine basis⁴⁷—let alone conceive economic behavior merely hedonistically, as “a lightning calculator of pleasures and pains.”⁴⁸

Furthermore, in the Islamic worldview God is omniscient; the divine knowledge is infinite, encompassing both generalities and particularities of the universe across time. God gives knowledge to whom He pleases, and it is only by His will that any human acquires or derives knowledge. Therefore, in order to qualify as “Islamic” an economics cannot epistemologically limit the sources of knowledge to the empirical senses and reason. It must instead recognize that revelations in the forms of the Qur’an and the Sunnah are authoritative sources of knowledge, including on such practical matters as economic problems. In other words, such an economics must uphold the fundamental unity of God, evident in the working and guidance of the universe.⁴⁹

Moreover, axiologically, knowledge is not for its own sake in the Islamic worldview. Knowledge is acquired or derived to an end benefit, as in the prophetic report, "Ask God for beneficial knowledge and seek refuge with God from knowledge that is of no benefit."⁵⁰ Therefore, in order to qualify as "Islamic" an economics cannot be barren. It must instead be beneficial, to help guide societies to transform their economy toward the realization of welfare. Chapra rightly reminds us that the mission of all prophets, including Muhammad (peace and blessings be upon him), was "to bring about individual and social change without which it would be difficult to improve the human condition."⁵¹ To be considered Islamic, an economics must therefore be "transformational": inspiring societies to aspire to change, providing a base and guidance for this aspiration, and facilitating this change toward the realization of welfare, as the Islamic worldview dictates.

The broad discrepancy between contemporary realities and ideals begs for such a transformational economics. Siddiqi thus writes that Islamic economics "must be caring about change, change from the current behavior and institutional structures to those in accordance with Islamic norms."⁵² Choudhury too variously propounds the transformational character of Islamic economics and Islamic political economy, referring to cases of moral and ethical transformation,⁵³ moral-social transformation⁵⁴ and ummah transformation.⁵⁵ For him, Islamic economics not only recognizes the "as is" and the "as it ought to be" states of the world-system, but also reconstructs them along the discursive process by which "being" and "becoming" form a sustained unity.

To sum up, an economics can be considered Islamic provided that it relies upon ontological and epistemological foundations which are consistent with the Islamic worldview, and so long as it is able to help guide societies to transform their economy toward the realization of welfare as the Islamic worldview dictates.

The Scope of Islamic Economics

To help guide societies to transform their economy toward the realization of welfare, Islamic economics must directly relate to the ideals of Islam. Siddiqi correctly emphasizes that "Islamic economics begins with an understanding of the divinely-ordained ends and values and cannot be conceived without them."⁵⁶ By the same token, Islamic economics must maintain a relationship to current realities. MA Khan reminds Islamic economists that, "To be relevant to the contemporary world, Islamic economics should undertake in-depth study of the economies and propose Islamic solutions

to their problems. Brushing aside this potential area of study makes Islamic economics irrelevant.⁵⁷ Along the same line, Zarka asserts that one of the objectives of Islamic economics is “to study reality to repair it, improve it, or reform it, in order to make it closer to Shariah.” As he rhetorically asks, “[H]ow can we reform a reality which we do not understand and we do not know?”⁵⁸

In Chapra’s words, Islamic economics has to perform four different tasks, namely (in slightly modified order): first, to indicate the kind of behavior of economic actors (individuals, firms, markets, governments) that would realize welfare; second, to study the actual behavior of economic actors; third, to explain why economic actors behave the way they do (and not the way they ought to); and, finally, to suggest a workable strategy that would bridge the discrepancy between economic realities and ideals.⁵⁹ The scope of Islamic economics thus comprises four distinct fields: first, proposing the ideal behavior of economic actors (that is, the behavior which conforms to the principles and rules of Islam that are derived from the Qur’an and Sunnah and which is conducive for realizing welfare) and its possible impacts on the economy and society; second, evaluating the actual behavior of economic actors (that is, the behavior which presently occurs, given economic realities and including that of both Muslims and non-Muslims, both that conforming and non-conforming to the Shariah) and its impacts; third, comparing ideal and actual behaviors of economic actors and explaining any discrepancy between them; and, finally, formulating strategies that could bring actual behavior of economic actors as close as possible to the ideal.

