



# Rebuilding Islamic Economics on New Foundations

Asad Zaman

**Abstract:** Massive amounts of confusion exists regarding the definition of Islamic Economics. This has blocked progress in terms of the development of the discipline, since there is no agreement on what its proper subject matter and methodology is. This paper shows that the confusion arises because of our attempts to borrow foundational concepts and methodology from conventional capitalist economics. Modern economists advertise their discipline as a positive, objective, and factual science. However, it is actually a branch of moral philosophy, built on concealed moral foundations of competition, selfishness, individualism, and hedonism. Islamic economics cannot be built on such foundations. We can build the discipline of Islamic Economics on the diametrically opposite foundations of cooperation, generosity, brotherhood of mankind, and social responsibility. Instead of the methodology of Newtonian physics currently in use, we need to use the methodology of Ibn-e-Khaldun, created for studying the process of social change. With new moral foundations, and a new methodology, it is possible to rebuild Islamic Economics on new foundations. As a first step towards doing so, we examine thirty different definitions of Economics available in the literature. We show that most of them are in harmony with our conceptualization of new foundations for the discipline. Most of the remaining can be harmonized by considering them as specialized branches of the broad definition of Islamic Economics. It is hoped that achieving consensus on goals and methods for Islamic Economics will open the path to rapid progress in the field.

**Keywords:** Moral Philosophy, Secular Modernity, Ibn-e-Khaldun, Methodology, Islamic Fiqh

**JEL Classification:** A13, B41, B59

@ Prof., Al-Nafi Online Educational Platform, [asad.zaman@alumni.stanford.edu](mailto:asad.zaman@alumni.stanford.edu),  0000-0002-5710-0323



© Research Center for Islamic Economics  
DOI: 10.26414/A3068  
TUJISE, 8(3), 2021, xx-xx  
[tujise.org](http://tujise.org)



Submitted: 12.07.2021  
Revised: 25.08.2021  
Accepted: 27.08.2021  
Online First: 30.09.2021



## Understanding Western Social Sciences

Zaman (2021) explains how Western Social Sciences are built on generalizations based on historical experiences of European societies. The key historical experience which shaped modern Western Social Sciences was the Protestant Reformation initiated by the publication of Martin Luther's "95 Theses" in 1517. This shattered the unity of Catholic Church, and led to a period of ruthless and violent internecine warfare for more than a century. The capstone of this era of religious warfare was the Thirty Years' War, which involved all nations in Europe, and created death and destruction on massive scale. The origins of Western Social Science are founded on the lessons learnt from this historical experience, which were enshrined in the Peace of Westphalia in 1648:

1. State Sovereignty: each state is free to choose its own religion without external interference.

2. Rights of religious minorities to practice their faith in peace, without state interference.

Medieval theory of the state was built on religious foundations, which gave authority to the Church and the State as representatives of God on Earth. Following the Peace of Westphalia, it became an urgent necessity to rebuild both domestic and international political theory on "secular" foundations, which would be equally acceptable to all parties, with differing religious convictions. Tawney (1926) writes that "the secularization of political theory as the most momentous of the intellectual changes which ushered in the modern world".

Religious political theory conceptualizes society as a single body headed by a sovereign authority. Secular political theory reconceptualized society as a diverse collection of groups without a common religion. Since different sects do not submit to any common religious authority, social consensus must be invoked to create a collection of rules which all agree to live by. The "rule of law" is a replacement for the rule of God. Also, since the society does not have common goals, social consensus can be achieved only about "freedom" – allow all groups to pursue their own goals without interference. Private property and wealth provide the capability to different subgroups to pursue their own separate goals. Thus, freedom and wealth become the central collective goals of a secular society. In the political, economic, and social domains, these freedoms take the form of democracy, laissez-faire, and individualism. Zaman (2009) points out that the values of a secular society embodied in Western Social Science are diametrically opposed to Islamic values on many dimensions.

The tortuous twists and turns from these origins to the radical reformulation of Social Sciences in the early 20<sup>th</sup> century are detailed in *A History and Philosophy of the Social Sciences* by Manicas (1987). He writes that modern social sciences took their current shape only in early 20<sup>th</sup> century, and were consciously patterned on the physical sciences. However, the methodology used to develop these social sciences was based on dominant misconceptions regarding the methodology of the physical sciences. These misconceptions about methodology led to the creation of the social sciences on an ideological basis. That is, the Social Sciences were developed to justify and promote as ideal, European institutions and social norms. Manicas writes that recognition of this ideological basis of the social sciences “*leads to the possibility of a thoroughgoing revolution in these domains of knowledge.*” The impact of these fundamental errors in the foundations of the social sciences on university education have been discussed in detail in Reuben (1996). In this paper, I will omit recapitulation of this history, and turn to the more important task of the “*thoroughgoing revolution*” that becomes possible if we rectify these defects.

The battle of methodologies (*Methodenstreit*) in the late 19<sup>th</sup> century, and the triumph of logical positivism in the early 20<sup>th</sup> Century led to deep misunderstandings about the nature of human knowledge, and the appropriate methodology for acquiring this knowledge; see Hodgson (2010) for details. Diminishing prestige of humanities in early 20<sup>th</sup> Century led to the attempt to regain lost status by imitating the methods of the physical sciences, and using the term “social science” to signal parity of the epistemological claims with the physical sciences. To understand the problems created by this mis-conceived application of methods of physics to the study of human beings and societies, it is useful to break it down into two separate mistakes. The first mistake occurred in understanding the nature of the laws of physics based on a Newtonian paradigm, and the second mistake was in understanding the methodology of science based on logical positivism. These can be explained further as follows:

1. Newton’s laws suggest that we live in a deterministic universe, governed by laws. Applying this to human beings and societies, means that the future is determined by the past, and our job as scientists is merely to study the laws of motion which govern societies, as well as the laws of human behavior. This excludes the possibility of visualizing a good society, and striving for positive social change.

2. Logical Positivism asserts (wrongly) that science is based purely on the observable phenomena. Thus, social science was based on observables, and ignored the essential role of human aspirations, as well as social effects of ideologies and visions which inspire communities to create social changes.

A detailed discussion of this double mistake is given in Zaman (22 Oct 2015c).

## A Three-dimensional Approach to Social Sciences

The picture of a deterministic world created by a naïve interpretation of Newton's laws conflicts dramatically with our fundamental human experience: our choices affect the future. The inertia of academic knowledge systems is so strong that obsolete conceptions of the nature of the world, based on Newtonian physics, continue to guide social science methodology. In a deterministic system, our only job as "scientists", is to study the laws of motion; this corresponds to Friedman's perspective on methodology of positive economics. The conceptual frameworks generated by Quantum Physics opens the path to radically new methodological possibilities. In particular, the future can influence the past. Also, the present is not a deterministic outcome of the past, and there is room for spontaneity and creativity. These metaphors from Quantum Physics are strongly in conflict with Newtonian conceptions of the world, but also strongly aligned with our experienced reality. Our lives are governed by our visions for the future, and we choose actions and strategies for the present which depend on what we hope to achieve. Thus, causality runs backwards from our future goals to our present actions, in defiance of classical conceptions of causality. In this non-deterministic world, we must make present choices on the basis of normative judgments regarding desirable future outcomes. Raju (2015) provides some details of the physics which accommodates non-deterministic systems, which match our life-experiences.

The revolutionary message of Islam is the greatest gift of God to mankind. Revealed more than 1400 years ago, it changed the course of history. When the early Muslims struggled to build society in conformity with the ideals of Islam, their vision for the future shaped their present actions and the course of future history. Aligned with this perspective on history, we can construct a suitable methodology for Islamic economics on the basis of a three-dimensional approach built on the following foundations:

1. Normative Dimension: A vision of an ideal society sets the goal which we can strive for.
2. Descriptive Dimension: We must make an accurate analysis of where we stand currently.
3. Prescriptive Dimension: We must develop strategies to change the current situation towards the normative ideals.

