

CHAPTER ONE
RELEVANCE
DEFINITION AND METHODOLOGY
OF
ISLAMIC ECONOMICS

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This chapter consists of four Sections or sub-chapters. They deal respectively with the issues of relevance, definition, and methodology of Islamic economics and with its relationship with other branches of knowledge.

Section One examines the issue of the relevance of Islamic economics from different angles. First, it will discuss the relevance of economics to religion in general and Islam in specific. Second, it will study the relevance of Islamic economics to the contemporary body of human knowledge, and third, it will consider its relevance to individuals and societies in today's world at large and to Muslim countries and communities in particular.

Section Two is devoted to the definition of Islamic economics. It will survey different definitions suggested by several Muslim economists, compare them with each other and conclude with a selected definition. This Section will present a brief synopsis that is implied by the definition that we prefer. A brief description of the subject matter of Islamic economics will also be given.

Section Three will analyze the issue of methodology and point out the similarities and differences between the methodology of economics and that of Islamic economics. The methodological question will be studied from the angles of Islamic economic system as well as from the angle of economic analysis.

Lastly, Section Four will focus on the relationship between Islamic economics and other branches of human knowledge including humanities, social sciences and mathematics. It will give special attention to the relationship between Islamic economics and other branches of Islamic studies such as *fiqh*, *'usul al fiqh*, *hadith*, *tafsir* and Islamic history.

SECTION ONE

RELEVANCE OF ISLAMIC ECONOMICS

RELIGION AND ECONOMICS

The domains of religion and economics

Religion in general deals with human beings essentially from the point of view of their relationship with the Supreme and the consequences of this relationship as far as the human beings' role and position in the world are concerned. It is obvious that the beliefs one holds about one's relation with the Supreme, one's position among other beings, human and otherwise, and the role one believes one should play in one's surroundings, influence the shape of human behavior toward other people and things in the world.

Therefore, to understand the relation between religion and economics in an intelligent way, we must look into their respective definitions and scopes so that we may obtain a clear idea about any overlap or interrelation that might exist between them.

Theologians and sociologists offer many definitions of religion of which we may mention only a few. In his book titled *Al Din*, [The Religion], M.A. Draz quotes several definitions of religion. Reville, for example, defines religion as "the shaping of human life according to a bond between the human soul and a mysterious Soul, whose domination over the human soul and the world man recognizes and to whom he likes to feel attached." Michael Mayer defines it as "the set of beliefs and precepts that must guide us in our conduct toward God, other people and toward ourselves." The New Webster's Dictionary gives the following definition: "recognition by man of a controlling Superhuman Power entitled to obedience, reverence and worship." Not surprisingly, there is one common thing between these definitions; they all suggest that religion influences human behavior.

The Arabic word for religion, *al din* itself points to the meaning of a path or a way of life for which man is accountable and held responsible. Draz sums up all the definitions of religion as "a charter of conduct in life." From all this, the logical premise we can conclude is:

Religion provides norms and standards of behavior to human beings in all aspects of life, spiritual, personal, social, material and otherwise.

On the other hand, economists define economics in several ways. R. Robbins' definition may be among those most accepted by Western economists: "the science that studies human behavior as a relationship between ends and scarce means that have alternative uses." J. Harvey uses simpler words in defining economics as "the study of how people allocate their limited resources to provide for their wants." P. Samuelson adds more details. He defines economics as "the study of human behavior in relation to using scarce productive resources to produce goods and services and distribute them for consumption."¹ All these definitions show that:

Economics looks into a part of human behavior that deals with material matters related to resources, goods and services.

A quick comparison of the definitions of religion and economics allows us to notice that there is a big area of overlap between them. One can easily deduce that **the area of economics falls entirely within the domain of religion** since economics deals with a subset of human actions included in the larger set of all human behaviors that is covered by the norms and standards set by religion.

Historical background

The historical development of economics as an autonomous branch of human knowledge points to its roots in religion.

Muslim jurists of the second and third centuries of *Hijrah* (corresponding to the ninth and tenth C.E.) included many economic theorems and views in their writings on *Fiqh*, or Islamic jurisprudence. However, the earliest scholars who wrote independent volumes on economic issues may rightly be some of the most renown

Scholars of jurisprudence of their times. These include Abu Yusuf (died 182 H / 798 C.E.) who wrote his famous book *al Kharaj* [land revenues] as a policy guide to the Abbasite *Khalifah* Harun al Rashid,² Muhammad bin al Hasan (died 189 H / 805 C.E.) who wrote his book *al Iktisab fi al Rizq al Mustatab* [Earning Desired income] as his advice to businessmen in their endeavors to create income opportunities,³ and Abu 'Ubaid al Qasim bin Sallam (died 224 H / 839 C.E.) who wrote a book on *al Amwal*, which means "the wealth".

Interestingly, the same historical process took place in Europe. Early writers on economic issues were theologians, such as Saint Augustine (died 430 C.E.) and later Thomas Aquinas (died 1274 C.E.) and the rest of the scholastic theologians-cum-economists.

Ibn Khaldun (died 808 H / 1404 C.E), who is truly the founder of sociology, considered economics as a part of his newly founded science. He devoted to economics the fifth chapter of his significant work *al Muqaddimah* [The Introduction] defines the science of sociology, its scope, and analytical tools. He used it as an introduction to explain the virtues of studying the cultural and political history of humankind in a seven most valuable volumes. Moreover, throughout his records of history, he was always keen to analyze the economic factors that affect the rise and fall of nations. He was a jurist, a judge and a great historian, and he accepted premises derived from observation as well as from Divine revelation in the methodology he proposed for the science he invented.

The early writers on economics in the after-Renaissance Europe are the Physiocrats. In their early eighteenth century writings, the Physiocrats borrowed many religious ideas and beliefs, such as their sacred feeling toward land and their consideration of land as the sole source of wealth. The man/land relationship they took as basic was derived from the Medieval Christian ideas and practices.

It is only in the last two centuries that economics has been attempting to run away from religion. This trend has its roots in the revolt against Church domination in Europe that resulted in the separation between Church and society. Consequently a general antagonistic attitude toward religion and religious premises emerged among Western scientists. They considered everything that has to do with religion as in contradiction with the empiricism of science and therefore unscientific. This attitude evolved into certain sort of atheism that is itself a metaphysical faith!

Unfortunately, it turned out that the attempt of the eighteen and nineteen centuries Western scientists to escape from one kind of religious faith (Christianity) only led to other kinds of religious faith as metaphysical dogmas, in the form of atheism or agnosticism, instead of the claimed ideal, pure human rationalism. This change of faith was instigated by the after-Renaissance philosophers, who were thinking under the pressure of conflict with an authoritarian and backward-minded leadership and were as well influenced by their own rejection of the belief in God, creation and Divine religion.

Indeed, any human rationale is always influenced by the values and beliefs of thinkers and propagators, simply because a human rationale is an expression of a our mind under certain circumstances.

Consequently, a new generation of economists calls for the recognition of value judgments as an inherent contributor to economic thinking and analysis, and many economists today consider economics an area of study that cannot afford to ignore its inherent overlap with religion, ethics and social and personal values.

The Economic Problem

The effort spent in using available resources for production and distribution is the human approach to make God-given natural endowments suitable for consumption or to solve what we call the **economic problem**. Human beings are created with inborn needs and wants. Since day one on this earth experience showed that fulfilling these needs and wants requires certain cost in terms of sacrifices by humans. To eat a banana, a jungle human being needed to extend his/her arm to a tree, pick the banana and reach out to her/his mouth. Similarly, to produce a computer, a sophisticated human being has to use a long list of raw materials and many human hours of people who have a variety of specific skills and expertise.

The economic problem lies then in the reality that to be able to consume goods and services one wants, one has to give up certain resources. In other words, available resources have alternative uses that compete on these resources and human beings have to decide what to produce. Similarly, there are different methods of production one may choose from and humans make the decision as which of alternative methods is to be used. Furthermore, a human being has to select the desire, need or want she/he is going to satisfy among the many different desires, wants and needs one may have. Likewise in a society of people, there ought to be a selection of whose wants,

needs and desires are to be fulfilled by using the limited amount of resources available to the society.

Consequently, the economic problem may be put in terms of **what, how and for whom to produce**. The different approaches human beings and societies undertake to answer these three questions are the subject of the science of economics.

The quantity of natural endowments, including human labor abilities and services, that God gave to any human being and any society is limited. God says: "And there is not a thing but its (sources and) treasures are with Us, but We only send down thereof in due and ascertainable measures," [15:21] and "Verily, all things have We created in Proportion and measure," [54:49]. This is the seed of the idea of scarcity in economics. Scarcity means that resources given by God to any person or society are measured and limited. Therefore, human beings have to exercise their utmost wisdom and rationale in deciding what, how and for whom scarce resources are to be used.

On the other hand, God created men and women and secured for them - as well as for all other creatures- sufficient amount of resources for their sustenance. "There is not a moving creature on earth but its sustenance is on Allah," [11:6] and "How many creatures that carry not their own sustenance? It is God Who feeds (both) them and you" [29:60]. Therefore, in spite of scarcity of resources God provides sufficient sustenance for every creature. This combination of scarcity and sufficiency is essential to the Islamic concept of the economic problem. It is also related to the fundamentals of the Islamic approach to its solution that lies in the human effort that is needed to be expent in finding the sustenance God provides.

Human effort is required to discover, transform and use God-given resources for the benefit of satisfying human wants and needs. The world is full of resources that are sufficient for the well being of all creatures not only humankind alone. The extraction and reformulation of these resources to make them suitable for human consumption, and their transportation and distribution to women and men, all that depend on the amount of effort and work humans put. The Qur'an clearly says "Namely, that no bearer of burdens can bear the burden of another; that human can have nothing but what he strives for" [53:38-39], and emphasizes, "Then seek your sustenance from God" [29: 17]. The immediate implication of this idea is that if at a given point of time the resources available to an individual or a society are considered little or limited, women and men must use their own talents and efforts to expand their resources, search for new ones and increase their ability to satisfy more wants and needs, i.e., increase the

productivity of their resources. Scarcity in the sense of insufficiency of available resources to provide for a decent standard of living is caused by lack of ability of humans to efficiently use available endowments and lack of proper measures to use untapped resources.