The first field of work, namely proposing ideal behavior of economic actors and its impacts on economy and society, has both normative and positive elements. It consists of such tasks as: (1) observing legal and non-legal texts in the Qur’an and the Sunnah, in order to outline and derive general principles and rules that are applicable to the study of an economy from an Islamic perspective; (2) establishing normative statements of what economic actors ought to do, or how one situation ought to be seen relative to another, based on the Qur’an and the Sunnah—where the point is to provide standard guidelines of the behavior which conforms to the principles and rules of Islam and which is conducive for welfare realization; and (3) predicting what will happen in the economy, assuming that economic actors do what they ought.

The second field of work, namely evaluating actual economic behavior and its impacts, has only positive analytic content. Starting with secondary or primary data collection, it consists of such tasks as: (1) observing economic facts; (2) establishing positive statements about what economic actors do, and how one economic situation as a matter of fact relates to another; and (3) predicting what will happen in the economy given that economic actors act as they in fact do.

The third field of work, namely comparing actual and ideal economic behaviors and explaining any discrepancy between them, also has only positive analytic content. It consists of such tasks as: (1) identifying key points of comparison and recognizing gaps between the actual and the ideal behaviors of economic actors; and (2) examining the factors that determine such gaps, and the mechanisms through which the gaps are determined. It should be emphasized that the third field of work of Islamic economics is not at all about the perennial debates between revelation and reason. Nor is it hypothesis-testing of the validity of Islamic injunctions using empirical facts, let alone an effort of reconciling Islamic principles with real life. This field of work simply considers whether actual economic behavior is consistent with actors' ideal behavior and why there are inconsistencies (if any) between them. As Chapra puts it, the ultimate task to be performed in this field of work is simply "to explain why individuals, firms, markets and governments behave in the way they do, and not in the way they ought to."⁶⁰ By way of simplified example, it is clear that seizing another's property without right or permission is prohibited in Islam. Thus, ideally, there should be no theft in Muslim societies. However, evaluation of actual behavior may indicate high rates of theft. This third field of Islamic economics would offer explanations of the root causes of such theft, not empirically invalidate or debate those Islamic principles of property.

The fourth field of work (namely, formulating strategies that could help bring actual behavior as close as possible to the ideal) is a continuation of the third field. It contains both normative and positive elements and comprises such tasks as: (1) identifying strategies that need to be taken to bring the actual behavior of individuals, firms, markets, and governments as close as possible to the ideal; and (2) determining pitfalls in bringing the actual behavior of these economic actors as close as possible to the ideal.

The sequence of these fields of work need not be rigid. Evaluations of the actual behavior of economic actors can be completed irrespective of whether there have been propositions of their ideal behavior. Similarly,

proposing their ideal behavior can be performed irrespective of whether evaluations of their actual behavior have taken place. However, comparisons of actual and ideal economic behavior can only be meaningful once Islamic economists have clearly understood each of them. Formulations of economic strategies also can only be meaningful once Islamic economists have clearly accounted for the discrepancies between actual and ideal behavior. Finally, this sequence will necessarily be iterative, interactive, and evolutionary. It is a cyclical process of knowledge formation.

The Methods of Islamic Economics

Given the proposed scope of Islamic economics, it is hard to imagine that any single method will best fit all the fields of work. Indeed, Chapra duly observed that “it is perhaps futile to look for a single method for accepting or rejecting propositions in Islamic economics.”⁶¹ It is therefore proposed that the methods used in Islamic economics vary depending on the end sought within each field of work.

For example, to establish normative statements of what individuals, firms, markets and governments ought to do, the standard methods of *uṣūl al-fiqh* (designed to discern the legal status of a certain act, whether obligatory, recommended, permissible, disapproved, or prohibited) can be used. These methods include analogical deduction (*qiyās*), juristic preference (*istiḥsān*), presumption of continuity (*istishāb*), and the rules of interpretation and deduction.⁶² These methods can also be used to establish normative statements about how any particular economic situation in the economy ought to be seen relative to another, based on the texts in the Qur’an and the Sunnah.