We can also call this the Heart, Head, and Hands approach: the Heart tells us the direction to strive for and provides us with the passions and energies, the Head looks at our current position and maps out the strategies for change, and Hand works to

create positive changes. This three-dimensional approach was introduced in Zaman (2019). We describe each of the three dimensions in somewhat greater detail:

**Normative Dimension:** According to a common misconception, the normative ideal of an Islamic society consists of 100% Muslims living 100% according to Islam. In fact, even in the best of times (Khairul-Quroon), there were hypocrites, unbelievers, battles, and many different types of evil co-existed with the good. Even at the time of creation, it was known that man would enter into evil, spill blood, and cause many kinds of trouble on the Earth. Islam has an action-oriented approach, in contrast with the outcome-oriented approach of modern economics. The ideal state is one in which we are engaged in the struggle for the good, and struggle against oppression and injustice. Success in these struggles is not required of us. The normative dimension of Islam explains the ideals for which we must strive, and also explains the process: how we should strive for establishment of the Deen. The normative ideal is to be engaged in the struggle for positive change, not to have arrived the desired destination.

**Positive Dimension:** The Quran recognizes that the ends that we strive for are diverse. To understand human behavior, we must understand the different varieties of goals which motivate human beings. An accurate description of human societies will recognize that human beings are attracted towards worldly goals like wealth, power, women, material possessions, luxuries, etc. At the same time, our hearts have been built with the capacity to recognize good and evil. The description of the human heart as a battleground between good and evil leads to a substantially more sophisticated understanding of human behavior than that given by modern economic theory. In a similar way, we need to recognize institutions as embodiments of the collective purpose of a society. For instance, Banks embody the spirit of accumulation of wealth which is the driver of capitalism. In contrast, Awqaf embody the spirit of generosity, cooperation, and social responsibility which are the foundations of an Islamic society.

**Transformative Dimension:** How can we transform human beings, social and economic institutions, and the rules and regulations of a society, in order to bring them in line with Islamic ideals? A three-dimensional approach is suggested for this purpose.

1. Individuals: Tazkiya, or purification of the heart, is the key driver of change. This replaces base desires of the Nafs, by higher spiritual goals.

2. Institutions: Capitalist institutions are built on the spirit of adversarial competition. Islamic institutions seek to foster cooperation and build social capital.

3. Regulations: Western law is adversarial – both parties compete, and the stronger party wins. Islamic law is based on a cooperative search for justice, where both parties seek to recognize and obey the orders of Allah in situations of conflict.

It is clear the modern economic theory is based on entirely wrong foundations, an invalid application of scientific methodology to humanities. For the physical world, there is no sense in specifying normative ideals, and attempting to change the laws of physics towards our desired ideals. However, the social world is shaped by our efforts, and there is no sense in treating it as subject to unchangeable universal invariant laws, which are valid across time and space. In this paper, we take an alternative methodological approach which is in harmony with Islamic principles. Islamic specifies the ideals for us, and Islamic social science is about the struggle to create these ideals at individual, social and institutional levels within our societies.

## A New Methodology for Social Sciences

The visionary message of Islam transformed the lives of Muslim, and went on to create social transformation over the entire globe. A methodology adapted to Islam must re-conceive the subject matter of “Social Science” as the study of social change. Current methodology based on universal time-invariant Newtonian laws, must be rejected, since the concept of social change cannot even be conceived of within this framework. All study of social change processes must be based on Ibn-e-Khaldun’s seminal work, which initiated the study of historical processes of social change. In the preface, Ibn-e-Khaldun (1958) writes that “The condition of the world and of nations, their customs and sects, does not persist in the same form or in a constant manner. There are differences according to days and periods, and changes from one condition to another. This is the case with individuals, times, and cities, and, in the same manner, it happens in connection with regions and districts, periods and dynasties.” He goes on to formulate broad general principles which govern the process of social change, and also mentions the uniqueness of his approach to history: “It should be known that the discussion of this topic is something new, extraordinary, and highly useful.” In a nutshell, Ibn-e-Khaldun studies the social change process as driven by interactions between different social groups united by a group identity, and subjected to external drivers of change. All later historians of social change borrow from, and build upon, these principles. Many leading historians have explicitly acknowledged the influence of Ibn-e-Khaldun.

Among these later historians, the work of Karl Polanyi in “The Great Transformation: The Political and Economic Origins of Our Times” is especially rele-

vant to the study of Islamic Economics. Karl Polanyi studies the radical process of social change which transformed European Christian societies to secular modern capitalist societies. The implications of the historical origins of capitalism for Islamic Economics have been studied in detail in Zaman (2010). In order to create an Islamic Economy, we must reverse the changes created by this process of social transformation in Europe, which now covers the globe. Studying how this change came about is extremely helpful for this purpose. The following principles for the study of social change come from Ibne Khaldun, and from the adaptation and development of his methods by Polanyi:

1. Societies reproduce themselves by training and educating the younger generation to replicate the social structures of the older generation.

2. Social transformations are created by changed circumstances which disrupt this self-replication, and initiate the process of social change.

3. Social change has differential impact on different social classes, harming some and helping others. Social change occurs as a result of interactions of these classes in their struggle to benefit from, or to avoid harm from, these changes.

4. Social change occurs simultaneously in all three dimensions: social, political, and economic. To these, we may add the fourth environmental dimension, which has become increasingly important in the recent past. These dimensions cannot be studied in isolation since they inter-act with each other.

5. Theories – economic, political, and social – are created by classes favorably or adversely affected, in order to understand the process, and to devise strategies to control and manipulate the change in favorable directions. Theories cannot be understood outside of the historical context in which they emerged.

6. The process of social change can create, strengthen, weaken, or eliminate social classes. Generally speaking, no single class has sufficient power to enforce its will on others. Thus, theories to describe social change must be crafted to have broad appeal, even if they actually favor the interests of some small and powerful class. Theories must be analyzed relative to the class interests, and dominant power structures within a given society.

7. Different classes develop policy responses to social change according to the theories they develop for analyzing these changes. These policy responses, and outcome of power struggles between different classes, shape the historical outcomes. Thus, history is shaped by theories which are used to analyze the historical experience.

8. Collective intentions, or social goals, can become effective only when embodied in the concrete form of social institutions. Thus, the process of social change must be studied via the institutions. However, it is not the institutions themselves which are the drivers of change. Rather, the group interests represented by the institutions shape and limit institutional activities.

Study of the transformation in European societies and accompanying transformations in Islamic societies, which proceeded along economic, political, social, and environmental dimensions, is a huge task. As the journey of a thousand miles begins with a single step, so we shall start by a study of the first question: what should we take to be the subject matter, methodology, and goals of Islamic Economics? We will provide a review of the definitions of both conventional Economics and Islamic Economics. Most of these have been collected and discussed in Hafas Furqani (2018) and Shameem Siddiqui (2011). To avoid massively expanding the bibliography, sources cited in these two papers will be referenced as [HF] and [SS] respectively – these papers may be consulted for the citation to the original sources of the definitions.