Lastly it must be mentioned that limiting the scope of economics to studying the phenomenon of economic problem as stipulated above does not mean that scarce resources are the most important things in the whole world. Human beings have many needs that are usually satisfied freely. Obviously the need for oxygen is more acute than the need for food or shelter but oxygen is usually available free in the air one does not need to sacrifice dear resources to get oxygen which means that it is therefore outside the scope of economic studies. Materials that we get without any cost are called free goods and many free goods are more important for human life than economic goods. Some free goods may sometimes become economic goods such as bottled oxygen; and sometimes we have to pay certain cost in order to preserve certain free goods such the cost involved in cleaning polluted air.

ISLAM AND ECONOMICS

Islam as a way of life

We've seen earlier that the word *din* itself means a path and a way of life for which humans are accountable, and that this definition of religion applies to all religions in the world regardless of their source and origin. This definition holds true for Islam, Christianity, Judaism, Hinduism, etc. However, it holds even truer to Islam than to other religions, as Islam is the only religion that categorically and repeatedly declares that its essence is submission of the inner and the outer sides of a human beings to the will of God as indicated in the revelation to His Messenger Muhammad (peace be upon him). This submission is signified by the very name of this religion since the Arabic word Islam means "submission" and by the first article of faith: "I bear witness that there is no deity but God and that Muhammad is His messenger".

The *Qur'an* emphatically announces "Say: Truly, my prayer and my service of sacrifice, and my life and my death, are (all) for God, the Cherisher of the

worlds. No partner hath He. This am I commanded, and I am the first of those who bow to His Will" (6: 162-163).

The idea that faithful persons, the believers, are commanded to behave in a certain way according to what was revealed to the Prophet Muhammad (pbuh), is repeated so many times throughout the *Qur'an* as to become a major theme. For example, "Say: if ye do love God, follow me; God will love you "(3: 31), and "O ye who believe: obey God, and obey the Apostle, and make no vain your deeds "(47: 33). This idea is also emphasized by the fact that the teachings of Islam cover all aspects of life individually and collectively. These teachings are found in the *Qur'an* and the *Sunnah*, i.e., the traditions of the Prophet (pbuh), or derived from principles and norms laid down therein.

As such, Islam contains a system for life according to which believers are called on to organize their interrelations as well as their relationships with non-believers. An important observation is that many early verses of the *Qur'an* that were revealed in Makkah, several years before the establishment of the Islamic state in Madinah, present social, political, and economic precepts in order to teach new believers to take Islam as a whole system of life, and to prepare them for the stage of actualizing these precepts in a society and a state later in Madinah.

Therefore, you find in the Makkan revelation verses like: "And We made them leaders, guiding by Our command, and We sent them inspiration to do good deeds, to establish prayers and to practice *zakah*; and they constantly served Us "(21: 73), although *zakah* was not made obligatory until the second year of *Hijrah*, i.e., after the establishment of the Islamic state in Madinah.

One can go on quoting from the *Qur'an* and the *Sunnah* to the effect that Islam has its own system for life at all its individual and social levels. Obviously, this system covers the political, social, legal, and economic aspects, in addition to the spiritual and moral aspects.

Islam and economic activity

Although all religions deal with economic matters, they differ in their stand concerning economic activities. Certain religions look at the material activities of man as a mere necessity of life, an indispensable evil, which ought to be undertaken only to the extent that provides man with minimum sustenance and livelihood. They consider

any economic exercise that goes beyond this limit as a bad allocation of human resources or as an act of evil. Accordingly such religions consider those who are less occupied with economic works closer to God and look at holding wealth itself as an evil too.⁴

On the other hand, Islam considers the worldly life as a passage to the heavenly life. It aims at improving its material quality and at enjoying it as a grace from God, as long as this is done without violating His commandments or the rights of other human beings.

There are many verses in the Qur'an that refer to wealth, security, power and material joys as bounties given by God to reward those who have good deeds and creed. For example, the Qur'an suggests that one should even take one's ornament to prayers: "O children of Adam, wear your ornament at every (time and place of) prayer. Eat and drink but waste not by excess, for God loveth not the wasters "(7: 31).

In dealing with material issues of individuals and societies, the Qur'an and the Sunnah have many statements that present behavioral norms and policy guidance. They also have statements of descriptive nature. For example, the verse "O ye who believe, devour not *riba* [interest] doubled and multiplied" (3: 130), gives a commandment of behavior. So does the saying of the Prophet (pbuh) "*zakah* is not lawful to a rich person nor to a sound and capable one" (reported by the Five).⁵ These two statements provide policy guidance to individuals and communities. Therefore, they are ingredients of the Islamic economic system.

At the same time we find the verse "Fair in the eyes of men is the love of things they covet: women and sons, heaped up hoards of gold and silver, horses..." (3: 14), and the saying "If a son of Adam has two valleys of gold, he would seek to get a third valley, and nothing fills the inner of sons of Adam except soil" (Reported by al Bukhari and Muslim). These two statements describe the behavior of human beings with regard to accumulation of wealth and the pursuit of pleasure in a positive manner without attaching policy related prescriptions, thus these statements belong more to the part of economics that analyzes human behavior than the part that deals with economic policy.

However, more discussion of this matter will in Section Three when we discuss methodology. For the objective of the present Section, I must point out that the

presence of these two kinds of premises in the two sources of Islam is an indication of the importance Islam attaches to the economic problem and its analysis.

Islam and economic system

Throughout the twenty-three year period of the revelation of the Qur'an to the Prophet Muhammad, a continuous effort was made to lay down the foundations of the Islamic economic system and to explain it to new believers as well as to all humanity.

The *Qur'an* and the traditions of the Prophet Muhammad (pbuh) are loaded with statements that deal with aspects of this system. This applies to the Makkan period, i.e., before the Islamic economic system was put in practice, as well as to the Madinah period. Consequently, one finds references to the economic behavior of humans in many Makkah verses.

Some early Makkan verses deal with honesty in business:

Woe to those who deal in fraud, those who, when they have to receive by measure from men, exact full measure, but when they have to give by measure or weight to men, give less than due. Do they not think that they will be called to account on a Mighty Day, a Day when (all) mankind will stand before the Lord of the worlds (83: 1-6).

Will you not fear Allah? I am to you an Apostle worthy of all trust. So fear Allah and obey me. No reward do I ask of you for it; my reward is only from the Lord of the worlds. Give just measure and cause no loss (to others by fraud). And weigh with scales true and upright. And do not withhold things justly due to men, nor do evil in the land, (in) working mischief (26: 178-183).

Other Makkan verses deal with certain pillars of the Islamic economic system, like the obligation of *zakah* and the prohibition of *riba*:

That which you lay out for increase (by way of *riba*) through the property of (other) people will have no increase with Allah; but that which you lay out for *zakah* seeking the Countenance of Allah, (will increase); it is these who will get a recompense multiplied. (30: 39).

The believers must eventually win through. Those who humble themselves in their prayers. And those who avoid vain talk. And those who practice *zakah*. [23: 1-4].

It is noteworthy that while providing early hints of the forthcoming economic system of Islam, these Makkan verses associate economic behavior with the doctrine of accountability before God on the Day of Judgment.

The building of the economic system was completed in Madinah with the establishment of the state by the Prophet Muhammad. Therefore, in the Madinan period, verses came down spelling out the main pillars of the new economic order that this religion requires, such as justice and freedom.

Revelation sometimes gives minute details of certain aspects such as the distribution of deceased's estate, and, in some other times, it touches on the main principles such as the prohibition of *riba* (interest). More details are usually given by the Messenger of God (pbuh) by way of explaining the Qur'an and putting its principles to actual implementation during his ten year life as the first head of state in Madinah.

It is natural that principles and guidelines would have a variety of applications with the development of societies and cultures, the evolution of human stock of knowledge and relationships and the growth of human capabilities relative to material resources. Therefore, a dynamic system must contain an internal mechanism of evolution, and the Islamic system has, among its principles, the concept of entrusting the human mind with the task of evolving new applications on the basis of the given premises. This exercise is called *ijtihad* in Islam.

ISLAMIC ECONOMICS AND HUMAN KNOWLEDGE:

The study of economic phenomenon during the last two hundred years has taken place essentially in the West. Inevitably, this stamped economics with the Western cultural imprint. Therefore, studying the behavior of man with regard to using material resources and the economic phenomenon at large from an Islamic point of view enriches this area of research and expands the vision of researchers and scholars as it adds a new dimension to understanding economic phenomena.

Islamic economics contributes to human economic knowledge in three major areas: First, Divine revelation offers many pieces of knowledge that add up to the amount of information man has about himself and his environment. Such pieces of knowledge form a scientific challenge to researchers in economics regardless of their faith and ideological affiliation, as such revealed premises stand in need of explanation, exemplification, and testing regardless of whether the researcher accepts them by faith or not.

Secondly, Islamic economics offers students of economics an opportunity to study the Islamic economic system that is based on, and derived from, the prescriptive statements in the *Qur'an* and *Sunnah*. This system is considered by Muslims an alternative to other economic systems and paradigms.

Thirdly, Islamic economics provides scientists with a new area for research, namely, analysis of economic behavior under the paradigm of the Islamic system. It must be noted, in this regard, that Western economic analysis has been conducted under the paradigm of capitalism for two centuries, and it was only during a 70 year span of the twenty's century that Soviet economists conducted economic analysis under a socialist paradigm.

Consequently, it will be very elucidating to economic researchers to elaborate on the possible outcome of the implementation of the Islamic economic system and its effects on the behavior of economic units and variables.