To predict what will happen in the economy, assuming that economic actors do what they ought, theoretical modeling methods are appropriate. These methods usually involve one or more mathematical techniques, such as geometry, calculus, matrix algebra, and computational mathematics. Mathematical techniques are neutral by nature. To the extent that they are not abused, mathematical techniques could be advantageous in Islamic economic analyses.⁶³ This is particularly true because mathematical techniques allow Islamic economists to formulate specific, testable propositions about the impacts of ideal behavior. However, such mathematical techniques are not a requisite, and plain language modeling can offer an alternative.

To observe facts about the economy and to establish positive statements about the behavior of economic actors, empirical studies using quantitative and qualitative methods are appropriate. Empirical studies

are also appropriate for establishing positive statements of how one situation actually relates to another. Quantitative methods usually involve one or more statistical techniques, from the simplest descriptive statistics to the most advanced cross-sectional, time-series, or panel data econometric techniques. Qualitative methods, albeit seen as less credible by economists, have their own strengths, especially when applied to research questions for which they are well suited.⁶⁴ In the event that results from multiple empirical studies are available, systematic reviews and meta-analysis methods can be applied.⁶⁵

To predict what will happen in the economy, given that individuals, firms, markets, and governments act as they do, economic theoretical modeling methods are again appropriate. For those with strong mathematical tendencies, techniques such as geometry, calculus, matrix algebra, and computational mathematics can be advantageous, while for others theoretical modeling methods using plain language remain an alternative.

To identify key points of comparison and to recognize gaps between ideal and actual economic behavior, a combination of literature reviews and ideal-actual comparative analyses can be used. The latter involves ideal behavior as its baselines, which can be assumed either to be fixed at a certain starting point or to be retrospectively emergent.

To identify key strategies and specific actions to redress discrepancies between ideal and actual economic behavior, strategic analyses can be used. The same methods are also suited to describe the roles that different parties are expected to play, and to determine pitfalls that need to be addressed. Of course, whatever strategies and specific actions are formulated must not contravene the teachings of Islam. Some kinds of *fiqh* consultation are therefore required during the analyses.

The above examples are not at all exhaustive. In fact, in this framework it would be acceptable for particular work in Islamic economics to cover more than one field and use different combinations of methods. That is not to say that methods are not important. Nor to say that the opinion of Siddiqi can be taken for granted, when he writes that “the Islamic tradition in economics has always been free of formalism, focusing on meaning and purpose with a flexible methodology.”⁶⁶ Methods are surely important and the use of different methods in Islamic economics is certainly “a definite solution,” rather than “a reflection that the methodological discussion has reached a deadlock.”⁶⁷

Implications and Further Discussions

Given the conditions under which an economics can be considered Islamic, and its proposed scope and methods, it is now time to expand on three implications of this discussion. The first of these is that Islamic economics can be developed and its body of knowledge built without waiting for an Islamic economic system to be fully implemented. In fact, the field of Islamic economics (conceived of in this way) is there to inspire and guide societies to transform their economy toward the realization of welfare, as the Islamic worldview dictates.

The notion that Islamic economics can only be developed after its practicable system is in place is not uncommon in the current literature. For example, it has been argued that the economic science of Islam can only flourish after Islamic economic doctrines are understood and practiced.⁶⁸ For Sadr, the science of economics comprises “every theory which explains the reality of economic life,”⁶⁹ while economic doctrines consist of “every basic rule of economic life connected with the ideology of [social justice].”⁷⁰ Since the reality of economic life is affected by prevailing economic doctrines, the proper theories explaining an Islamic economy integrally depend upon the implementation of Islamic economic doctrines. The problem with this approach is that it limits the relevance of Islamic economics to societies where this economic system has already been implemented. It also begs the question of who will contribute to its implementation: Islamic economists? Using which theories? How will such theories have been developed, in the absence of an operational Islamic economic system?

The conditions proposed in this paper entail that Islamic economics is relevant, no matter the operational state of the economic system. Rather than waiting for a fully-implemented Islamic economic system, Islamic economists are able to actively contribute to its emergence and flourishing—for example, as noted here, by establishing its axioms,⁷¹ evaluating the actual conditions of the prevailing economic system, examining the gap between its ideal and the actual conditions, and prescribing strategies to bring its actual conditions as close as possible to the ideal.