## **Eurocentric Economics: Definitions & Methodology**

As documented in Zaman (Apr 7, 2021a), Islamic Economics was created as a response and a counter to conventional Eurocentric Economics. Because of these historical origins, we must start by studying the conventional approach to modern economics. Modern economics pretends to be universal, even though it encapsulates a strongly Eurocentric worldview and institutional structure. This thesis has been most adequately presented and defended by Timothy Mitchell (2002):

*The possibility of social science is based upon taking certain historical experiences of the West as the template for a universal knowledge. Economics offers a particularly clear illustration of this. Certain forms of social exchange, contract law, disposition of property, corporate powers, methods of calculation, dispossession of labor, relationship between public and private, organization of information, and government regulation that were formalized in western Europe in the nineteenth century as “market exchange” were abstracted by economics into the framework of a social science. The new science ignored the importance of a larger structure of empire in making possible these domestic arrangements. At the same time, it presented these categories and arrangements as a general standard, for both scientific knowledge and social practice. Every country in the world was now to be measured and understood in relation to this universal model.*

To understand modern economics, we must strip it of its pretensions to be a universal science, on the pattern of Newtonian Physics. Instead, we look at how the

theory has evolved through time, strongly shaped by the historical experiences of European societies. The birth of economics in Europe is nearly unanimously dated to Adam Smith, who defines the subject as follows:

Adam Smith [SS]: Political economy proposes two distinct objects: first, to provide a plentiful revenue or subsistence for the people; and secondly, to supply the state or commonwealth with a revenue sufficient for the public services.

Note that such a definition could not be contemplated in a society governed by Christian principles: “the love of money is the root of all evil” & “it is easier for a camel to go through the eye of a needle than for a rich person to enter the Kingdom of God!”. Smith could define economics in this way only because of the waning of religious influence, and the rise of secular modernist thinking. In this modern economics, shaped by Smith, the normative goals for both the society and individuals within the society are the pursuit of wealth.

When Smith published his work, ‘political economy’ referred to ‘the art or practical science of managing the resources of nations, so as to increase its material wealth’. Smith conceived his project *holistically* and as substantially *practical*, not analytical. Successors of Smith accepted the broad outlines of his definition, but were concerned with transforming this historical and qualitative effort into a “science”. But where would the “laws” of this science come from? Mill (1844) settled this “unsettled” question in his definition: The new science was to be based on the “laws” of human nature:

John Stuart Mill [SS] : The science which treats of the production and distribution of wealth, so far as they depend upon the laws of human nature.

Karl Marx plays a central role in any history of evolution of economic thought. He observed the enormous amount of injustice and exploitation of laborers in the industrial economy, and characterized capitalist economies in the following terms:

Karl Marx: Capitalist economies are driven by class conflict between capitalists and laborers. Capitalists maximize profits by massive amounts of surplus production, and increasing exploitation of labor. The increasing inequality and oppression cannot be sustained in the long run, and will lead to a revolution by the laborers. The post-revolution communist economy will remove inequality by placing the means of production in the hands of the government. Production, distribution, and consumption will be done justly and equitably.

Karl Marx was the last of the “moral philosophers”. The Newtonian perspective led to the misconception that economics was driven by laws, and our moral evaluations play no role in a study of economic laws. Nonetheless, classical economic

theory was concerned to refute Marx, and show that capitalist economic systems produced the best possible economic outcomes, and divided wealth equitably between capitalists and laborers. The last of the great classical economists characterized economics as having a dual objective: the study of wealth, and that of human behavior:

Alfred Marshall [SS]: Political Economy or Economics is a study of mankind in the ordinary business of Life; it examines that part of the individual and social action which is most closely connected with the attainment and with the use of material requisites of well-being. Thus, it is on the one side a study of wealth; and on the other, and more important side, a part of the study of man.

Classical economists considered material well-being of human beings as their central object of study. A radical transition took place in the early 20<sup>th</sup> Century under the influence of logical positivism. According to this philosophy, science was concerned purely with observables, in contrast to religion, which dealt with unobservables. Concerned to protect the image of economics as science, economists searched for a way to eliminate the “unobservable” well-being from the definition of economics; see Cooter and Rapaport (1984) for details. Lionel Robbins came up with the modern definition, which looks at observable choices of human beings rather than the unobservable sensations of well-being which arise from consumption of goods:

Lionel Robbins [SS] Economics is the science which describes human behaviour as a relationship between (given) ends and scarce means which have alternative uses.

This last transition cut all possible connections with Islamic views of economics. By replacing “material well-being” with the science of choice, the crucial distinction between needs and wants was lost. Instead, the notion of “consumer sovereignty” came into existence: all needs, wants, desires, must be treated on par, and we cannot question the origin of these desires. Wellbeing allows us to differentiate between the needs which are necessary for survival from those desires which are whimsical, and do not contribute to welfare. But consumer sovereignty blocks the possibility of making such distinctions. From the Islamic point-of-view, two consequences are of central importance:

1. The Shari’a encourages fulfillments of needs and enjoyment of comforts, but prohibits the pursuit of idle desires. Thus the “scarcity” methodology which does not distinguish between needs and wants is not compatible with an Islamic approach to economics. The issue of whether or not we should try to fulfill wants is a

purely normative one. Zaman (2012) shows that scarcity emerges only if adopt the hedonist and utilitarian norms which encourage fulfilment of all desires, without questioning the source of the desire.

2. Needs are bounded and can be fulfilled. Wants are unbounded, and increase further when they are fulfilled. As I have shown in “Scarcity: East and West” (Zaman 2010), there is no scarcity if we confine the task of economics to the fulfilment of needs only, and not wants. Unlike Eurocentric Economists who take it as their job to fulfill all needs and wants, without questioning their origin, Islamic Economists must differentiate between the two.

Gandhi famously said that “there is enough for everyone’s need, but not enough for everyone’s greed”. The World Bank defines the poverty line as \$2 per day, and estimates that there are about a billion people below the poverty line in 2020. Estimating the poor’s own resources at \$200 Billion, This means that about \$500 billion would be needed to eliminate poverty from the world. The US discretionary defense budget is more than \$700 billion. The world cosmetics industry is worth around \$400 billion. UN FAO estimates that about \$300 billion of food is wasted annually. There is a whole class of goods meant purely for conspicuous consumption – the consumer displays the purchase as a symbol of wealth. The value of goods which can be classified as “useless” runs into trillions of dollars, by any reasonable criterion of uselessness.

Examining these figures leads to the realization that “scarcity” is a scam. The problem is “Israf” and “Tabzeer”, as Islam teaches us. There is a vast amount of resources available for all human beings on the planet. The problem is the lack of understanding that we are all one family, sons and daughters of Adam and Hawwa AS. The concept of “scarcity” suggests that poverty exists because “there isn’t enough for all”. In fact, there has always been plenty to provide amply for the needs of all, if we recognize the rights of the poor in the wealth of the rich.

In this very brief history of the development of definitions of economics, our main concern has been to link the definitions to historic developments in European thought. This is meant to clarify that definitions emerge, not out of some abstract conception of the “search for truth”, but in response to historical needs and intellectual fashions. Logical positivism, which was enormously popular in the early 20<sup>th</sup> Century, had an equally spectacular crash in the latter half of the 20<sup>th</sup> Century. Since current foundations of economics are based on logical positivism, a necessary consequence should have been the re-consideration of these foundations. But, for various complex reasons, this has not taken place. For more details, see Zaman (2013). Economists remain strongly committed to central propositions

of logical positivism, even though this philosophy has collapsed completely. One of the main reasons for this is intellectual inertia. Thousands of economists trained upon these false foundations are in senior positions in academia, government, and the private sector. Thousands of fresh Ph.D. trained in the same way graduate every year. There is a strong vested interest in maintaining current intellectual structures, which prevents the possibility of a revolution in the heartland of capitalism. This provides with a golden opportunity to build Islamic Economics on revolutionary new foundations, and create a viable alternative to Eurocentric Economics.

### A Two-step Strategy for Development of Islamic Economics

As we seek to rebuild Islamic Economics on new, non-Eurocentric, foundations, one of the first questions we face is the scope and audience for this new theory. As we will see, the proposed definitions of Islamic Economics are divided on this question. While the majority of authors specialize the applications of Islamic Economics to Muslims and to Islamic Societies, some of the key authors feel that the message of Islam is universal, and teachings of the Quran applicable to all human beings. Therefore, our discipline of Islamic Economics should also be universal. In this controversy, I believe that we must use a two-step strategy. For initial product development, both on the theoretical and the practical front, we should limit our intended audience to Muslims only, and target Islamic countries for applications. It is only at a later stage that efforts to engage with the West will prove useful. Four reasons for this two-step strategy are listed below.