The importance of this sort of economic analysis is further enhanced by the fact that there exist in the Third World many cries against the Western pattern of organizing the economic activity and against the Western model of growth. Many people question the suitability of Western prescriptions for economic development to the conditions of Third World countries, because of numerous cultural differences between these countries and the capitalist First World.

In such a situation, studying the results of the application of Islam's economic system may lead to new approaches and ideas for the economic development of the Third World countries, especially since Islam prevails in more than one half the Third World today. Furthermore, Islamic culture influences many Third World countries whether these countries are predominantly Muslim or not.

ISLAMIC ECONOMICS AND PEOPLE:

Islamic economics is relevant to all people today as individuals as well as societies. Its importance to Muslims needs not to be emphasized. For Muslims, Islamic economics deals with a part of their religion and way of life. Therefore, understanding it is part of comprehending Islam itself.

Moreover, this kind of study challenges Muslim economists and scholars to search for solutions to the economic problems of their countries within a paradigm that is already accepted by the masses of these countries, and to provide answers, compatible with the cultural and historical environment, to the questions related to the economic development of the Muslim societies.

Islamic economics is also important to Muslim societies and governments for the same reasons for which it is relevant to Muslim individuals, particularly that the experience of the last fifty years revealed that the importation of alien economic prescriptions proved to be a wasteful and frustrating attempt.

As far as non-Muslims are concerned, studying Islamic economics gives a better understanding of the Islamic religion and the internal factors that affect modes of thinking and social changes that take place in the Muslim world. With the world becoming smaller because of improvement of communication and information systems, it has become imperative to know more about "thy neighbors," especially since Muslims today make about one fifth of the human race and dominate good part of the two largest continents in the world.

Many developments that relate to Islamic economics in the Muslim countries have taken place during the last twenty five years. These developments have a natural overflow into the Western hemisphere. For instance, the establishment of Islamic

banks in many Muslim countries and their financial activities affect the banking system and practices in the rest of the world.

Islamic banks also have an impact that cannot be overlooked on trade and financial relations between the Muslim countries and their trading counterparts. Some of these Islamic banks were also established outside the boundaries of the Muslim countries and they function completely within the Western banking arena.

Some Muslim countries have introduced certain dimensions of the Islamic economic system in their economies such as the collection and distribution of *zakah*, the Islamization of the whole banking system, etc. These phenomena cannot be understood without giving sufficient attention to Islamic economics, and the non-Muslim world cannot afford to neglect it any longer.

SECTION TWO

DEFINITION OF ISLAMIC ECONOMICS

INTRODUCTION AND HISTORICAL BACKGROUND:

Arguing and agreeing on a definition of any subset of human knowledge is usually more cumbersome than studying that subset itself. This applies to economics, perhaps, more than it applies to any other branch of knowledge. Some economists attempt to escape the whole issue of having to define economics and preferred to say that economics is "what economists do."

This difficulty is why we delayed the discussion of a definition to the second section instead of stunning the reader with a boring discussion and a diversity of views about the definition of Islamic economics. However, going through the issue of definition is what every student of any subset of human knowledge needs to do at a certain stage of her study advancement.

The prefix "Islamic" to the word economics obviously adds Islamic characteristics to this branch of knowledge. How much such a characterization influences the subject matter of economics will be discussed later in this Section. Therefore, we shall proceed to look into the definition of economics and then the

peculiarities added by the prefix. Before this, let us acquaint ourselves with a brief historical background of both words; "Islamic" and "economics" as used in Islamic economics today.

Writing on economic matters is perhaps as old as the invention of writing itself, as economic questions are part of the concerns of human beings. Therefore, it is quite natural to find such writings in ancient Egyptian literature, the Old Testament and the ancient Greek and Roman works. Such ancient writings are usually mingled with other issues and discussed within the context of humanities at large. In Section One we pointed out that Muslim jurists of the late second century of *Hijrah* were the first to devote independent books to economic issues.

This tradition continued among Muslim writers for several centuries, so you find analysis of economic questions scattered within the works of many Muslim writers side by side with independent books on economic and financial issues.

It was Ibn Khaldun (died 808 H/1404 C.E.) who made the first step toward identifying economics as an autonomous branch of knowledge when he invented a new and unprecedented behavioral science that he then called "the science of humankind's civilization and human socialization" and we call today sociology.

In this science, Ibn Khaldun included a study of "livelihood 's earning" to which he devoted Chapter Five of his famous Introduction.

The science of economics assumed its independent status, away from sociology, a little more than two hundred years ago with the appearance in 1776 of Adam Smith's book titled "An Inquiry into the Wealth of Nations." Consequently, Economics can be considered a new science although its roots go deep in history; and the issue of its definition is still unsettled. As for Islamic economics, the term itself is even more new. It dates back to the late 1940s when it was used for the first time by a professor of Islamic studies at the Osmania university in India, the late Sayyid Manazir Ahsan Gilani, in an Urdu language book published in 1947 that he gave the title: "Islamic Economics".⁶ The term got a boost at the first international conference on Islamic economics held in Makkah in early 1976, and it became widespread thereafter.

DEFINITION OF ECONOMICS:

A- Ibn Khaldun's definition

Chapter Five of Ibn Khaldun's *Al Muqaddimah* to the study of history is devoted to the economic problem that he considers an important part of sociology or, to use Ibn Khaldun's phrase, the study of humankind's civilization and human association. The name given by Ibn Khaldun as a title is *al 'imran al bashari*. Literally, the word *al 'imran* means progress, prosperity, filling the world with activities, constructing the earth and populating it. The word *al bashari* is an adjective of humankind.

Consequently, for Ibn Khaldun, economics, as included under *al 'imran al bashari* refers to activities related to humankind's livelihood, its development, progress, and prosperity. This is the reason why Ibn Khaldun started Chapter Five saying that by virtue of their own nature, human beings are in need of things to consume and things to save. God created all things on earth for people to use and reconstruct, and He empowered them over these things.

Hence according to Ibn Khaldun, the economic problem resides in efforts spent by people to obtain earnings that they use to satisfy their needs and necessities, for refinements and luxuries, and for acquisition and possession. The use of such earnings is usually done by means of exchange.

From the above, we can construct a definition of economics along the line of Ibn Khaldun's thinking as discussed in his Chapter Five as follows:

Economics is the study of human efforts in obtaining resources and using them, through exchange, for the fulfillment of necessities, needs, and refinements as well as for the purpose of acquisition.

The main elements of this definition are: 1) the emphasis on human efforts in developing and distributing material resources; 2) the explicit mention of two kinds of human fulfillment, namely, acquisition and consumption; 3) and the distinction between necessities, needs and refinements in consumption.

Ibn Khaldun clearly distinguished between procurement for utilization that he called *rizq* and procurement for acquisition that he called *kasb*, although *rizq* and *kasb*, both, require human effort to attain.

It is noticeable that the focus in Ibn Khaldun's definition is on human efforts which intrinsically relies on the human attitude and ethics toward work and its valuation. We should also remember that his distinction between necessities, needs and refinements with regard to the fulfillment of human wants follows the tradition of Muslim philosophers in their discussion of the objective of *Shari'ah*.

B- Western definitions

Adam Smith defines economics as the science of wealth or the study of how nations become rich, being the subject of his own book. It is noteworthy that the emphasis in Smith's book was on the economics of the state; therefore, his definition was in macro terms, i.e., in terms of the welfare of the whole nation as an aggregate body, although Smith is known to have been thinking of the wealth of nations in terms of each individual pursuing his self interest.

Adam Smith is credited with carrying economics into the scientific arena by emphasizing its objective in finding and discovering relationships that can be generalized. Smith's major and most important contribution is his emphasis on the invisible hand that forms the backbone of the *laissez-faire* argument. It simply means that if every man pursues his own self-interest, the interests of the group will be automatically secured, i.e., everybody becomes better off and the nation also becomes richer at the same time.

This macro outlook of economics continued until the late nineteenth century when the emphasis of economic writings started to shift toward individuals, their wants and their behavior.

Alfred Marshall redefined economics as the study of people in the ordinary business of life, which examines that part of individual and social action most concerned with the attainment and use of the material requisites of well being. This definition emphasizes the behavior of individuals in procuring and using their incomes, it also emphasizes the welfare objective of such behavior. It is obvious that Marshall's definition restricts the scope of economics to the material behavior of individuals and groups.

This emphasis on individual well being pulled the science of economics toward a concentration on the micro studies, such as optimization of the firm as a producing unit and maximization of the utility of individuals.

However, the most widespread definition among economists today may be that of Robbins. Robbins put forward his definition in an essay on the nature and significance of the economic science in 1932, and since then, many economists have reiterated his definition in different ways.

Robbins defines economics as the science that studies human behavior as a relationship between ends and scarce means that have alternative uses.⁷

The focal points of Robbins' definition are two: scarcity of resources and infinity of wants. Scarcity of resources means that there are fewer resources than what is needed to fulfill human wants, otherwise there would be no need to exert efforts in procuring them. These scarce resources can be used for satisfying human wants that are unlimited, growing and dynamic, in a sense that they change over time. This implies that

there must be an allocation process to select among an infinite number of wants of infinite (or at least large) number of individuals.

For most western economists this is the core of the economic problem. It can be summarized by three famous questions: for whom to produce? How to produce? And what to produce? The problem of allocation of resources means selecting whose wants are to be satisfied, choosing the production method that determines what resources are to be used and in what proportion and combination, and deciding what wants are to be fulfilled through the selection of what is going to be produced.

It becomes apparent that Robbins' definition shifts the emphasis from the well-being of individuals to the mechanism of resource allocation and gives a scientific blessing to the stiffness, and to a certain extent cruelty and ethiclessness, of Western economic analysis that prevailed before the welfare revolution that came in response to the miseries of the Great Depression of 1929 and the second World War.

C- Comparison of the Western and the Khaldunian definitions

In spite of the vast time span between them, it is interesting to compare the above four definitions of economics and to note their similarities and differences. The core of all four definitions is the study of human behavior. This is implicit with Smith and explicit with the other three. Only Ibn Khaldun looks at human behavior from the angle of human effort in seeking *rizq* that God made attainable to mankind.