The second implication is that Islamic economics may address any topic, not solely topics conventionally covered in this literature.⁷² Indeed the scope of Islamic economics should extend to any topic relevant to the realization of welfare. In the absence of clarity on what economics can be considered Islamic, it was difficult for researchers to delimit the scope of economic inquiry—especially when proposed topics seemed related to

conventional economic research. Islamic finance became the one preserve of the literature which could clearly claim an Islamic pedigree.

Given the conditions spelled out above for declaring research under the ambit of “Islamic” economics, it becomes easier to broaden the scope of inquiry. It is certainly not mention of key terms that makes research Islamic; rather, such work must reflect the ontological and epistemological foundations of the Islamic worldview. Thus the topics of research in Islamic economics can legitimately range from poverty and income inequality in the realm of development economics, to taxation and subsidies in the realm of public economics, to antitrust in the realm of industrial economics, to cryptocurrency in the realm of monetary economics, to the impacts of parental divorce at the household level, to the impact of government budget allocations at the national level, and to the consequences of free trade agreements at the international level. Some of this research will likely resemble that inquiry undertaken in conventional economics—but this is because conventional economics ought to be seen as a subset within Islamic economics, not the other way around.⁷³ Regardless of disagreements over whether conventional economics contains any normative content, it does have positive analytic content. Conventional economics uses what has occurred in the past to explain what occurs today or to predict the possible occurrence of events in the future. Limiting our focus solely to its positive analytic content, we will find that conventional economics is much like the second field of work of Islamic economics proposed in this article. Whatever its similarities to conventional research, nuanced work in Islamic economics should also explain its Islamic presuppositions which motivate the research, the gaps in Islamic economic literature that this research redresses, and how its implications facilitate the realization of welfare.

The third implication is that there is no need to entirely overhaul the fields of Islamic or conventional economics. Rather, much of the work that has already been done (not only in terms of results and findings, but also in methods of analysis) can find its place within this reconfigured framework. The current Islamic economic literature has seen divergent opinions over how to utilize existing material. Some argue that conventional economics is simply ill-suited for Muslim societies, and so Islamic economics must begin anew.⁷⁴ For example, for Tahir, seeking to “Islamicize” conventional economics bears risks: “The argument may be off-tracked, and the true distinction between Islamic economics and conventional economics lost.”⁷⁵ Zaman has a similar view and writes that “the only solution to this problem

is to reject conventional economic theories as well as their methodology and start from the background assumptions furnished by Islam.”⁷⁶ In contrast, others hold that Islamic economists can and should benefit from the experience of conventional economics.⁷⁷ This is done by selectively and critically approaching the latter, in order to acknowledge which of its components are “Islamic” and rejecting those which are not,⁷⁸ thereby replacing the values on which economics should be based.⁷⁹ In Siddiqi’s words, “the craving for a *de novo* discipline of Islamic economics is ill conceived. No such thing is possible.”⁸⁰ This second approach has however faltered on a methodological basis, lacking clear criteria to determine what should be accepted or rejected.

The conditions newly-proposed here provide solid ground; there is no need to reinvent the wheel. They provide a map to demonstrate the interface between Islamic economics and its conventional counterpart. Certain findings from conventional economics, particularly those obtained through empirical analyses, can easily be used in Islamic economics to evaluate the actual economic behavior and impacts of individuals, firms, markets, and governments. It is also clear that the immediately available and well-advanced methods in conventional economics can be used in Islamic economics for further analyses.

Together, the implications above give rise to a hope that to develop Islamic economics and to build its body of knowledge is much less complicated than what Islamic economists have thought. The newly-proposed conditions under which an economics can be considered Islamic lay solid ground for a genuine and robust discipline of Islamic economics—but also a simple operational framework for Islamic economic analysis.

Concluding Remarks

This paper has argued that it is the absence of clarity on what economics can be considered Islamic which impedes the development of Islamic economics. It has thus proposed three conditions under which an economics can properly be considered Islamic. First, it must not ontologically separate worldly from divine affairs, the profane from the sacred, and the material from the spiritual. Second, it must not epistemologically limit the sources of knowledge to experience and reason, and instead must recognize revelation as another source of knowledge. Third, it must not be barren; it must rather be able to help guide societies to transform their economy toward the realization of welfare as the Islamic worldview dictates.