**First**, it seems an impossible task to try to convince those who disagree with us about the fundamentals of Islam about the validity or rationale of Islamic economics. Furthermore, there is substantial loss to us from making such an attempt. Islam is indeed universal, but it is up to us Muslims to demonstrate this by providing a living model. We cannot ask the West to live according to Islamic principles when we do not do so ourselves.

**Secondly**, any genuine Islamic Economics must take Quran and Hadeeth as axiomatic. This assumption is not shared with a Western audience. Any article addressing a Western audience will necessarily compromise on this issue. Ground rules of Western intellectual discourse do not permit appeal to religious authority, in direct contrast and conflict with rules of Islamic intellectual discourse. This means that to talk to the West, we must forego the natural language of discourse, grounded in fourteen centuries of Islamic tradition, for Islamic Economics. This imposes huge costs; we must defend Islamic principles on rational grounds, without appeal to Wahy. One cannot afford to discuss and establish from scratch foun-

dational principles, if we are going to build upon them. Confining ourselves to discourse which can be published in a Western journal means abandoning our own rich intellectual tradition. This is a huge cost to pay for the attempt to be universal.

**Thirdly**, conventional mainstream economists do not tolerate dissent, and have successfully marginalized many different types of critics, all of whom had legitimate and even powerful critiques. It is virtually impossible that they would tolerate the radical dissent that a genuine Islamic economics would represent. Thus, it seems like a futile and wasted effort to try to communicate with them, and to bring them on board. At the same time, making such efforts would be very costly in terms of diverting us from our main objective, which is to create a model Islamic economy based on radically different principles from the greed and competition at the heart of the capitalist economic system.

**Fourthly**, Islam offers an alternative vision of a society based on cooperation and community harmony, people who take care of each other in times of need, and an economic system to match. Historically, Islamic civilization has taken much better care of its disadvantaged and poor, as well as minorities (by offering them religious and cultural freedom), than any others, including current European civilizations. Looking at the poor state of Islamic societies today, many are skeptical and dubious about these statements and regard them as myths and idealizations of the past. However, it is on the record that about one third of the land in the Ottoman Empire was devoted to Awqaf, meant for benevolent and charitable projects, and served entirely by private citizens. Studies of charity even today show that Muslims give much more to the poor than comparably endowed communities. Success in Islamic economics will not depend on theoretical developments, but will depend on our ability to create a transformation in our society which serves as a model for others. Obviously, we cannot hope to create this transformation in the West, which does not share our ideals and goals. In particular, Eurocentric economics is built on foundations of greed, hedonism, individualism, which are opposed to Islamic ideals of generosity, cooperation, and social responsibility. We must first create a living model within Islamic societies, before we can export it to the rest of mankind. This is why it is essential to target our efforts towards Muslims in the first instance.

## A Coherent Approach to IE: Unity in Diversity

In the previous sections we have sketched the thesis that modern economics is founded on an obsolete methodology based on Newtonian physics, which is not suitable for the study of human beings and societies. We have also sketched a

three-dimensional methodology which gives primacy to the normative goals as the driver of social transformations which are of central importance for humanities. Within this conceptual framework, we can articulate a definitive subject matter and methodology for Islamic Economics which can form the basis for a radical approach to subject, rebuilding the discipline on new foundations. Hafas Furqani (2018) and Shameem Siddiqui (2011) have both provided an extensive discussion of alternative definitions of economics and Islamic Economics. In our discussion below, we will use [HF] and [SS] to cite these two articles, where the original quotes and references to original sources can be found. Our goal is to create a coherent picture of the discipline by resolving the conflicts, and combines the area of agreement, to create a common platform for the future of the discipline. The methodology of “تطبيق”, harmonizing conflicting views, is one of the essential elements of the art of Fiqh.

Our resolution of the conflicts is based on a simple but fundamental insight: modern economic continues to be a branch of moral philosophy, exactly as it originated. This normative status has been concealed because of methodology borrowed from Newtonian physics, which creates the false impression that there are “laws” of economics. . Gutting & Oksala (2003) express the central message of Foucault as: “*modern human sciences (biological, psychological, social) purport to offer universal scientific truths about human nature that are, in fact, mere expressions of ethical and political commitments of a society*”. In fact, the laws of the economic system are chosen by us. We can choose between different varieties of capitalism, communism, socialism, and various types of welfare states. This was clearly understood by the founding fathers of Islamic Economics: they offered an Islamic Economic system as a radical alternative to capitalism, communism, and socialism, the economic systems developed in the West.

Modern Economics is the religion (way of life) of secular modernity, based on the use of Eurocentric ethical and political frameworks to solve economic problems. Once this is understood, the path to an Islamic alternative becomes crystal clear. We should use the ethical and moral framework of the Quran and Sunnah to solve modern economic problems. In striving for unity, it is encouraging to note that the majority of existing definitions of Islamic Economics actually arrive at exactly this conclusion. They express the identical conception of IE, framed in slightly different terminology. There are two common mistakes in applying this methodology:

i. Using ancient fatawa designed for pre-modern economic systems. We cannot construct an Islamic monetary theory by copying the fatawa regarding money of the ancient jurists, which were designed for different financial systems. To under-

stand the nature of modern money, we must understand the global financial system, and how it evolved under the impact of the Bretton-Woods agreement of 1944, the Nixon Shock of 1971, and the financial de-regulation which started from the Reagan-Thatcher era. Genuine efforts must be expended to understand the nature of modern financial systems before reasonable and realistic fatawa can be developed for modern economies. The general point is that we cannot cut-and-paste solutions to ancient problems as the solution to modern problems. The Fiqh of Islam provides us with a methodology to search for solutions, not ready-made solutions.

ii. The opposite mistake is to take modern financial systems, together with their underlying Western financial theories, as givens. Then the “Ijtihad” goes in the direction of discovering how to match fatawa to modern finance – something has been termed “financial engineering”. Instead of Islamizing modern finance, we end up Westernizing Islam. This mistake emerges from not recognizing Eurocentric Economics as a religion. Then we take the Fiqh of the West as the solution to modern economic problems and strive to update ancient Fiqh to match Eurocentric fiqh based on radically different ethical foundations.

The modern era poses genuinely new problems of a kind which have not been faced before in the history of the Islamic Civilization. Genuinely new alternatives to modern institutional structures must be found. As an illustration, consider the institution of Waqf. Even though the concept of WAQF must be an essential part of any Islamic financial solution, the shape and form of the WAQF must be adapted to modern requirements. Similarly, modern forms of banking and finance have no parallel in Islamic history. Developing genuine alternatives requires creative exploration of alternatives; see “Building Genuine Financial Institutions” (Zaman 2015b) and “A New Vision for Islamic Banking” (Zaman 2020) for some ideas on how this may be done. The important point here is that the relevant experience and knowledge required to construct such alternatives will emerge in the process of the struggle for change.

## **Applying Ancient Fiqh Methodology To Solve Modern Problems**

After the discussion of general consideration in the previous section, we turn to specific definitions. As we will see, the vast majority of definitions are in conceptual agreement, although there are differences in phraseology and emphasis on different aspects and dimensions of the topic. Our first seven definitions all express the same central insight: we should apply Islamic solutions derived from our rich intellectual tradition of Fiqh, based on the Quran and the Sunnah, to the solution of modern economic problems. This is what we take as the consensus view of Islamic Economics in the rest of this paper.

1. Baqir al-Sadr [HF]: Islamic economics is the way *Islam prefers to follow* in the pursuit of its economic life and in the solution of its practical economic problems in line with its concept of justice.