Consequently, Robin's problem of the allocation of scarce resources becomes for Ibn Khaldun a problem of people's attitude toward work. One result of Ibn Khaldun's emphasis on the efforts for procurement of *rizq* is his consideration of domestic service as a futile, unnatural and unproductive way of earning that contradicts the intrinsic value of self-confidence and self-dependence [*Al Muqaddimah*, p.384].

Moreover, while Marshal and Ibn Khaldun share a common emphasis on individual welfare, the latter distinguishes between necessities, needs and refinements. Additionally, welfare, for Ibn Khaldun, includes procurement for acquisition and bequeathing, while this kind of procurement is not necessarily, nor at least explicitly, included in the definition of Marshal.

On the other hand, while Robbins emphasizes the scarcity of resources and the problem of distribution that is included in resource allocation, we find Ibn Khaldun looking at exchange from a legalistic point of view, which is very common among Muslim writers, i.e., matters related to payment for the goods one wants out of one's earnings. Consequently, the value or price theory, which underlines the allocation of scarce resources in Robbins' definition, does not flow naturally from the definition of Ibn Khaldun.

Finally, Smith's emphasis on macroeconomics that shaped Western writings on economics for more than a hundred years is also missing in Ibn Khaldun's definition.

ECONOMICS AND PARADIGMS:

Need for a paradigm

Apparently economics can study the behavior of women and men only within a social context. Human societies have their own values, political organization, social structure, aesthetic viewpoints, legal systems, cultural and religious attitudes and beliefs, spiritual aspirations and inspirations, etc. Therefore, it is obvious that people are influenced by their surrounding, be it material, social, spiritual, or otherwise.

The impact of societies on individuals is not restricted to the behavior of persons in their ordinary business of attaining the material requisites of well being, but it affects all humans in all aspects of their behavior. Scientists are not excluded from being so influenced by their societies. Economists, like other social scientists, are more susceptible to this influence than mathematicians for example, because economists attempt to interpret human behavior, and interpretations cannot claim immunity from personal ideas and beliefs of the interpreter despite the objective sophistication of her tools. Consequently, the development of the science of economics cannot be looked upon in a vacuum; rather it must always be related to the environment within which it takes place.

Hence, economic studies are not only affected by the social environment of the behavioral phenomenon which is under study but also by the researcher's own cultural background. Economics is thus developed on the basis of certain models, basic premises, and examples that economists take as given. These given models and

examples are what we call paradigms. A paradigm is, therefore, the principles, ideas, examples, models, traditions and practices that are taken for granted and on whose basis a consistent and coherent scientific research is conducted.

Western paradigm of economics

Over the last two centuries economic studies were developed in Western Europe and Northern America or within their cultural traditions. It is understandable that their findings reflect the capitalist tradition of a *laissez-faire* type of market economy. Generations of economists raised within the capitalist societies did not recognize any paradigm other than that of *laissez faire* until Marxist studies began to assert themselves as being founded on a different and distinct paradigm.

Consequently, in the economic discipline, two paradigms, capitalist and Marxist, are well known and recognized. Capitalist economics is founded on freedom and utilitarianism and Marxist economics on utilitarianism and proletarian dictatorship. Economic analysis is conducted on the basis of these two paradigms, so we get a capitalist economics and a Marxist economics. Each of these two economics has a descriptive part that portrays the principles and rules of its own economic system and an analytical part which studies the human behavior with regard to the use of resources for satisfying needs within the framework of the capitalist and the Marxist assumptions respectively.

Unfortunately, these two areas are very often intermingled together to the extent that economists of each camp always claim that their interpretation of human behavior is most relevant regardless of any social or cultural affiliation. Each of the Capitalist and the Marxist economic analyses poses itself as an absolute and objective interpretation of human behavior regardless of beliefs and cultural attachments; and offers its findings, syntheses and theorems as unbiased representation of the reality.

The Islamic paradigm of economics

Islam, as a religion and a way of life, also has its own paradigm for economics, which we shall study throughout this book. The Islamic view-point on the economy can be summarized in a few sentences: God created Adam and his children in order to worship and glorify Him; He made the earth and heaven submit to human

beings; He empowered humans over other creatures and authorized them to use all resources for the construction of civilization and the prosperity of humankind. Human beings are created with composite motivations; their decisions are the outcome of several internal drives, some of which are consistent and others contradicting. Therefore, Divine guidance through His messengers is indispensable to help humans select the best course of action throughout the necessarily unknown future.

Consequently, people are ordained to use these resources in accordance with the principles of justice, human equality and amelioration of life. This can be secured by following the path described by *Shari'ah*, which is sent down by God to fulfill these principles and realize this philosophy of life.

In implementation of these principles, *Shari'ah* lays down operational rules ordaining what is good such as *zakah*, and forbidding what is bad such as *riba*. The pursuit of the *Shari'ah* path requires the application of its operational rules. This implies the organization of economic relationships on the basis of these principles and rules, as compared with of the doctrines of *laissez faire* or dictatorship of the proletariat. Pursuit of the *Shari'ah* path also requires the internalization of Islamic values and ethics and their observance on the part of individual economic agents while they take their economic decisions and formulate their preferences. This is backed and reinforced by the Islamic law itself.

This form of institutional and legal organization along with the behavioral attitudes of the Muslim economic units constitute the foundation of the Islamic economic system and of the framework of human economic behavior. It is the Islamic paradigm of economics.

WHAT IS ISLAMIC ECONOMICS?

Muslim writers' definitions

Several definitions of Islamic economics are ventured by Muslim economists, of which this sub-section will critically present a few of the most popular. There are two main categories of definitions. The first category consists of definitions that concentrate on the principles of *Shari'ah* that make up the framework or the milieu of the behavior of economic agents, while the second category focuses on the behavior of the agents themselves.

Hasanuz Zaman defines Islamic economics as "the knowledge and application of injunctions and rules of the *Shari'ah* 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."⁸

Similarly, Zaidan Abu al Makarim's definition is "the science that deals with wealth and its relation to man from the point of view of the realization of justice in all forms of economic activities."⁹ These two definitions focus on the determinant of the normative framework of the economic activities, they look at Islamic economics as a branch of Islamic studies similar to *Fiqh* or the interpretation of the Qur'an.

The subject of Islamic economics, according to these definitions is not the decisions the economic units take and their rationality, but the framework that consists of principles, rules and regulations that govern people when they take economic decisions.

On the other hand, M. Akram Khan defines Islamic economics as "the study of human *falah* achieved by organizing the resources of earth on the basis of cooperation and participation," and Muhammad Ariff defines it as "the study of Muslim behavior that organizes the resources, which are a trust, to achieve *falah*." Notice that the focus of these two definitions is the behavior of the Muslim economic agent in using resources.

Both these categories of definitions do not perceive Islamic economics as capable of discovering universal laws that apply regardless of people's beliefs and faith. The first category restricts its scope to the description of the Islamic economic system while the second confines it to the behavior of Muslim individual units within an Islamic framework.

For them, the many statements in the Qur'an and Sunnah, that deal with human behavior, such as lust for acquisition, desire for accumulation, avarice nature, urge for imitation, pursuit of reasoning and observation, love of truth, hunger for venture and sacrifice, etc. fall outside the realm of Islamic economics except from the viewpoint of their applicability to the Muslim as an economic unit.

This restriction leaves a great segment of human economic behavior outside its arena and does not venture to Islamize the discipline of economics itself.

It is undisputed that the discipline of economics as it stands today carries the imprint of Western Judo-Christian cum Roman-Greek heritage and culture. This is because it was formulated during the past two centuries within the Western cultural hemisphere. This state of affairs requires a corrective operation that takes into consideration the cultural heritage of other people, as it has become known that social sciences cannot completely detach themselves from culture-specific values.

Such a reformation is hardly a denial of the science's ability to analyze and understand human nature and one should not adopt any close-mindedness toward the commonness of most human characteristics. After all, studying and understanding the human being is included in the "seeking knowledge" that is ordained by God the Qur'an, and there is no reason why Muslims should retreat to a position of inquiring into the behavior of only the Muslim units.

Anas Zarqa rightly supports the Islamization of economics. He believes that Divine revelation is rich in statements that describe humans' behavior regardless of any affiliation they may have. By this, Zarqa comes very close to accepting a universal science of economics, an economics that does not need to be called Islamic or non-Islamic.¹⁰ Yet it is an economics that is not atheistic and does not carry in its fold a negative attitude toward religion and Divine revelation.

Proposed definition of Islamic economics

Let us imagine that economics was invented in the Muslim land during a period of glorious Islamic civilization and dominance of the Muslim state. This assumption is necessary to avoid the inferiority complex that some Muslims have toward the West today as well as the reactionary attitude some might have developed toward everything that is Western.

Under such an assumption, one does not repeatedly need to raise an Islamic flag to show that one is a Muslim because everybody was Muslim and all prevailing values were Islamic.

It naturally proceeds that **Islamic economics identifies a study of human behavior with regard to acquiring and using resources for the satisfaction of necessities, needs and other desires. This study is based on the assumptions of the Islamic paradigm**, i.e., the Islamic outlook on life and humanity. It studies the behavior

of human beings, on its own nature as created by God, regardless of any ideological stance they may have adopted.

This science then puts forward its interpretation of this behavior by its own conceptualization. It studies, additionally, the Islamic organization of the economy and the relationships that arise from the interaction between the Islamic economic system and any given material, human and cultural circumstances. This way of approaching economics becomes similar to the approach of the Capitalist or Marxist economics.

Thus Islamic economics becomes economics studied from the angle of the Islamic viewpoint. It interprets the human economic behavior in a universal manner, elaborates the outlines of the Islamic economic system and analyzes the decisions of economic agents within this system. In this manner Islamic economics becomes an approach to the study of economics and an explicit statement of the value judgment of the Muslim economist.