Based on these conditions, this paper has further proposed that the scope of Islamic economics consists of four distinct fields of work. First of these is proposing the ideal economic behavior of individuals, firms, markets, and governments, and its possible impacts on economy and society. Second is evaluating the actual behavior and impacts of these economic actors. Third is comparing the ideal and actual behaviors of these economic actors, and explaining any discrepancy. Fourth is formulating strategies that could bring actual economic behavior as close as possible to the ideal. In addition, this paper has proposed that the methods used in Islamic economics vary depending on the end sought within each field of work.

Three implications emerge from these proposals. The first is that Islamic economics and its body of knowledge can be developed without waiting for an Islamic economic system to already be fully implemented. The field can thus function to inspire and help guide societies toward its full implementation. The second implication is that Islamic economics may deal with any topic. What makes economic research “Islamic” is not that it contains reference to such terms as *ribā*, *zakāt*, *waqf*, *ḥalāl*, Muslims, or even Islam itself. Rather, it must base itself on ontological and epistemological foundations consistent with the Islamic worldview and be able to help guide societies to transform their economy toward the realization of welfare. The third implication is that much of the findings and methods in conventional economics can in fact be used for further analyses in Islamic economics.

This paper is an initial statement toward a new, more comprehensive framework of Islamic economic analysis. Future research into its details may include reviewing past discussions on the assumptions of Islamic economics and exploring the operational details of the framework for each field of work. For example, the strong assumption of *homo islamicus* touched on above is likely neither helpful nor necessary to support the development of this field, as it will be relevant only in those cases that Islamic economists deal with the ideal behavior of economic actors. Future research should also use the framework as a basis to develop Islamic economics’ body of knowledge. With the framework set in this paper, it will be possible to develop not only the branches of microeconomics and macroeconomics but also such sub-branches as development economics, public economics, monetary economics, and international economics. Finally, it can be speculated that the framework set in this paper is relevant to the broader social sciences, such that the conditions for what is considered “Islamic” may be expanded to other social-scientific and humanistic disciplines.

Endnotes

1. Rodney Wilson, "The Development of Islamic Economics: Theory and Practice," in *Islamic Thought in the Twentieth Century*, ed. Suha Taji-Farouki and Basheer M. Nafi (London: IB Tauris, 2004), 195–222.
2. See, for example, articles published in Khurshid Ahmad, ed., *Studies in Islamic Economics* (Leicester, UK: The Islamic Foundation, 1980).
3. Asad Zaman, "Crisis in Islamic Economics: Diagnosis and Prescriptions," *JKAU: Islamic Economics* 25, no. 1 (2012): 147–69.
4. Mohamed Aslam Haneef, "Preliminary Thoughts on Diagnosing Some Methodological Issues in Developing Islamic Economics," in *Workshop on the Future of Islamic Economics* (Jeddah: Islamic Economics Institute, King Abdulaziz University, 2012).
5. Monzer Kahf, "Islamic Economics: What Went Wrong?" (2004), http://monzer.kahf.com/papers/english/islamic_economics_what_went_wrong_sept_03_irti.pdf, 10.
6. M. Akram Khan, *What Is Wrong with Islamic Economics? Analyzing the Present State and Future Agenda* (Cheltenham: Edward Elgar, 2013), xiii–xiv.
7. Masudul Alam Choudhury, "Tawhidi Islamic Economics in Reference to the Methodology Arising from the Quran and the Sunnah," *ISRA International Journal of Islamic Finance* 10, no. 2 (2018): 263–76.
8. Masudul Alam Choudhury, *Islamic World View* (London: Routledge, 2001), 104.
9. M. Umer Chapra, *The Future of Economics: An Islamic Perspective* (Leicester: The Islamic Foundation, 2000), 375.
10. Seyyed Vali Reza Nasr, "Islamization of Knowledge: A Critical Overview," *Islamic Studies* 30, no. 3 (1991): 387–400.
11. Chapra, *The Future of Economics*, 375.
12. Muhammad Nejatullah Siddiqi, "Obstacles of Research in Islamic Economics," *JKAU: Islamic Economics* 21, no. 2 (2008): 87; M. Aslam Haneef, "Funding Research in Islamic Economics and Finance," in *The Seventh International Conference on Islamic Economics* (Jeddah: King Abdulaziz University, 2008), 378; Abbas Mirakhor, "A Note on Islamic Economics," Islamic Development Bank (IDB) Prize Winner's Lecture Series, no. 20 (Jeddah: Islamic Research and Training Institute (IRTI), 2007), 9.
13. See, for example, M. Aslam Haneef and Hafas Furqani, "Contemporary Islamic Economics: The Missing Dimension of Genuine Islamization," *Thoughts on Economics* 19, no. 4 (2009): 34 and 39; Abdulkader Cassim Mahomedy, "Islamic Economics: Still in Search of an Identity," *International Journal of Social Economics* 40, no. 6 (2013): 567–68; Kahf, "Islamic Economics: What Went Wrong?"