2. Khurshid Ahmad [HF]: Islamic economics is a systematic effort to try to understand the economic problem and man's behaviour in relation to the problem *from an Islamic perspective*.

3. Hasanuzzaman [HF]: Islamic economics is *the knowledge and application of injunctions and rules of the shari'ah (Divine Islamic law)* that prevents injustice in the acquisition and disposal of material resources in order to provide satisfaction of human beings and enable them to perform their obligations to Allah and the society.

4. Muhammad Abdullah Al-Arabi [HF]: Islamic economics is *a set of principles* derived from the *Qur'an* and *Sunnah* and constructs the economics based on those principles according to times and places.

5. Muhammad Ali Taskhiri [HF]: Islamic economics is a way which *Islam prescribes for individual and social behaviour* in the economic field and examines Islam's rules in this area.

6. Mohamed Aslam Haneef [HF]: Islamic economics is an approach to interpreting and *solving man's economic problems based on* the values, norms, laws and institutions found in, and derived from, *the sources of knowledge in Islam*.

7. Asad Zaman [HF]: Islamic economics is the effort/struggle to *implement the orders of Allah pertaining to economic affairs* in our individual lives (Micro), in our communities (Meso), and at the level of Ummah (Macro).

Collectively, these definitions convey the idea that we need to use the knowledge of the Shari'ah to guide behavior of individuals and communities, and to create institutions and laws, adapted to the needs of modern society. Asutay (2016) provides a definition of the Islamic moral economy which is perfectly aligned with above definitions, but goes deeper into the philosophical and historical background which necessitates this development at this time:

8. Asutay, M (2016): Islamic political/moral economy ... is a... social movement which aims at rescuing labour, land and capital from commodification to create a re-embedded economy and society by essentialising the Islamic values of social justice, human and economic developmentalism, sustainable economy and society, by considering to create an Islamic system of economics (as opposed to Islamic economic system) to produce a moral economy.

This definition recognizes that modern market economic is based on the commodification of labor, land, and capital, and creates vast amount of oppression, exploitation and injustice. Thus, the move to an Islamic economy will require reversing these changes which occurred in the process of the Great Transformation of European society. All eight of these definitions recognize that conventional economics is a branch of moral philosophy imbued with secular modern values of competition, greed, hedonism, and individualism. An Islamic moral economy must be built on the diametrically opposite values of cooperation, generosity, brotherhood, and social responsibility, as dictated by the Quran and the Sunnah.

## Ideal Muslims & Ideal Islamic Societies

The group of definitions above take Islamic Economics to be about finding Islamic solutions to problems faced by ordinary (imperfect) Muslims living in modern societies. The next set of five definitions talk about ideal Muslim societies and ideal Muslim behavior:

9. Gamal Eldin Attia [HF]: Islamic economics is an economy that governs a society which is ordered in accordance with Islamic teachings; the institutions of such a society operate based on true Islamic principles, while its individual members believe in Islamic values and, in their daily lives, tread the straight Islamic path.

10. Ibrahim al-Turki [HF]: Islamic economics is a social science which studies the economic problem of the society who practices Islamic values

11. A. Mannan [HF]: Islamic economics as a social science which studies the economic problems of people imbued with the values of Islam.

12. Metwally [HF]: Islamic economics is the study of the economic behaviour of the true Muslims in a society which adheres to the Islamic doctrines derived from the Qur'an, Sunnah, Ijmā' and Qiyās.

13. Ahmad, Ziauddin (1991): Describes the ideal goals of an Islamic state with an Islamic government with ideal Muslims in the positions of power. The goal of policy is the implementation and actualization human dignity, Islamic morality, adherence to the Shari'ah, and the provision of the basic and minimum needs of all those who make up the membership or the Islamic society.

How can we harmonize these five definitions with the first eight? When we talk about behavior of true Muslims in ideal Islamic societies, this can only refer to the times of our Prophet Mohammed SAW. In Islam, an ideal Muslim society and true Muslim behavior is not an abstraction about some Platonic world of ideals. Rather, it refers to actual life in Mecca and Madina in the time of the Prophet and

the rightly-guided Khaleefas. The economic study of this period is the source material for the Fiqh, and the basis of the rules which we must apply to the solution of our modern problems. The above five definitions refer to what must be the first step in any study of Islamic Economics: the study of the ground rules for economic institutions and behavior in the era illuminated directly by the light of Islam. The second step is to apply this knowledge to modern societies, as already discussed in the context of the first eight definitions. Obviously, any study of ideal Muslims and ideal Islamic societies can be of no value unless it is used to guide our actions in the present. Thus, the above five definitions are also in harmony with the first eight; they merely emphasize the first step in a two-step approach to the development of Islamic Economics.

## Real Muslims in Modern Societies

Instead of referring to ideal Muslims, the next two definitions refer to ‘representative Muslims’ without specifying whether ideal behavior or actual behavior is meant:

14. Muhammad Arif [HF]: Islamic economics is the study of Muslim’s behavior who organizes the resources, which are a trust, to achieve falāh

15. Naqvi [HF]: Islamic economics is a study of the representative Muslim’s behaviour in a modern Muslim society.

This is aligned with the tradition going back to J. S. Mill (1844) which regards economics as being based on the laws of human behavior. If we interpret “study of Muslim behavior” to mean the study of actual behavior of Muslims in comparison with the ideal behavior according to Islamic principles, these two definitions are also aligned with the first twelve. If we consider that human behavior is regulated by social, political, institutional, and legal structures of society, then we can also bring in these dimensions, which are currently missing from the above definitions. With these modifications, the above two definitions are also in harmony with the first thirteen.

## Production, Distribution, Consumption

Production, distribution and consumption are central economic activities of any society. Of course, these can be arranged in a wide variety of different ways. In modern societies, we have capitalist, communist, socialist, welfare states, and other models as well. All of these offer their own distinctive modes for production, distribution and consumption of goods. The founders of Islamic Economics of-

ferred visions of an Islamic alternative, founded on the fiqh of Islam, as practiced by the Islamic Civilization for a thousand years. References are provided in “Islamic Economics: A Survey of the Literature” by Zaman (2008, Section 2.1 The Birth of Islamic Economics). Many of the classical economists used this framework of production, distribution, and consumption, to characterize economic systems. The next four definitions follow this tradition:

16. Anjum [HF]: Islamic economics is a scientific discipline concerned with the theoretico-empirical analysis of the known economic realities and future economic possibilities, in the light of exploitation-free Islamic principles, in order to explore the most effective means of enhancing production, its equitable distribution and balanced consumption from the point of view of relieving economic hardships, facilitating and beautifying human life for the peace, prosperity and development of all human beings.

17. M.A. Mannan [HF]: Islamic economics is a composite social science which studies the problems of production, distribution and consumption through integrative system of exchange and transfer over time and their social and moral consequences in the light of Islamic rationalism.

18. Shameem Siddiqui [SS]: Economics is the study of how people in a society, individually and collectively, organize or could organize different aspects of production and distribution of goods and services, and allocate given resources at hand for current and future wellbeing of its people, influenced by the views held by different segments of the society about various aspects of human life. Islamic economics is then, simply, to study economics from an Islamic perspective.

19. Zaim [HF]: Islamic economics is a systematic effort to study the economic problem and man’s behavior from an Islamic perspective. It is also an effort to develop a scientific framework for theoretical understanding, as well as to design appropriate institutions and policies pertaining to the processes of production, distribution, and consumption, that will enable optimal satisfaction of human needs, enabling man to serve higher ideals in life.