As is true with Capitalist and Marxist economics, Islamic economics must elaborate on the principles and assumptions of the Islamic economic system as well as analyze the economic behavior of economic agents and units. This means that there are two branches of Islamic economics: the first studies the economic system of Islam, and the second explains the economic behavior of individuals and institutions in society, Muslim or non-Muslim alike.

Lastly, we have to remember that any approach to the study of economics may have to invent certain tools of its own as some commonly used tools of analysis may not suit some axioms of its paradigm. Undoubtedly, this applies to Islamic economics as well as to other economics.

The need for the prefix "Islamic"

This definition of Islamic economics presents this science as an alternative approach to observing and explaining the universal reality as far as human economic behavior is concerned. Consequently, Islamic economics must not be restricted to interpreting the behavior of Muslims or of people subject to the Islamic legal framework alone.

If so, a question arises as to the need for the word "Islamic" in the definition keeping in mind that other economics (plural) do not usually add any restrictive term to the science of economics though their angle of observation and interpretation is influenced by their own paradigms and values.

This question is a very serious one and it may lead us to argue that the prefix "Islamic" should not precede the term "economics" especially that Islam itself does not present its viewpoint about humans and life as valid only to Muslims but as the absolute truth sent down from the Most Knowledgeable, The Exalted in Wisdom.

Therefore, as Muslims, we do not need to redefine the phenomenon that economics studies; instead we have to approach it from the viewpoint of the Islamic philosophy. This is also supported by the fact that the *Qur'an* and the *Sunnah* contribute much to the understanding of human behavior on a universal level.

It seems that Ibn Khaldun also followed this approach. In his science of *al 'imran al bashari*, he did not add an "Islamic" prefix. There is no need for such an addition since the subject of this science is humankind's civilization and socialization from the point of view of showing what happens by way of changes on their own nature.

In explaining the objectives of this science, Ibn Khaldun repeatedly emphasizes discovering the nature of human socialization as it applies to all human beings. In other words, Ibn Khaldun did not have an urge to restrict this science to Islamic societies or to Muslims alone, as such a restriction makes it less useful and not applicable to all mankind.

He wanted to discover universal laws of behavior that can be used in understanding history, examining its events and verifying the authenticity of its stories.

Obviously, by this universality of outlook, Ibn Khaldun never meant to be un-Islamic, nor did he want to exclude Divine revelation as a major source of human knowledge. In this sense, Ibn Khaldun was more Islamic than most of those writers who naively add the word Islamic to every sentence.

On the other hand, one may think of three reasons that justify the use of the term "Islamic economics" and its retention in this book.

First, this approach to economic studies is new and it has not yet assumed its full position and recognition. This makes a distinctive identification desirable for the time being.

Second, it is advisable to be very explicit about one's own bias instead of leaving such a bias hidden and undeclared.

Third, the term may reveal a priority scale that preoccupies the minds of many Muslim economists today, that they should start by exploring the details of the Islamic economic system and the behavior of units in the Islamic economy as they consider such a study most relevant to the economic development of contemporary Muslim societies.

POSITIVE AND NORMATIVE ECONOMICS, MACRO AND MICRO ECONOMICS:

Positive and normative economics

Economics is usually divided into positive and normative. Positive economics refers to that part of economics that analyzes human behavior as it is, or on its own nature if one uses the terminology of Ibn Khaldun. Positive economics looks at what people do, not what they ought to do.

However, it was discussed earlier that positive statements of economics are influenced by the culture, beliefs, and social organization of those whose behavior is being observed. It was also argued that the formulation of the question by economic researchers, their methodology, tools of analysis and conclusions are dramatically influenced by the economist's ideology and value judgment.

Consequently, even positive economics is open to strong criticism with regard to the authenticity of its claimed positivism. This led many economists to call for making one's own biases explicit instead of leaving them hidden in the folds of one's analysis, since avoiding them is next to impossible.

However, we must not exaggerate the effects of cultural bias to the extent that makes us believe in the impossibility of any descriptive statements about human behavior and renders futile any attempt to study human's relationship with the material

surroundings. Such an extremism is really untenable since as much as culture and social organization affect humans, there are still many characteristics common to all. It is these common characteristics that positive economics attempts to discover.

On the other hand, normative economics gives prescriptions about how the human behavior should be. It sets norms and standards and determines objectives for this behavior. It deals with policy matters and suggests what ought to be done at the level of the individual economic unit as well as at the level of the state or the government.

Normative economics is closely related to the objectives man puts for himself and to the social, political and ideological goals of the whole society. It is based on the system adopted by the society. Normative economics has to deal, in an explicit manner, with the economic system of the society for which it designs policy prescriptions.

Obviously, most of what is said to be Islamic economics falls under this portion of economic science, as it describes the economic system of Islam, its objectives and policy prescriptions, while economic analysis from Islamic point of view cannot be considered this normative branch.

Lastly, we should note that positive and normative economics are not separated from each other in the books and article economists write; rather you will find them mixed and blended to the extent that makes any realistic distinction lie in the eye of the beholder alone.

Macro economics and micro economics

Macro-economics refers to the study of the economics of the society as a whole. It looks into aggregate variables and relationships. It concentrates on the analysis of magnitudes such as aggregate saving, investment, capital formation, consumption, etc. Microeconomics focuses on the study of individual economic units, their decision making process and the influences upon them.

SECTION THREE

Methodology of Islamic Economics

This Section is devoted to the question of methodology of Islamic economics. Many people feel that a statement of methodology is necessary at the outset of any study. This is acceptable if it applies to new research or a new dissertation, but it is not always applicable to a book meant for undergraduate students.

However, I decided to devote this Section to methodology for two reasons. First, to clarify a few points that are important to the other three Sections in this Chapter; and second, to satisfy those who insist on discussing methodology at the beginning of each study, especially that Islamic economics is still new branch of knowledge.

In Section Two, we have seen that Islamic economics covers the study of the economic behavior of people as they are on their human nature on one hand, and the study of the economic system of Islam and the effects of its implementation on human behavior on the other hand. It was also argued that the use of the term "economics" alone may be sufficient to denote the first type of study and that adding the prefix "Islamic" is only meant for purposes of convenience and clarity.

We argued earlier that because the discipline of economics was developed in the West, it came loaded with western cultural biases. To this, we may add that, if Islamic economics is used in the sense of studying the economic system of Islam and its consequences, as suggested by some Muslim economists, it becomes a mere section of the study of economics, similar to the economic doctrine sections on Marxist and capitalist economics.

These conclusions have their effects on the methodological issue since they pose special challenges to Muslim economists, as will be discussed later in this Section.

Accordingly, the methodological question will be treated on three levels. A general level of Islamic economics or of economics if it were a discipline invented and developed by Muslims in an Islamic environment, the level of the Islamic economic system and its testing, and a third level of how should Muslim economists treat the

existing bulk of materials which make up the body of the economic science in its present form, as received from western economists.

General Methodology of Economics:

Since the objective of economics is to understand the nature of human behavior with regard to material decisions, the general methodology of seeking knowledge about human beings must be our only approach. Knowledge is obtained through hearing, observing, and logical deduction. Hearing includes assimilating whatever knowledge already in existence from any possible source. Observing denotes a well-known scientific method of experimenting.

These three channels of acquiring knowledge, combined together, represent the general framework of the methodology for Islamic economics. They provide premises, findings or statements about human behavior whose nature is universal in a sense that the behavioral laws apply to all human beings regardless of religion, ideology, culture, race or feelings. They also attempt to discover the effects of ideology, religion, culture etc. on human behavior in as much as observation can be diversified.

The ultimate source of obtaining knowledge through hearing is Divine Revelation. Muslims accept Divine Revelation as a matter of faith. Yet the Islamic rationality for accepting revelation is founded on a few observational and rational points whose detailed discussion falls out of the scope of this book. We will therefore mention them and leave their detailed discussion to other relevant courses.

These points are the following: 1) Observing the world, heavens and earth, humans and other creatures, etc., necessitates thinking about the Creator, who must be Exalted in power, knowledge and wisdom, 2) Humankind is not created in vain, but for a purpose assigned by God, and 3) Therefore, He sent guidance through Messengers who carry God's Revelation and commandments to women and men on earth.

For Muslims, once these basic points are accepted, the Divine Revelation is taken as a matter of faith, and Muslims believe that any thing that came from God is the absolute truth. Therefore, they feel no need for any verification or testing.

On the other hand, when Muslims argue any postulate derived from the Divine Revelation with non-Muslims, they subject it to verification, testing and human

rationality. This approach of treating revealed premises in the process of argument is supported by the Qur'an.¹¹

Lastly, it should be noted that an authenticity test must always be applied to any piece of revelation before it is accepted as Divine. Authenticity test means subjecting the piece of revelation to scrutinization to be sure it is received exactly as it was sent by God. This requires absolute trustworthiness in the means of transmitting the revelation from the Messenger until our time.¹²

According to the *Qur'an*, observation and pure human reasoning are considered major and essential means of acquiring knowledge. Moreover, Ibn Khaldun, in his critique of history, considers the observation of human nature an indispensable means for verifying any historical incidence.

Experimentation is no more than the application of observation along with pure human reasoning for the objective of discovering the nature of human behavior and finding universal laws that explain it.

Pure human reasoning depends on the principles of mathematical logic of consistency, transitivity, addition, etc. It must be noticed that when experiments are applied to physical sciences, a physicist can often fix the conditions of her observation and can repeat it as well.

When it comes to social sciences the conditions of the observation are difficult to fix; as carrying social experiments similar to those conducted in physics is usually costly and very often inhumane. Therefore, social scientists resort to history and statistical observations -- observing a large number of units and summarizing these observations according to the laws of statistical probability.

Moreover, because of the limited use of experiment and observation, social scientists depend more on logical deduction and on simulating the results under different sets of assumptions. Consequently, one encounters more of "if.then" type of analysis in economics than in physical sciences.

