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Individual and society in an Islamic ethical framework

Exploring key terminologies and the micro-foundations of Islamic economics

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Abstract

Purpose – The paper aims to produce new key terminologies for the microfoundations of Islamic economics. The paper attempts to investigate the microfoundations of Islamic economics by exploring new perspective in the key concepts and key terminologies that would explain the behavior of individual and society in an Islamic ethical framework.

Design/methodology/approach – The paper is a conceptual paper that attempts to explore the microfoundations of Islamic economics from the primary sources of Qur'anic texts. Literature on the topics, from an Islamic and mainstream economics perspective, are reviewed critically in a comparative perspective.

Findings – The key concepts of self-interest, utility maximization and rationality are critically evaluated in an Islamic perspective and new key concepts of *huquq*, *maslahah* maximization and *taqwa* are proposed as alternatives. Those new key terminologies will broaden the horizon in understanding of economic realities of man and society and their relationship and well-being.

Research limitations/implications – The paper is based on conceptual explorations of literature in the microfoundations of economics in the mainstream economics and Islamic economics. This is a conceptual paper, so it did not use any empirical analysis.

Practical implications – The findings of this paper will give insights of the microfoundations of Islamic economics as a discipline. Those unique key terminologies derived from the textual source of Islam (*nusus*) and intellectual tradition (*turath*) are important in the attempt to develop a solid body of knowledge.

Originality/value – The paper proposes new key concepts and terminologies to be the microfoundations of Islamic economics as a discipline. It is a new approach in understanding behavior of individual and society in Islamic perspective which are different from the other approach, which modifies the conventional terminologies by adding “Islamic” prefix, such as “Islamic” utility or “Islamic” rationality.

Keywords Utility, Maslahah, Microfoundations, Rationality, Self-interest, Taqwa

Paper type Conceptual paper

1. Introduction

The microfoundations of economics are the basis of explaining how humans behave (Arif, 1985, p. 82). Economists, in this regard, develop certain assumptions to explain individual behavior, characteristics and motives in his economic activities. Those assumptions would be a framework in understanding a bigger picture of how the economy is working in solving economic problems. As society is a composite of individuals, how individuals behave would reflect the general picture of society.



Likewise, to achieve a certain macroeconomic vision, one has to influence the behavior of individuals that signify there should be consistency of values at both micro- and macro-levels as “the ethical macroeconomic system depends upon aggregations at the microeconomic level” (Choudhury, 1986, p. 231).

The substance (concepts) of these microfoundations is developed based on a certain vision of the economic agent. For neoclassical economics, it is believed that individuals behave on the basis of “self-interest”, with an aim is to maximize “utility” for their self-satisfaction. An individual who acts on that basis is said to be a “rational economic man”. Those microfoundations are actually very much normative in nature and have been severely criticized for its adequacy (for example, Lawson, 2003).

This paper discusses those microfoundations from an Islamic perspective and were found wanting. Therefore, some new concepts will be proposed. For example, the concept of “*huquq*” to replace “self-interest” as the basis of behavior, the concept of “*maslahah*” to replace “utility” as the motive of the economic agent and the concept of “*taqwa*” to replace “rationality” as the virtue of the economic agent. The approach aims at developing key concepts and terminologies that could better represent an Islamic vision of reality (i.e. Islamic worldview) and the model of an economy it would like to promote. In general, keeping the heterodox tradition in mind, we try to re-orient economics away from its narrow perspective of values, atomistic behavior/goal to a comprehensive perspective on values and holistic/integrated behavior/goal. The paper also attempts to re-interpret and re-define the conventional key terms, such as self-interest, utility and rationality, to reflect the Islamic vision. Here, we see the need re-introduce Islamic–Arabic key terms that have been proposed in the Islamic intellectual heritage (*turath*) concerning the conception of an economic agent. If the attempt is successful, the implication would be a paradigm shift in understanding and explaining human behavior as Galbraith (1971, p. 65) once said that “if assumptions become obsolete, so does the knowledge subtended thereon”.