These definitions do not specify the economic system within which we should study “production, distribution, and consumption”. However, all four authors agree that we should study these activities from an Islamic perspective. The Islamic perspective is radically different from the capitalist one. Islam encourage us to fulfill our own basic needs. Furthermore, it creates collective responsibility for the society to take care of the basic needs of all members of society. Also, it prohibits “Israf” and “Tabzeer” – excessive, wasteful, and luxurious consumption. Note the

dramatic conflict with neoclassical economic theory which urges the rational consumer to maximize lifetime pleasure from consumption, and does not distinguish between needs and wants. The necessity of encouraging massive consumption of luxuries arises because the production system of capitalism result in massive surplus production – far in excess of the needs of the society. The capitalist system is driven by profits, so the surplus must be marketed by creating a consumer society, where the masses are taught that the goal of life is excess consumption. Thus, the capitalist system is driven by overproduction, overconsumption, and unjust distribution. That is, the rich buy \$20,000 alligator skin briefcases, while millions of children are malnourished in their neighborhood, in stark violation of Islamic principles. Production and purchase of \$250,000 Gucci leather belts would be prohibited in an Islamic economy:

**Figure 1**

*Gucci Stuart Hughes Belt – Price \$250,000*



Source: (<https://luxatic.com/the-10-most-expensive-gucci-items-ever-sold/>)

Thus, we can take these three definitions to enrich the general principles of applying Islamic fiqh by focusing on the key areas of production, distribution, and consumption. Applying Islamic principles would lead to curbing of wasteful consumption and production, and also move towards justice in distribution, by ensuring production of goods and services to meet the basic needs for all members of society. This would create an economic system radically different from capitalism. These three definitions are in harmony with the first dozen, and show us specific details about how to apply Islamic principles to rebuilding Islamic societies.

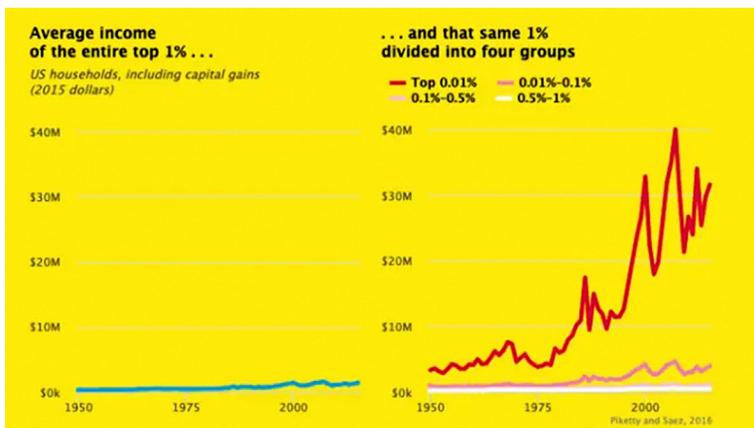
## Falah, Welfare, and Scarcity

We have argued earlier that “scarcity” is an illusion. Global military spending is around \$2 Trillion. Only about 25% of this money would be sufficient to eliminate poverty from the planet. We do not lack resources to take care of the basic needs of all of humanity; we just need to scale back on military expenditures by a modest amount. Scarcity is promoted as the fundamental problem because it serves the interests of the super-rich. The top 10 richest people on the planet have wealth in excess of \$1.2 Trillion. A 50% tax on their wealth (which is far in excess of what they could conceivably use), would be sufficient to wipe out poverty. Islam teaches us that the poor have a right in the wealth of the rich. To avoid the re-distribution that would reduce their wealth and power, the super-rich tell us that it is lack of resources which creates poverty. The solution would then lie in economic growth, to increase resources. But the data shows that the additional income generated by additional production ends up in the hands of 0.01%, and there is no trickle-down. Since the 1980’s, the wealth share of the super-rich has been rising much faster than the growth rates. Every crisis, whether the Global Financial Crisis, or the Corona Crisis, adds greatly to the wealth of the super-rich, while impoverishing the rest. If we could eliminate extravagant spending, or simply get the rich to acknowledge the rights of the poor in their wealth, this would be sufficient to eliminate hunger on the planet. Alternatively, if we could achieve peace on the planet, the reduced war budget would be more than enough to eliminate scarcity.

The following graph tells us where the wealth generated by growth, motivated by eliminating scarcity, goes:

**Figure 2**

*Rising Income Shares of the top 0.01%*

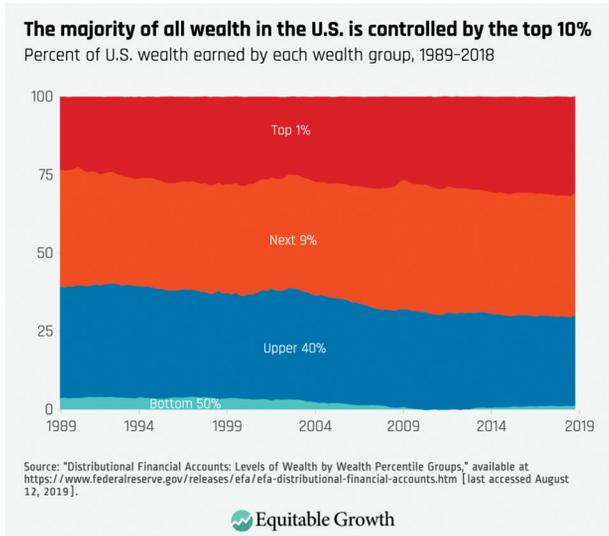


Source: (<https://northwest.education/insights/economics/never-mind-the-1-percent>)

The shares of the top 0.01% have been increasing rapidly, even in comparison with the top 1%. If we look the income classes in the population as a whole, we find that the bottom 50% share has been declining:

**Figure 3**

*Disappearing wealth share of bottom 50%*



Source: (<https://equitablegrowth.org/eight-graphs-that-tell-the-story-of-u-s-economic-inequality/>)

Thus “scarcity” as the problem, and “growth” as the solution only enriches the super-rich, and prevents us from paying attention to the Quranic solution, which is to recognize the rights of the poor in the wealth of the rich. With this explanation of scarcity in mind, we now look at two definitions based on *falah*:

20. Zubair Hasan [HF]: Islamic economics is the subject that studies human behavior in relation to multiplicity of wants and scarcity of resources with alternative uses so as to maximize *falah* that is the wellbeing both in the present world and in the hereafter.

21. M. Akram Khan [HF]: Islamic economics aims at the study of human *falah* achieved by organizing the resources of earth on the basis of cooperation and participation.

Since the concept of *falah*, and how it can be achieved, can only be understood in light of the Quran and Sunnah, the definition of Zubair Hassan is aligned with earlier definitions. However, it uses the terminology of “wants” and “scarcity”

which are in conflict with Islamic ideals. As discussed earlier, scarcity arises when the “wants” of the billionaires are put on par with the “needs” of the hungry for food. We can rectify the definition by saying the “IE ... studies human behavior ... to maximize falah” omitting mention of wants and scarcity. The definition is limited by its focus on human behavior, while IE would also cover institutions, laws, and other related dimension of an Islamic society, constructed on the foundations of the Quran and Sunnah.

The definition of Akram Khan can be taken as a corrected and improved version of Zubair Hasan. It also focuses on falah, but has no mention of “wants” or scarcity. In addition, it adds the crucial elements of cooperation and participation, which are very much aligned with the Islamic spirit, and opposed to the capitalist concepts of competition and individualism. It is also not restricted to “human behavior”; rather it asks about how falah can be achieved, which would involve all dimensions of individual, social, economic, political, and institutional. Thus, we can accept this as a correct definition of Islamic economics, aligned with the first fifteen.

## Basic Needs

The Quran puts a lot of emphasis on the feeding of the poor. From an Islamic perspective, making sure that basic needs of everyone in the society are met, has much greater priority than the accumulation of wealth. This point is argued in detail in Zaman, (28 Feb 2015a). Many have the mistaken idea – coming from the scarcity perspective – that we must accumulate wealth in order to feed the poor. As we have seen earlier, this is an illusion. There are already enough resources to feed everyone – the problem is not to get more resources, but to redistribute existing resources equitably. With this background in mind, we present the next two definitions, which make ‘the fulfillment of needs’ the fundamental principle of Islamic Economics:

22. Al-Masry [HF]: Islamic economics is a study of scarce resources and their development in order to fulfil the needs of human beings according to Islamic rules.