14. Muhammad Abdul Mannan, "Islamic Economics as a Social Science: Some Methodological Issues," *Journal of Research in Islamic Economics* 1, no. 1 (1983): 41–50.
15. Chapra, *The Future of Economics*.
16. Douglas L. Medin and Megan Bang, *Who's Asking? Native Science, Western Science and Science Education* (Cambridge, MA: MIT Press, 2014), 121.
17. Thomas Kuhn, *The Structure of Scientific Revolutions* (Chicago: University of Chicago Press, 1962), 10.
18. Robert L. Heilbroner, *The Nature and Logic of Capitalism* (New York: W.W. Norton, 1985), 108.
19. *Ibid.*, emphasis original.
20. Joseph J. Spengler, *Origins of Economic Thought and Justice: Political and Social Economy* (Carbondale, IL: Southern Illinois University Press, 1980), xiii.
21. *Ibid.*, xii.
22. Robert L. Heilbroner, *The Worldly Philosophers* (New York: Simon and Schuster, 1999), 310.
23. Jeremy Bentham, *An Introduction to the Principles of Morals and Legislation* (Oxford: Clarendon Press, 1789).
24. Haneef, "Funding Research in Islamic Economics and Finance," 378.
25. Siddiqi, "Obstacles of Research in Islamic Economics," 187.
26. Mirakhor, "A Note on Islamic Economics."
27. Volker Nienhaus, "Method and Substance of Islamic Economics: Moving Where?" *JKAU: Islamic Economics* 26, no. 1 (2013): 198–201.
28. Munawar Iqbal, "Development of Theory of Islamic Economics: Problems and Proposals," *International Journal of Behavioral Accounting and Finance* 4, no. 3 (2014): 270; Haneef and Furqani, "Contemporary Islamic Economics," 34 and 39; Siddiqi, "Obstacles of Research in Islamic Economics," 84.
29. Mahomedy, "Islamic Economics," 567–68.
30. Zaman, "Crisis in Islamic Economics," 148–49.
31. Abdul Azim Islahi, "First vs. Second Generation Islamic Economists: Deviations and Differences in Thoughts," in *Islamic Economics: Theory, Policy and Social Justice*, ed. Hatem A El-Karanshawy et al. (Doha: Bloomsbury Qatar Foundation, 2015), 14; Kahf, "Islamic Economics: What Went Wrong?" 7–8.
32. Islahi, "First vs. Second Generation Islamic Economists," 14.
33. Siddiqi, "Obstacles of Research in Islamic Economics," 84.
34. Kahf, "Islamic Economics: What Went Wrong?," 7.
35. al-Fungari as cited in Zarqa, "Islamization of Economics: The Concept and Methodology," *JKAU: Islamic Economics* 16, no. 1 (2003): 5.
36. Monzer Kahf, "The Theory of Production," in *Readings in Microeconomics: An Islamic Perspective*, ed. Sayyid Tahir, Aidit Ghazali, and Syed Omar Syed Agil (Kuala Lumpur: Longman, 1992), 113–19; M. Akram Khan, *An Introduction to Islamic Economics* (Islamabad: International Institute of Islamic