Facts and theories

In economics, as in other social sciences, it is often very difficult to observe all the facts that surround the phenomenon under study, because there are too

many of them; the same may apply to physical sciences in some cases. Moreover, even if all facts are observed by a tremendously huge computer, it becomes impossible to make sense out of them because of the multitude of dimensions and details. Therefore, certain degree of simplification becomes indispensable; since a general sketch very often makes more sense than excessive details.

Simplification is done by means of abstraction, i.e., selecting the most relevant broad lines or components or features of an observed phenomenon, either by classifying them into groups, or by omitting the minute details. This sort of simplification and abstraction of the reality is called modeling or creating models.

Models may sometimes oversimplify a reality and may have to be revised or rejected and substituted by others. However, by means of such modeling, we are able to comprehend relationships among different groups or broad lines. The establishment of such relationships and the interpretation of groups of components and features of a fact in terms of relationships is called a theory.

A theory is thus an explanation of certain groups of facts in the form of behavioral relationships, so that with the help of theories, we can predict the outcome if certain change takes place in some of the variables or circumstances. Theories involve certain level of generalization and their usefulness is always subject to testing their ability to predict.

One must remember that simplification, abstraction, and formulation of theories are, inevitably, exposed to certain shortcomings. First, there is the shortcoming of the interference of the researcher's own value judgment. This may muddle the classification of facts, their grouping, the selection of what is relevant and important, and the omission of components. Value judgment also muddles with the selection of the problem that is subjected to observation and in defining it; it further affects the interpretation of facts and the establishment of relationships among them.

In responding to this objection it should be noticed that this value judgment can only be challenged and minimized by careful scrutinization and criticism. However, scrutinization and criticism are done by other researchers who themselves have their own value judgment. In this regard, Revelation offers a last-resort criterion if the nature of the facts observed is such that their interpretation can be subjected to a test of compatibility with Divine Revelation.

Secondly, there is the shortcoming that any abstraction and simplification are, by definition, a distortion of reality, and if this is always true, it is even truer in economics because the simplified phenomenon is very complex. It examines both physical materials and the human being with all the complexities of sentiments, ideas, beliefs, values, etc. that influence her/his decision.

Add to this the fact that economics studies huge numbers of human beings as they are grouped in societies and communities. This shortcoming is as serious as the first one, but here again a moderate approach is indispensable. Too much simplification and too much abstraction may reduce economic analysis sometimes to a mere intellectual exercise lacking any touch with reality. On the other hand, a certain degree of simplification and abstraction is necessary to grasp the total scene. Otherwise, one loses all possibility of analyzing and understanding it.

Thirdly, there is the shortcoming that is customary for any theory. Since a theory is an interpretation of relationships between facts, this interpretation is bound to be affected by the perception of the theorist. Consequently, we get as many theories as we have economists.

Although this objection is important, it applies to all sciences that deal with the human being and even, to a certain extent, to physical sciences; but in social sciences, theories are encountered by other theories and the testability of a theory against absolute facts is not always feasible.

Therefore, a certain degree of multiplicity of theories is tolerable, although many proposed theories may be rejected on grounds of lack of internal consistency or of contradiction with established and verified facts about human behavior.

Lastly, some people object to economic theorization on the ground that it is a sort of speculation and prediction about future. This objection can easily be dealt with since the purpose of studying economics is to understand reality and help predict the future in a better way, i.e., to formulate theories. This is not the kind of speculation that is not founded on good reasons. It is the prediction ability that we practice in all spheres of life.

Methodology of Elaborating the Islamic Economic System:

The Islamic economic system is derived from the *Qur'an* and *Sunnah*. The *Qur'an*, as it is well known, does not devote special sections or chapters to any single issue or aspect of life. It has 114 chapters, each of them dealing with several issues, so that verses that have relevance to the economic system and behavior are scattered in almost all chapters of the *Qur'an*.

As for the *Sunnah*, the sayings and actions of the Prophet (pbuh) are sorted, in the books of collections, based on either the subject or the name of the narrating companion.

The job of Muslim economists who attempt to discover the Islamic economic system and put its pieces together is to go through the *Qur'an* and *Sunnah*, determine those texts that are relevant to the subject and make a one coherent composite out of them. This task requires special effort and qualifications to understand the texts of the *Qur'an* and *Sunnah* as they are in classical concise standard Arabic language.

Moreover, the circumstances and events that surround the revelation of each verse and the provision of each saying have a lot of bearing on their understanding. Therefore, a thorough acquaintance with these events and circumstances is also necessary.

Additionally, the teachings of the *Qur'an* and the Prophet (pbuh) were implemented by his companions during his life and after his death, especially throughout the reign of his four Successors. Consequently, it is essential to know the history and lifestyle of the Prophet's companions and the positions they took while running the economy of the Islamic state during the period known as that of the Four Wise Successors, lasting about thirty years after the death of the Prophet (pbuh).

Furthermore, any objective approach to put together the bits and pieces of the Islamic economic system cannot overlook Islamic heritage, either historical practices of Islamic states and societies throughout the past fourteen centuries or the huge body of literature on theology, law and jurisprudence, politics, mysticism, etc.

All the above suggests that to formulate the Islamic economic system, economists must exert extensive efforts in combining and understanding its components, they must be equipped with sufficient knowledge of Islamic literature and history.

The task of formulating the Islamic economic system is two fold. One, the theoretical discovery of all the ingredients of the system, assembling them in a coherent and viable composite, and Two, the investigation and verification of the economic validity of the system, including the way economic variables and magnitudes are affected within its framework.

Discovering the Islamic economic system

Looking into the historical experience of Muslim society for some helpful precedents, one finds two major branches of Islamic studies worthy of consideration because they have a bearing on the method of searching for the Islamic economic system. These are the two disciplines of *Fiqh* and *Qawa'id al Fiqh*.

Fiqh is the study of the texts of the *Qur'an* and *Sunnah* to find out the rulings that should be followed by human beings, as individuals and groups, so they can be consistent with *Shari'ah*, or, it is the discovery of Islamic law from the *Qur'an* and the *Sunnah*. *Fiqh* aims at finding all the detailed articles indicated by the texts and organizing them into a broad charter of behavior. Some of these articles are explicit and

specific in some verses or sayings, but many of them require exertion of effort to derive from general texts or from texts that give the rulings of similar cases. In this process, the basic principles of mathematical logics are applied along with the principles of *'Usul al Fiqh*.¹³

Qawa'id al Fiqh is the science concerned with formulating general rules, principles and theorems for the science of *Fiqh*. Its concern is not in detailed articles but in the fundamental axioms of the law. Because the objective of *Qawa'id al Fiqh* is different of that of *Fiqh*, its methodology is also different. Hence, while *fiqh* looks for details, individual cases, small pieces and particles, *Qawa'id al Fiqh* looks for the aggregate, global and general.

Consequently, it seems that the task of formulating of the Islamic economic system out of the texts of the *Qur'an* and *Sunnah* is more similar to the job of researchers in *Qawa'id al Fiqh* than *Fiqh*.

The methodology of studying rules and axioms of *Qawa'id al Fiqh* is three folds. First, some axioms are found in the texts of the *Qur'an* or *Sunnah*, concise exclusive and explicit as one would like them. These are just taken as they are in the texts and put in their proper places in the desired structure of principles and axioms. A few examples are: "There must be no harm nor exchange of harms,"¹⁴ and "deserving a yield is associated with carrying liability."¹⁵ These two principles are found, word by word, in the sayings of the Prophet (pbuh).

Secondly, some axioms are reached by surveying several texts dealing with one aspect or application of a principle, then putting them together to discover the general principle behind them. There are many examples of this method, for instance, the axioms "adversity warrants alleviation," and "no one is permitted to dispose of other's property without permission,"¹⁶ are formulated after many individual rulings in the *Qur'an* and *Sunnah* that consistently and continuously reflect these principles.

The third and last means of deriving the axioms of *Fiqh* is the application of common sense and logics. The use of human reasoning in deriving principles is explicitly made by the *Qur'an* and *Sunnah* one source of *Shari'ah*, and there are many incidence where rulings are left to the human mind to discover. As far as *Qawa'id al Fiqh* is concerned, two examples can be given: "There must be no effort exerted to derive a ruling when such a ruling is given by a text," and "That which follows is to be treated as a follower."^{17 18}

The methodology of formulating the Islamic economic system is very similar to that of *Qawa'id al Fiqh*. In deriving the economic system of Islam, researchers are required to abide by this approach. In this regard, the same three-fold methodology of research in *Qawa'id al Fiqh* is applicable. Some fundamentals are found in the texts, such as the prohibition of interest (*riba*) and the obligation of *zakah*. These will remain as they are and will be plugged in their proper places in the body of the economic system of Islam.

Some arise from surveying many texts, such as the inclination toward more equitable distribution of income and wealth,¹⁹ and the state's responsibility of guaranteeing subsistence living to everybody.²⁰

Yet other premises of the Islamic economic system originate from common sense and human rationality such as considering the welfare of people a major objective of the economic system.

Moreover, it must be noticed that *Qawa'id's* methodology depends heavily on mathematical logics. The principles of analogy are merely an application of the mathematical principles of equality, consistency, transitivity, addition, etc.

Analogy, in all its variety, is the finding of similarities (and differences) between something that has a known ruling and another thing whose ruling is to be determined or discovered, and then deciding about the unknown ruling by applying the above mentioned principles of logics.

While the scholar of *Qawa'id* works with the texts of the Qur'an and Sunnah only, the Islamic economist needs to work with the texts of *Fiqh* and Islamic history too.

In other words, *Fiqh* and Islamic history are indispensable sources of knowledge about the Islamic economic system. For instance, in the process of developing financial instruments compatible with *Shari'ah*, a deep understanding of the *Fiqh* of lending, sale, financing and partnership is necessary.

An economic system must necessarily be dynamic and able to grow and form new relationships as it deals with changing material environments of production, distribution and consumption. The vehicle of growth and change for the Islamic

economic system is the "exertion of efforts" (*Ijtihad*) to derive new relationships that can be integrated in and assimilated by the body of the system.