23. Ghanim [HF]: Islamic economics is a science that studies how to fulfill human’s needs, individually and collectively, by utilizing the resources, based on the Islamic frameworks and principles.

Ghanim and Al-Masry focus on fulfillment of needs of human beings. Ghanim does not mention scarcity. If we omit “scarce” resources from Al-Masry, we arrive at a partial and specialized, but valid, conception of Islamic Economics. In this conception, IE is concerned with fulfilling material needs so as to provide human beings with the space and opportunity to pursue higher goals. This can indeed

be a useful and important branch of IE, while leaving room open for many other branches in other dimensions. Just as conventional economics has many branches – micro, macro, industrial organization, monetary trade, etc. etc. – fulfillment of basic needs would be one of the important branches of Islamic Economics.

## Islamic Socialism

The definition of Masudul Alam Choudhury, as presented by Hafas Furqani, is so broad that it could cover anything at all. Nonetheless, being firmly grounded in an Islamic value system, it is in harmony with the central definitions of Islamic Economics already presented earlier:

24. Masudul Alam Choudhury [HF]: Islamic economics is the sum total of historical, empirical, and theoretical studies that analyze the human and the societal wants in the light of an integrated Islamic value system.

Fortunately, we can get deeper insight into Choudhury's desired definition for Islamic Economics from his paper entitled "Principles of Islamic Economics" (Choudhury 1982). In this paper, he formulates three central principles for Islamic Economics:

1) The principle of Tawheed and Brotherhood links up our duties to men with our duties to God. In more practical terms the essence of Tawheed and Brotherhood lies in equality and cooperation.

2) The second basic principle of Islamic economics is that of work and labour compensation for work performed.

3) The Principle of Distributional Equity: The third major principle of Islamic economics is the right of society to redistribute private property.

A brief historical sketch is necessary to explain how closely the above three points are connected with Marxism. Because of the atheism of the communist states, Muslim thinkers generally rejected Marxist theory without much attention to details. In fact, Marx's vision of a classless society, where needs of everyone are provided for, is strongly aligned with Islamic conceptions. This Marxist vision matches the first principle of Choudhury. According to Marx, inequality and exploitation of laborers resulted from the power capitalists acquired due to their ownership of the means of production. His solution was to eliminate private ownership of capital. The second and third principles of Choudhury are strongly aligned with the Marxist diagnosis and solution to the problem of injustice of capitalism. The third point above is central to Marxist theory. History is driven by class struggle,

and the power of classes depends on their property, so redistribution is an essential tool for equity. Similarly, guaranteeing equitable wages is essential to ending the exploitation of laborers by capitalists.

From an Islamic perspective, both of the points 2 and 3 are acceptable, but not central. Instead of 2, one would prefer to ensure that *all earnings should be halal*, whether it is wages of the laborers, earning of the capitalists, or any other type of earning. When we create a society based on brotherhood, love, and social responsibility, class struggle is eliminated. Thus, property redistribution, central to Marxist theory, is not-so-central in Islamic societies. Pragmatically speaking, the spread of capitalism by colonization throughout the Islamic civilization, has created greater importance for Marxist theory as a counter to capitalist thought. Although they have been few in number, Islamic Marxist thinkers have played an important role in post-colonial history in the Islamic world. Thus, Choudhury's version is acceptable as a branch of Islamic Economics which provides a counter to capitalist tendencies.

## Secular Definitions of IE

The following principle would command consensus, among Muslims and non-Muslim scholars: *an "Islamic" field of knowledge must accept the Quran and Sunnah as the final authority on any dispute*. This is just part of the meaning of "Islamic" that the term refers to the final message of God to mankind, embodied in the form of the Quran, and personified in the character of our Prophet Mohammad SAW. The next five definitions fail to qualify as "Islamic" on this simple ground.

25. M. Umer Chapra (2000, p. 125): Islamic economics is a branch of knowledge which helps realize human well-being through an allocation and distribution of scarce resources that is in conformity with the maqāṣid, without unduly curbing individual freedom, creating continued macroeconomic and ecological imbalances, or weakening family and solidarity of moral fibre of the society.

26. Monzer Kahf [HF]: Islamic economics is the study of economic behavior of men and women, as individual economic agents, and as communities and collective entities.

27. M. Fahim Khan (2015): Islamic economics is a study of human behaviour relating to the attainment of material requisites of wellbeing.

None of these three definitions make any mention of the Quran and Sunnah as the primary sources of knowledge, the foundation on which all other knowledge rests. As such, they do not qualify as definitions of Islamic Economics. Since Umer Chapra and Monzer Kahf are among the pioneers and leading lights of Islamic Economics, it is worth examining their stance further.

In Chapra's definition above, if we replace wellbeing by "falah", and replace Maqasid by the Quran and Sunnah, we will come pretty close to earlier, correct, definitions of Islamic Economics. Chapra is motivated by the desire to appeal to a Western audience. He mentions that the use of the term "Islamic" is a strategy, to get Muslims on board with an essentially secular definition. Zaman (2003) reviews Chapra, and discusses the flaws in this strategy. It is true that if we appeal to Quran and Sunnah as the final authority, we will not be able to attract a secular audience. However, by not acknowledging the Quran and Sunnah as the final authority, we lose touch with the roots of Islam, and the possibility of building a genuine alternative to conventional economics.

Since Kahf deliberately avoids references to the sources of Islamic knowledge, his definition of Islamic Economics is similarly unacceptable. S.A. Siddiqui (2011, Section 5.2) has discussed the idea of Kahf that Islamic Economics should make no mention of "Islam" at length, and provided many arguments against it. To these, I would like to add the following remarks. When the scholars in our intellectual traditions were advancing the frontiers of knowledge, they were the thought-leaders of the world. They did not need to use the prefix "Islamic" because there was no competition. Today, European intellectuals have invented the "social sciences" based on Eurocentric conceptions of history, but they do not attach the label "Eurocentric" to social science. They automatically assume universal validity of the European historical experience, and impose this conception on the rest of us; see "The Puzzle of Western Social Science" by Zaman (2020) for details and clarification. Similarly, "economics" refers to capitalist economics, and is completely different from Marxist economics. Marxists need to add the term Marxist to clarify that they are not talking about conventional capitalist economics. Because capitalist economics is the dominant and widespread, mainstream economists do not add the adjective "capitalist" to economics. Similarly, when Islamic scholars regain thought-leadership of the globe, we can safely omit "Islamic" as a description of our scholarship; this will automatically be understood. However, at the present time, if we omit the label, our definition will automatically be confused with capitalist economics.

It is important to note that both authors, Umer Chapra and Monzer Kahf, have made significant contributions to the discipline of Islamic Economics for many decades. In rejecting their definitions, we are not rejecting their valuable contributions. However, it is a plain and simple fact that the adjective "Islamic" can only be applied when the Quran and Sunnah are explicitly acknowledged as the primary sources of knowledge. Because they fail to do so, their definitions cannot be correct definitions for "Islamic Economics".

The next two “secular” definitions also make no reference to “Islam” and the source materials for Islamic knowledge:

28. Louis Cantori [HF]. Islamic economics is simply an effort to formulate a more human-oriented and society-oriented economics that wants to deny the excessiveness of individualism within the classical economics.