- Thought and Institute of Policy Studies, 1994), 44–45; M. Akram Khan, “Islamic Economics: Nature and Need,” *Journal of Research in Islamic Economics* 1, no. 2 (1984): 51–55.
37. Kahf, “The Theory of Production,” 115.
 38. Khan, “Islamic Economics,” 51. Cf. Amir Wahbalbari, Zakaria Bahari, and Norzarina Mohd-Zaharim, “The Concept of Scarcity and Its Influence on the Definitions of Islamic Economics: A Critical Perspective,” *Humanomics* 31, no. 2 (2015): 134–59; and the critique in Zubair Hasan, “Scarcity, Self-Interest and Maximization from Islamic Angle” (Munich Personal RePEc Archive, 2011).
 39. Muhammad Nejatullah Siddiqi, “Some Notes on Teaching of Economics in an Islamic Framework,” in *Readings in Microeconomics: An Islamic Perspective*, ed. Sayyid Tahir, Aidit Ghazali, and Syed Omar Syed Agil (Kuala Lumpur: Longman, 1992), 1–30; Muhammad Nejatullah Siddiqi, *Economic Enterprise in Islam* (Lahore: Islamic Publication, 1979), 96; Kahf, “The Theory of Production,” 64. For critiques, see Mahmud Abu-Saud, “Critique of Teaching Economics in an Islamic Perspective,” in *Readings in Microeconomics: An Islamic Perspective*, ed. Sayyid Tahir, Aidit Ghazali, and Syed Omar Syed Agil (Kuala Lumpur: Longman, 1992), 24–31; Mahomedy, “Islamic Economics.”
 40. Islahi, “First vs. Second Generation Islamic Economists,” 14.
 41. M. Fahim Khan, “Theorizing Islamic Economics: Search for a Framework for Islamic Economic Analysis,” *JKAU: Islamic Economics* 26, no. 1 (2013): 229.
 42. For a complete list, see Furqani, “Defining Islamic Economics: Scholars’ Approach, Clarifying the Nature, Scope and Subject-Matter of the Discipline,” *Turkish Journal of Islamic Economics* 5, no. 2 (2018): 69–94.
 43. SM Hasanuzzaman, “Definition of Islamic Economics,” *Journal of Research in Islamic Economics* 1, no. 2 (1984): 50.
 44. Syed N.H. Naqvi, *Islam, Economics and Society* (London: Kegan Paul International, 1994), 176.
 45. Muhammad Abdul Mannan, *Islamic Economics: Theory and Practice* (Cambridge: The Islamic Academy, 1986), 18.
 46. Siddiqi, “Some Notes on Teaching of Economics in an Islamic Framework,” 69.
 47. See, for example, Choudhury, “Islamic Economics as a Social Science,” *International Journal of Social Economics* 17, no. 6 (1990): 42.
 48. Torstein Veblen, “Why Is Economics Not an Evolutionary Science?” *Quarterly Journal of Economics* 12, no. 4 (1898): 389.
 49. Choudhury, “Islamic Economics as a Social Science,” 42.
 50. *Sunan Ibn Majah*, vol. 5, book 34, hadith no. 3843 English version.
 51. Chapra, *The Future of Economics*.