Ijtihad is also the medium of growth and development that is integral to *Fiqh*. Therefore, there is a lot of similarity between the science of *Fiqh* and the branch of Islamic economics that deals with the formulation of the Islamic economic system, not only in methodology but in many of their premises too. Both deal with the same texts, apply similar axioms and general rules and attempt to discover complementary aspects of the Islamic way of life.

Furthermore, as is true with *Fiqh*, one often finds several theories and viewpoints on an issue in the Islamic economic system. As there is no Islamic economic theory written anywhere, we are bound to have views and interpretations of individual scholars with varying degrees of depth, understanding, and closeness to the texts and spirit of the *Qur'an* and *Sunnah*.

Consequently, we shall have different ways of understanding and formulating the Islamic economic system and different schools of thinking the same way we have different theories of *Fiqh*.

Testing the validity of the Islamic economic system

Three tests can be applied to the Islamic economic system and its ingredients: theoretical, historical and empirical. Theoretical verification tests the internal consistency and integration of the system. The theoretical test is done by means of the basic axioms of mathematical logics.

History is the laboratory of social sciences. It shows the applicability of the system and its effectiveness in achieving its objective. The economic history of the Islamic world, especially during the periods of full implementation of an Islamic system, is yet to be written and analyzed. When such studies take place, rich historical experience could be retrieved and some dust may be settled on the performance of the Islamic economic system.

Lastly, the empirical test of the premises of the Islamic economic system can be made by means of statistical methods. The *Qur'an*, in a sense, encourages the use of calculus in comparing material with non-material elements such as faith, patience, understanding, perseverance and weakness.²¹

What To Do With The Existing Bulk Of Economics?

Faced with a discipline of economics that is amalgamated by the European culture of the Roman-Greek cum Judo-Christian heritage, Muslim economists also have the task of revising the present body of the discipline and of reforming it.

This duty has two facets: first, unloading economics of presumptions that transmit the dogmatic views of the professionals and their milieu,²² and secondly, incorporating Divine revelation-based descriptive premises.

Identification of value-loaded premises is an extremely delicate matter. It is always easy to claim puritan and reject everything from another culture, but to be selective is most difficult, because this requires deep understanding of Islamic doctrine and culture, European heritage and culture, as well as the growth and development of economic theory during the last two centuries.

Excessive alienation of Islamic economic thinking from the Western development of the science is not only meaningless but does not help promote a coherent and universal discipline.

On the other hand, the incorporation of descriptive premises derived from Divine Revelation must be done by means of universal human analysis, an analysis founded on understanding human nature itself despite any ideological affiliation, since such premises are not taken for granted by non-Muslims. Therefore, in the body of economic theory such premises have to be proven and upheld on the merits of their own consistency and testability.

Distinction Between Presumptions and Tools

There is a need to distinguish between value-loaded presumptions and the tools used in analysis. Confusing tools with culturally derived postulates may cause the rejection of certain universal tools of analysis on a claim of their being culturally biased.

Although some tools may be influenced by the value judgment of researchers and the living standards in the society in which the study is conducted, and some tools are applicable in certain paradigms only, many tools may turn to be universal and applicable to all paradigms, cultures and ideological backgrounds.

For instance, from the first section of this chapter one may rightly conclude that there is no difference between the Islamic methodological approach to economics and one that was developed in the West concerning the essentials of mathematical logics and experimentation as means of acquiring knowledge. This may be to the disliking of some Islamic economists who prefer to pose their subject matter with a clear-cut independence from conventional economics and who therefore develop a tendency to reject many instruments of economic analysis out of the mere desire to be different and distinct.

A couple of examples may help illuminate this point. Take for instance the maximization mechanism. It is a mathematical tool of analysis independent of the function that is maximized. A totally materialist person with no consideration of social ethics would only maximize his/her material benefits or utility. If another person has consideration for social ethics of personal conduct, he/she would maximize a similar function subject to the constraints implied by the ethics he/she believes in.

A Muslim, who internalizes faith in Accountability on the Day of Judgment and in Divine reward or punishment attached to his/her economic and other decisions and acts within a milieu of Islamic social and legal institutions, would maximize a composite function that is derived from this value system.

All these three economic agents may still use the same mathematical tool of maximization. Therefore, disagreement with the presumptions of the function a utilitarian person maximizes, does not warrant dissatisfaction with the tool of analysis used.

The second example is the idea of competition. This idea is used in conventional economic theory as a tool of understanding the allocative behavior of individuals and the market. The word "competition" (Arabic: *tanafus*) is used in the *Qur'an* concerning the pleasures of the Hereafter.²³ Apparently, the term is used in the *Qur'an* in the same meaning used by the Arabs at the time of the Prophet (pbuh), unbelievers as they were, when they competed with each other in trade and other worldly matters.

This means that the Qur'an used the same tool, i.e., the concept of competition independent of the function the unbelievers were competing for.

Likewise, unless proven incompatible with the Islamic paradigm, an IS-LM model, which is used in conventional macro theory, can be used in the analysis of certain effects of *zakah* in an Islamic society, though this tool was invented by non-Muslim economists under the assumptions of a paradigm alien to Islam.

It is important to note that the methodological controversy in economic theory is not over and is not going to be over as long as there are individuals and ideologies on earth.

Muslim economists, who entered this controversy rather late, are not unique in seeking a complete revision of the science of economics. Several Western economists share many reservations raised against conventional economics, both on the level of basic presumptions and on the level of the tools of analysis.

Under all this hammering, the rigidity of the staunch conventional theory is no longer popular among many contemporary economists and is giving way to more compromising stance that calls for an interdisciplinary approach to the economic problem; the human being is not one dimensional and never has been.

SECTION FOUR

ECONOMICS AND OTHER BRANCHES OF KNOWLEDGE

This Section will study the relationships between our discipline and other fields of human knowledge. Obviously, such relationships can easily be understood based on the scope and methodology of Islamic economics discussed in the past two sections.

One must note at the beginning that Islam emphasizes the unity of human personality and behavior; it looks at human being as an indivisible whole.

Therefore, it is expected that relationships between economics from the Islamic point of view and those branches of knowledge that deals with other parts of human behavior be stronger and more deep-rooted than is usual in conventional economics. To this I must add that Islamic economics is also part of the Islamic studies; it shares common grounds and principles with other branches of Islamic studies.

Moreover, other branches of human knowledge such as mathematics and natural sciences also have certain interaction with economics and economic behavior. Consequently, this Section will deliberate on the relationships between Islamic economic and each of behavioral sciences, mathematics and natural sciences and Islamic studies.

Islamic Economics and Other Behavioral Sciences:

Behavioral and social studies include sociology, psychology, anthropology, history, etc. Economics is, to a large extent, an integral part of these sciences.

Psychology represents a rich source of the micro foundations of economics as it studies the inner motives, drives, and sentiments that accompany the human behavior. It provides explanations for changes in human wants and the elements that affect such changes and points out the reasons behind the choice of what effort is undertaken to satisfy these wants.

Psychology also studies possible influences on individuals so as to divert their economic behavior and the alternative reactions they may have toward changes in economic policies. Therefore, it was not at all a coincidence nor a digression from

economics that John Maynard Keynes, the famous British economist of the first half of the twentieth century, expressed his well-known law of allocation of income in terms of a psychological law.²⁴

Moreover, most theories of microeconomic depend on studying the response persons show to certain economic stimuli to the extent that makes the foundations of microeconomic dependent on psychological studies.

On the other hand, sociology concentrates on group and community behavior. It must, therefore, have very close ties with economics since sociology intersects the economic phenomenon at the macro level.

Consequently, economics benefits from sociology in understanding the social behavior of communities of economic actors. Furthermore, sociology and economics both study the social institutions and social structure with a considerable degree of overlapping.

Similarly, anthropology and history provide a laboratory for economic analysis that helps understand the effects of different cultural, political, demographic, and material influences.

Additionally, there are methodological similarities between economics and other behavioral and social sciences. The nature of experimentation that can be applied to economics is similar to that applied in other social studies, and the use of axioms of pure logics and rules of deduction is similar too. To this, one may add that Divine Revelation plays a similar role in all these branches of knowledge as an ultimate source of truth about human beings and their behavior.

Overlapping in fields of study and similarities in methodological issues make economics only a subset of social and behavioral sciences, from which it cannot be detached if researchers want to understand economic behavior within its proper human context.

Economics, Mathematics and Natural Sciences

Mathematics contributes to the study of economics in two ways. First, the axioms of pure logics, which represent the essentials and fundamentals of deduction

and analogy in Islamic economics, are usually expressed in terms of mathematical relations for the purpose of rigor and clarity.

Secondly, the growth of economic science since the time of Alfred Marshall in the later part of the nineteenth century used mathematics and mathematical relations both as a medium of presentation of economic relationships, and as a tool of economic analysis.

Furthermore, since the publication of Paul Samuelson's book on The Foundations of Economic Analysis in 1947, mathematics assumed the role of the basic and almost only accredited tool of economic analysis. New sub-branches of economics were invented, including mathematical economics and econometrics.

As far as the natural sciences are concerned, their progress especially in the field of technology, has a great impact on the study of economics. Natural sciences opened new challenges to economists by inducing them to imitate certain physical relationships.

Therefore, one finds in economics expressions such as "the laws of dynamics" in imitation of the laws of thermodynamics. Yet more important is the contribution of natural studies in providing data and information for economic studies of the theory of production, as such data became essential ingredients in developing different forms of production functions and of cost analysis.

Islamic Economics and Islamic Studies

The study of economics as an Islamized discipline has several areas of interaction with other branches of Islamic studies. Islamic economics is strongly related to studies of *Qur'an* and of *Sunnah*.

On one hand, the *Qur'an* and *Sunnah* are the sources for revelation-based descriptive premises about the economic behavior of individuals and groups, and on the other hand they are the source of basic ingredients in the Islamic economic system.

