

The Domain of Islamic Economics: A Discussion

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Advances in economic theory that took place ever since the 18th century, have improved a lot our understanding of how economic decision makers interact and the possible outcomes of individual and collective decision, both at the micro- and macroeconomic levels. However, there are still persistent problems of poverty, economically – driven wars, income inequalities, environmental problems, macroeconomic instability, to name but a few of serious economic problems that still loom large in spite of great scientific advancements. This raises a question about the need for an alternative economic paradigm, on the one hand, and how to deal with the existing paradigm, on the other.

Research in general, but in social sciences in particular, including economics, may not be value- neutral. This is because the researcher's social upbringing and psychological make up affects in many cases his choice of problems, his approach, and his use, if any, of the outcome. The value dimension in research is sometimes overt, sometimes covert. Those who believe that Islamic economics has a distinct paradigm, and those who do not, both agree that approaching socio- economic problems from an Islamic perspective may lead to different results in terms of both theory and policy. The demarcation between the two paradigms is not always present, however. Whenever the value dimension is absent or pretty weak, the outcomes may be similar. An example of this is the theory of international trade.

But what is the Islamic Paradigm? Since Islam replaces the “Economic Man” with the “Worshipping Man”, It becomes natural that the “Worshipping Paradigm “replaces the Maximization Paradigm” (See Uthman, 1998.) This does not render the “Maximization Paradigm” totally useless as a method of analysis, but it makes it constrained and guided by an upper driver. While self- interest is not denied, it is being modified by revelation from the Lord and submission to Him. In this way the business life is not isolated from other areas of life. Belief and submission are the grand guiding principles for all aspects of life. Consequently, any possible contradictions that may arise between different functions of Man are removed.

The Islamic methodology of research is essentially inductive. This is because the Islamic approach requires belief in the basic premises of Islam first. The many verses given in Holy Qura'n on the existence of the Almighty God, by calling upon Man to ponder the Universe are examples of an inductive method. But the deductive method may also be useful in researching problems for which no specific or direct verdict is given. This, however, remains guided by the Grand Principles of Islam, regarding the

Five Necessities- The protection of Religion, reason, soul (life), reproduction (of human-kind), and wealth.

Empirical testing of Islamic theories at the current state of Islamic societies is rather difficult, and if ever done needs to be highly qualified. The reason is simply that Muslim societies, nowadays, do not live the Islamic ideal. Furthermore, part of the difficulty arises from practices or research priors that try to subjugate Islamic Jurisprudence to current practices or ideas, instead of going the other way around. This has been the unfortunate state of today's Islamic finance in many cases.

It is an absolute nonsense to imagine, let alone to call for an investigation of any Islamic branch of knowledge away from Islamic *Fiqh* (jurisprudence.) It is actually a way to cap out from the guiding principles of Islam. It can be called anything, but Islamic!

But starting with Islamic priors and reaching conclusions that are compatible with these priors is not sufficient for good economics. Why? This is because a necessary condition of good economics is the existence of a good economist. Good intentions, by themselves, although necessary, are not sufficient to reach good outcomes. This means we have to differentiate the discipline of Islamic economics as a whole from individual undertakings. But the differentiation is not always easy, especially for those who either do not accept Islamic principles, or not educated enough about them!

References:

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