52. Siddiqi, "Obstacles of Research in Islamic Economics," 86.
53. Masudul Alam Choudhury, "Islamic Political Economy: An Epistemological Approach," *Social Epistemology Review and Reply Collective* 3, no. 11 (2014): 82.
54. Masudul Alam Choudhury, "The Methodology of Islamic Economic and Socio-Scientific Inquiry," *Research in the History of Economic Thought and Methodology: A Research Annual* 30, no. A (2012): 91–92.
55. Masudul Alam Choudhury, "Islamic Economics and Finance an Epistemological Inquiry," in *Contributions to Economic Analysis*, ed. BH Baltagi, E. Sadka, and Masudul Alam Choudhury (Emerald Group Publishing Limited, 2011).
56. Muhammad Nejatullah Siddiqi, "An Islamic Approach to Economics," in *Islam: Source and Purpose of Knowledge* (Washington DC: International Institute of Islamic Thought, 1988), 168.
57. Khan, *What Is Wrong with Islamic Economics?* 15.
58. Muhammad Anas Zarka, "Duality of Sources in Islamic Economics and Its Methodological Consequences," in *Seventh International Conference in Islamic Economics* (Jeddah: King Abdulaziz University, 2008), 27.
59. Chapra, *The Future of Economics: An Islamic Perspective*, 127–28.
60. Ibid.
61. Ibid., 131.
62. For details of these methods, see M. Hashim Kamali, *Principles of Islamic Jurisprudence*, 3rd ed. (Kuala Lumpur: Ilmiah Publishers, 2005).
63. Habib Ahmed, "Analytical Tools of Islamic Economics: A Modified Marginalist Approach," in *Theoretical Foundations of Islamic Economics*, ed. Habib Ahmed (Jeddah: Islamic Research and Training Institute (IRTI), 2002), 140; Masudul Alam Choudhury, "Crisis in Islamic Economics: Diagnosis and Prescription. Comments," *JKAU: Islamic Economics* 25, no. 1 (2012): 185–86.
64. For further discussion on this, see Starr, "Qualitative and Mixed-Methods Research in Economics: Surprising Growth, Promising Future," *Journal of Economic Surveys* 28, no. 2 (2014): 238–64.
65. See, for example, Stanley et al. "Meta-Analysis of Economics Research Reporting Guidelines," *Journal of Economic Surveys* 27, no. 2 (2013): 390–94.
66. Siddiqi, "An Islamic Approach to Economics," 155.
67. Hafas Furqani and Mohamed Aslam Haneef, "Methodology of Islamic Economics: Typology of Current Practices, Evaluation and Way Forward," in *Islamic Economics: Theory, Policy and Social Justice*, ed. Hatem A. El-Karanshawy et al. (Doha: Bloomsbury Qatar Foundation, 2015), 25.
68. M. Baqir as-Sadr, *Iqtisaduna: (Our Economics), Volume I Part 2* (Tehran: World Organization for Islamic Services, 1984), part 2, 96.
69. M. Baqir as-Sadr, *Iqtisaduna: (Our Economics), Volume II Part 1* (Tehran: World Organization for Islamic Services, 1984), part 1, 9.

70. Ibid.
71. See, for example, Mehmet Asutay, "A Political Economy Approach to Islamic Economics: A Systemic Understanding for an Alternative Economic System," *Kyoto Bulletin of Islamic Area Studies*, no. 1–2 (2007): 3–18.
72. Islahi, "First vs. Second Generation Islamic Economists," 14; Kahf, "Islamic Economics: What Went Wrong?" 7–8.
73. For opposing views see, for example, Kahf, "Islamic Economics: Notes on Definition and Methodology," http://monzer.kahf.com/papers/english/paper_of_methodology.pdf, and Shamim A Siddiqui, "Defining Economics and Islamic Economics," *Review of Islamic Economics* 15, no. 2 (2011): 113–42.
74. Sayyid Tahir, "Islamic Economics and Prospects for Theoretical and Empirical Research" 30, no. 1 (2017): 14; Zaman, "Crisis in Islamic Economics: Diagnosis and Prescriptions," 149–50.
75. Tahir, "Islamic Economics and Prospects for Theoretical and Empirical Research," 14.
76. Zaman, "Crisis in Islamic Economics: Diagnosis and Prescriptions," 149–50.
77. Muhammad Nejatullah Siddiqi, "Nature and Methodology of Islamic Political Economy," in *Seminar on Islamic Political Economy in the Age of Capitalist Globalization* (Penang: Universiti Sains Malaysia, 1994), 6; Abdulrahman Yousri Ahmed, "The Scientific Approach to Islamic Economics: Philosophy, Theoretical Construction and Applicability," in *Theoretical Foundations of Islamic Economics*, ed. Habib Ahmed (Jeddah: Islamic Research and Training Institute (IRTI), 2002), 37.
78. Muhammad Anwar, "Islamic Economic Methodology," *Journal of Objectives Studies* 2, no. 1 (1990): 28–46.
79. Zarqa, "Islamization of Economics: The Concept and Methodology," 3 and 17–18.
80. Siddiqi, "Nature and Methodology of Islamic Political Economy," 6.

doi: 10.35632/ajis.v37i1-2.591