Therefore, all branches of *Qur'anic* and *Sunnah*-related studies assume a special importance from the point of view of Islamic economics. These include studies of exegesis and commentaries, historical circumstances of the revelation of verses and the Prophet's sayings and verification of the authenticity of sayings.

Studies of Islamic doctrines and philosophy, Islamic aesthetics, Islamic ethics and morality are also interrelated with Islamic economics. These branches reveal the main components of the Islamic economic system and its paradigm. They provide elements for the foundation of the micro economic analysis of Islamic system, since they deal with the overall value system that governs the behavior and norms of the Muslim economic agent.

Equally important are studies of Islamic history because they summarize the experience of Islamic societies and states with economic issues and organization. History provides an opportunity for observation that serves as a substitute of experimentation. Actual practices of Islamic states and societies give indispensable guidance in formulating the Islamic economic system and in testing its applicability.

Branches of Islamic studies that tackle the social, political, and legal systems of Islam have a great bearing on Islamic economics since these branches study aspects of Islam that complement the Islamic economic system. Therefore, grasping these branches is a must for understanding Islamic economics and mastering them is an indispensable prerequisite for research in this area.

Of these branches one must notice the special interaction between Islamic economics and the part of *Fiqh* that deals with business transactions. This part is called *Fiqh al Mu'amalat*.

The subject of *Fiqh al Mu'amalat* is closely related to Islamic economics, since *Fiqh al Mu'amalat* discusses the legal framework within which economic transactions are conducted in an Islamic society and determines their contracts.

In other words, *Fiqh al Mu'amalat* sets terms and conditions of conduct for economic and financial relationships in the Islamic economy. It is, therefore, the grounds on which new instruments of financing are to be discovered if such instruments are to be compatible with the Islamic principles.

Classical works on *Fiqh al Mu'amalat*, and on *Fiqh* in general, are full of analytical discussions that are not usually limited to the legality of the issue on hand, but extend to the social and economic repercussions of alternative legal forms of an economic or financial relationship, and analyze the rationale behinds it. This characteristic makes these works rich in elucidation of Islamic economic thinking.

Hence, understanding *Fiqh al Mu'amalat* is a *sin qua non* for formulating theories of economic behavior within the Islamic framework.

Section Three pointed out the similarity in methodology between Islamic economics and *Qawa'id al Fiqh*. Indeed, one may add here that many general rules formulated in *Qawa'id al Fiqh* serve the study of Islamic economics too because they form general principles in the Islamic economic system.

Two points of caution

1- A delicate distinction should be drawn between Islamic economics and *Fiqh al Mu'amalat*, especially since these two branches often intermingle in many Islamic writings. A glance at the scope of Islamic economics is sufficient to show the need for such a distinction.

As shown in previous sections, Islamic economics includes the study of human behavior on its own nature, the Islamic economic system, and of the economic behavior of the individual and the society whole *Fiqh al Mu'amalat* is a study in business law.

Lack of a distinction between Islamic economics and *Fiqh*, especially at the present formative stage of Islamic economics overburdens the latter with legal considerations, and makes it a mere reproduction of business law in Islam. By this it loses its comprehensive picture of the nature and direction of human economic behavior.

Furthermore, the nature of *Fiqh* imposes a concern about individual transactions and their minute legalistic characteristics. Thus, the analysis of Islamic economics in terms of *Fiqh al Mu'amalat* risks the loss of ability to aggregate and to provide a macro economic theory capable of standing on micro foundations.

Macro economic Islamic theory is aggregative in its nature and in its ability to pick up the main features of individual behavior that dictate social and group action as well as the direction of such action.

2- One should be cautious about an implicit tendency to consider all historical practices of Muslims compatible with the Islamic viewpoint and, because of this, to look at such past practices as the practical manifestation of Islamic economic principles.

In other words, there is a need to distinguish between Islam and what Muslims do or did, between the system and its application; the latter is usually influenced by many circumstantial elements.

Some writers overlook this distinction when they study certain issues such as taxation. One finds among writers on public finance in Islam those who consider the types of taxes that were applied by the Islamic states in history as the main ingredients of the Islamic taxation system, no matter whether such taxes are compatible with or implicated by Islamic principles and doctrine, by compelling circumstances or by coercive dictators who served personal and tribal interests.

Moreover, the historical approach to the study of Islamic economics is sometimes applied to present Muslim societies. This has resulted in an Islamic economics that deals only with the economic problems of underdevelopment in a world of three economic camps, such as explicit and disguised unemployment, massive poverty, skewed distribution of wealth and income, distorted consumption patterns, economic dependence, etc.

This tendency also affects the definition of the economic problem itself. Instead of defining the subject of Islamic economics in general terms of human behavior seeking material resources to satisfy wants, the economic problem is hence defined in terms of the miseries of poor underdeveloped Muslim countries.

Once the economic problem is defined in a general way, one gets a discipline that can deal with all cases of poverty and plenty, underdevelopment and progress, full employment and underemployment, etc.

Furthermore, it may be dangerous to think of the Islamic economic system as tailored to fit the present situation of Muslim countries, as such specification may restrict its ability to fit healthy and developing economies.

When we examine the economic problems of Muslim countries today, one must be equipped with a clear comprehension of the Islamic economic system in its pure and general case. Only then one can attempt to find solutions to current economic problems.

Without such clear demarcation, Islamic economics becomes a partial study of transitory phenomena that will be rendered redundant when Muslim countries gain momentum on the road of economic development.

Obviously, this does not imply any underestimation of the problems of underdevelopment, but an attempt to tackle them within the framework of a general Islamic economic theory that, nevertheless, preserves its relevance to all stages of economic development and historical circumstances.

References and Suggested Readings

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¹ These definitions are given here in order to understand the general realm of economics, and the author does not necessarily agree with all their contents. However, their merits and demerits will be discussed in Section Two.

² The title of the book literally means "the return or revenue". It is used by Abu Yusuf in the general meaning of "public revenues and taxation."

³ The title itself means "earning good livelihood."

⁴ For example, in the New Testament, Matthew, 19: 24, Jesus is reported to have said: "And again I say unto you: It is easier for a camel to go through the eye of a needle than for a rich man to enter into the kingdom of God."

⁵ "The Five" in reporting sayings of the Prophet refers to the six famous reporters except al Bukhari. They are: Muslim, al Tirmidhi, al Nasa'i, Abu Dawud and Ibn Majah.

⁶ Sayyed Manazir Ahsan Gilani, Islami Ma'ashiyat, India, Idara Isha'at-e-Urdu, 1947, 453 pages. In Urdu language.

⁷ Samuelson, for example, defines economics as the study of human behavior in relation to using scarce productive resources to produce goods and services and distribute them for consumption (Economics, New York, McGraw-Hill, 1973, p.3), and Malinvaud puts it as the study of how scarce resources are employed for the satisfaction of the needs of men living in society [Lectures on Microeconomic Theory, New York, American Elsevier Publishing Co., 1974, p.1].

⁸ Hasanuz Zaman, "Definition of Islamic Economics," in Journal for Research in Islamic Economics, Vol. 1, No. 2, 1404 H, pp. 51-53.

⁹ Zaidan Abu al Makarim, 'Ilm al 'Adl al Iqtisadi, Cairo, Dar al Turath, 1974, P. 37.

¹⁰ Muhammad Anas Zarqa, "Tahqiq Islamiyyat 'Ilm al Iqtisad," mimeograph, pp. 18-19.

¹¹ See, for example, 34:24 and other verses that put the argument between believers and unbelievers on equal and common ground.

¹² See, for example, 34:24 and other verses that put the argument between believers and unbelievers on equal and common ground.

¹³ The word *'Usul* means axioms or fundamentals.

¹⁴ The Arabic wording reads "*la darara wa la dirar*." It is reported by Malik in al Muwatta', Ibn Majah and al Daraqtuni.

¹⁵ The Arabic wording is "*al kharaj bi al daman*." It is reported by the Four (al Tirmidhi, al Nasa'i, Abu Dawud and Ibn Majah).

¹⁶ The Arabic wording of these two axioms is "*al mashaqqah tajibu al taysir*," and "*La yajuzu li 'ahadin 'an yatasarrafa fi milki al ghayri bila 'idhn*," respectively.

¹⁷ They are in Arabic: "*La ijtihaad fi mawrid al nass*," and "*Al tabi'u tabi'*," respectively.

¹⁸ For more on the general axioms, please refer to Shaikh Mustafa al Zarqa, *Al Madkhal al Fiqhi al 'Amm*, Part One, 2nd. Section, Damascus, Syrian University Press, 1958, pp. 951-1062.

¹⁹ This arises from many verses in the Qur'an such as 59:7, the many verses and sayings about *zakah*, inheritance, brotherhood, caring of the needy and destitute, etc.

²⁰ It is based on many sayings regarding guaranteeing debts and dependents of the deceased, collecting and rationing food in travel, actions of the Prophet (pbuh) and his Second Successor, 'Umar, during periods of public economic hardship and famine.

²¹ See for example verse 8:65-66, " . . . If there are twenty amongst you, patient and persevering, they will vanquish two hundred; if a hundred, they will vanquish a thousand of the unbelievers, for these are people without understanding. For the present, God hath lightened your (task), for He knoweth that there is a weak spot in you; but (even so), if there are a hundred amongst you, patient and persevering, they will vanquish two hundred, and if a thousand, they will vanquish two thousand, with the leave of God; for God is with those who patiently persevere."

²² Examples of such presumptive theories are: the exclusiveness of the economic motive in the calculus of the economic agents that led to the creation of the so-called *Homo economicus* in the minds of professionals which is responsible for the omission from the domain of economics of a good deal of human economic decisions; the presumptive dominant role assigned to interest in the allocation of resources that was only recently shaken by the theory of Islamic banking, and the exaggerated place granted to the market, especially in income distribution that has been challenged by Marxists and social economists as well as by many Muslim economists.

²³ The *Qur'an*, 83:26.

²⁴ Keynes' Psychological Law says that as income increases, individuals tend to use lesser proportions of their income for consumption purposes.