29. Abu Al Makarim [SS] defines Islamic economics as “the science which deals with wealth and its relation to man from the point of view of the realization of justice in all forms of economic activities” (Kahf, 2003: 26, 41)

Louis Cantori would like to temper the excessive individualism of classical economics by creating a more human-oriented and society-oriented economics. This is a fine ambition, but it has no specific tie to “Islam”. One could use Buddhist maxims, or Christian social thought, or humanism, or feminist economics, to achieve the same goal. Abu Al Makarim recognizes that the science of wealth created by Adam Smith and followers has created extremes of inequality. He would like a science which provides for the realization of justice in all economic activities. Again, a very useful thought, but: “how to define justice?” From Aristotle to Rawls, many philosophers, and religious traditions, have created their own conceptions of justice. Unless we specify the Quran and Sunnah as the source for our conception of justice, this cannot be considered as a definition of Islamic Economics.

## Concluding Remarks

We can conclude this survey by one last definition. This is a generous definition from one of the pioneers in the field, which makes room for *nearly* all of the definitions above:

30. M. N. Siddiqi (1992): Islamic economics is the Muslim thinkers’ response to the economic challenges of their times. In this endeavour they were aided by the Qur’an and the Sunnah as well as by reason and experience,

This definition says that Islamic economics is the response to economic challenges by Muslim thinkers. In such a broad definition, all modern Muslim thought about economics would be covered. To avoid this overly broad definition, M. N. Siddiqi mentions reliance on Quran and Sunnah as an essential part of the definition. This is an agreement with our classifications: the Quran and Sunnah must form the basis and foundation for any Islamic field of knowledge.

To conclude, the essence of our definition is that Islamic Economics is the outcome of attempts to use the methodology of Fiqh, based on Quran and Sunnah, to find new solutions to the modern problems facing humanity today, especially on the economic frontier. Some historical background is needed to understand why this problem has become of central importance to Muslim societies in the early 21<sup>st</sup> Century. The process of European colonization covered 90% of the globe by the early 20<sup>th</sup> Century. This process destroyed indigenous economic, political, and social institutions, and replaced them by institutions adapted to efficient extraction of wealth from the colonies all over the globe. Importantly, global colonization was accompanied by the spread of Eurocentric conceptions of knowledge, which are designed to justify conquest and colonization, and are in conflict with Islamic ideals. The two world wars weakened the European colonizing powers, and opened the path for liberation all over the world. However, the inherited colonial institutional and educational structures designed for exploitation of the people, stayed in place, and remain strong all over the Islamic world.

Islam is not just a philosophy or a belief, it is a way of life embodied by unique institutions. When the institutions of governance, education, health, social welfare, family, community, service-based firms, and many others, were destroyed, Islam became a stranger to the Muslims, as prophesied. Today, all of our social, economic, and political institutions follow European patterns, instead of Islamic ones. Islamic Economics aims to restore the original economic institutional structures of Islamic societies. However, this is not a simple task of copying the institutions from our heritage. Institutions evolve and change in response to changing circumstances. For example, Basel I, Basel II, and Basel III represent attempts to regulate the financial industry in accordance with evolving needs. If Islamic societies had been functioning, the Islamic institutional structures, and the corresponding fiqh, would have changed and evolved over the two or more centuries of change that have taken place since the colonization began. This is why we cannot simply go back to the institutional structures of pre-colonial times. We need the structures that would have evolved from those pre-colonial structures over the period of two centuries of change and development. We have a two-century catch-up job to do, which is why the development of Islamic Economics on a sound basis is a difficult but essential task facing the Ummah today.

May Allah T'aala bless our efforts and struggles, open our hearts to the Noor of His guidance, and guide our struggles towards His pathways.

## References

- Ahmad, Z. (1991). *Islam, poverty and income distribution: a discussion of the distinctive Islamic approach to eradication of poverty and achievement of an equitable distribution of income and wealth*. Leicester: Islamic Foundation.
- Asutay, M. (2016). Defining and framing Islamic economics as Islamic moral economy: An attempt to embed public policy in Islamic economics to generate emergence science. *Share Journal of Islamic Economics and Finance*, 5(2). doi: <http://dx.doi.org/10.22373/share.v5i2.1241>
- Chapra, U. (2000). *The Future of Economics: An Islamic Perspective*. Leicester: The Islamic Foundation.
- Choudhury, M. A. (1982). Principles of Islamic Economics. *Islamic Studies*, 21(2), 89-107.
- Cooter, R. & Rappoport, P. (1984). Were the Ordinalists Wrong About Welfare Economics? *Journal of Economic Literature*, 22(2), 507-530.
- Furqani, H. (2018). Defining Islamic economics: Scholars' approach, clarifying the nature, scope and subject-matter of the discipline. *Turkish Journal of Islamic Economics*, 5(2), 69-94. doi: <https://dx.doi.org/10.26414/m025>
- Hodgson, G. M. (2001). *How economics forgot history: The problem of historical specificity in social science*. London: Routledge.
- Ibn-e-Khaldun. (1958). *The Muqaddimah an Introduction to History*. Translator: Franz Rosenthal, Princeton University Press.
- Manicas, P. T. (1987). *A History and Philosophy of the Social Sciences*. Basil Blackwell, Oxford and New York.
- Mill, J. S. (1844). *Essays on Some Unsettled Questions of Political Economy* (First ed.). London: John W. Parker
- Raju, C. K. (2015). Functional differential equations 5: Time travel and life. *Physics Education (India)*, 31(4). Retrieved from <http://www.physedu.in/uploads/publication/21/344/1.-Functional-differential-equations-5-Time-travel-and-life.pdf>
- Reuben, J. A. (1996). *The making of the modern university: Intellectual transformation and the marginalization of morality*. University of Chicago Press.
- Siddiqui, S. A. (2011). Defining Economics and Islamic Economics. *Review of Islamic Economics*, 15(2), 113-142.
- Tawney, R. H. (1926). *Religion and the Rise of Capitalism*. England: Longmans.
- Zaman, A. (2001). [Review of The Future of Economics: An Islamic Perspective, by M. U. Chapra]. *Islamic Studies*, 40(1), 149-154.
- (2008). *Islamic Economics: A Survey of the Literature*. University of Birmingham: Religions and Development Research Programme, Working Paper No. 22, SSRN: <https://ssrn.com/abstract=1282786>
- (2009). The Origins of Western Social Sciences. *Journal of Islamic Economics, Banking and Finance*, 5(2), 9-22.
- (2010). The Rise and Fall of the Market Economy. *Review of Islamic Economics*, 14(2), 123-155, Available at SSRN: <https://ssrn.com/abstract=2142803>
- (2010). Scarcity: East and West. *Journal of Islamic Economics, Banking and Finance*, 6(1), 87-104.
- (2012). The Normative Foundations of Scarcity. *real-world economics review*, 61, 22-39. <http://www.paecon.net/PAEReview/issue61/ZamanA61.pdf>
- (2013). Logical positivism and Islamic economics. *International Journal of Economics, Management and Accounting* 21(2), 1-28.
- (28 Feb 2015a). Hunger as the Primary Economic Problem. WEA Commentaries, 5(2), SSRN: <https://ssrn.com/abstract=2571779>

- (June 2015b). Building Genuine Islamic Financial Institutions. *Journal of Islamic Economics, Banking and Finance*, 11(2), 13-32. SSRN: <https://ssrn.com/abstract=2478277>
- (22 Oct 2015c). Deification of science and its disastrous consequences. *International Journal of Pluralism and Economics Education*, 6(2), 181-197.
- (13 Jan 2019). Islam's Gift: An Economy of Spiritual Development. *American Journal of Economics and Sociology*, 78(2), 443-491. Available at SSRN: <https://ssrn.com/abstract=3321866>
- (Nov 12, 2020). A New Vision for Islamic Banks. *Islamic Worldview Blog*. (blog post/video). Retrieved from <http://bit.ly/AZibf>
- (Apr 7, 2021a). Crisis in 2<sup>nd</sup> Generation Islamic Economics. *Islamic Worldview Blog*. (post/video). Retrieved from <http://bit.ly/cie2cri>
- (2021b). The Puzzle of Western Social Science. *Academia Letters*, Article 459