2. The microfoundations of Islamic economics: terminological problems

Attempts at developing Islamic economics have mainly adopted a “critical synthesis” approach. While subjecting modern economics (read neoclassical) to a critical evaluation, the approach that is taken tries to integrate conventional economics into an Islamic framework in a rather mechanistic way, by selective “cut and paste” efforts and/or simply adding an “Islamic prefix” to conventional concepts. At present, the microfoundations of Islamic economics maintain the key concept of self-interest, utility and rationality with certain justifications and add an Islamic prefix to each term, such as Islamic self-interest, Islamic utility and Islamic rationality.

Such an approach, in our opinion, does not really help us in developing the foundation of an alternative discipline. This approach “will not take us any where”, “except into repetition of segments of the neoclassical reasoning” (Choudhury, 2007, p. 58), it could also distort the development of a genuine discipline of Islamic economics. The approach adopted rarely involves a serious attempt to re-evaluate the fundamental tenets of the received paradigm, and has done injustice to what can be a potentially meaningful agenda.

To develop Islamic economics, not only do the key economics concepts/terms need to be re-examined critically, they should be re-defined in an Islamic framework and, if

possible, replaced by new key concepts or terminologies that are not only able to provide realistic solutions that also properly project an Islamic worldviews/values.

This “linguistic turn” is a normal event in the history of science, which, according Golinski (1990, p. 112), will take place in three distinct attitudes to language:

- (1) the symbolic (that examine language in relation to the objects to which it refers);
- (2) the hermeneutics or semantic (that interpret language as a system of meanings); and
- (3) the rhetoric (that analyze the way in which it serves the interests of its producer).

For Islamic economic development, the “terminology-shift” is also part of “paradigm shift” from the mainstream economics, for many concepts in knowledge are a reflection of worldview which cannot be simply translated into the concepts of another worldview (Acikgenc, 1996, p. 25). Mirakhor (2007, p. 15) also notes that “Islamic economic paradigm will be successfully constructed, and solutions proposed to society’s problems, when a clear and analytically rigorous language of discourse is developed”[1]. This embarks from the belief that language is essentially bounded by culture and value system. Language is their external expression and represents the worldview of people.

The mainstream economic terms of rationality, self-interest, utility maximization, freedom, scarcity and competition are not simply free of value. They emerged in a certain cultural milieu, intellectual tradition and historical context/epoch and have been developed to promote a certain worldview that reflects a certain capitalist concept of economic realities. Therefore, they are unique to that particular system of thought, value-laden, have moral and ethical implications and might not be relevant to Islamic values/traditions. It is developed in the tradition of mainstream economics, which, according to Hodgson (1988, p. 322), provides mechanistic reduction of realities or teleological system of explanation, an effort that has been widely criticized for its inadequacy and ambiguity to explain realities. While it is acknowledged now that the realities are much more complex, heterogenic, diverse and sophisticated, economic language is developed in a simple, narrow and reductionist manner that would prevent a comprehensive interpretation of realities (Lawson, 2003)[2].

Therefore, in the case of Islamic economics, we see that in some significant aspects, the inadequacy of “foreign” language (English) in explaining the nature of human behavior. If the intellectual community do not meaningfully modify or replace the terms by Islamic-terms, the so-called Islamic economic framework of analysis might be misleading. While it is not to deny that at the early stage of formation of discipline borrowing, useful ideas or key concepts from another discipline/tradition may be a natural course in the evolution of ideas, just as it was the case civilizations of the past (Mirakhor, 2007, p. 15). However, in the long run, more effort needs to be put in developing a language that is more comprehensive (that describes the nature, tendencies and needs of human beings) and universal (can be applied to all human beings) and at the same time, guide humankind in the “right” direction (i.e. should be purposive) in line with the Islamic perspective. In this perspective, scholars, like Al-Faruqi (1986) and Al-Attas (1995) recommend to re-introduce Arabic-Islamic key terms and concepts in discourses concerning Islam in English. These terms could properly reflect an Islamic worldview (philosophical view), Islamic character of knowledge and explain Islamic

goals. Generally, this would be a minimum effort, to re-Islamize and counter the rising tide of secularization of the Muslim mind.

This could be done by looking back the Qur'anic terminologies and by investigating the Islamic intellectual heritage (*turâth*) to see what were the key terms used, and at the same time, re-presenting the whole body of Islamic wisdom in an understandable contemporary language (Nasr, 1967, p. 110). The Qur'anic terms are potentials to be Islamic economics key terms/concepts not only because they could explain comprehensively the behavior of the human being, but also represent the distinct identity of Islamic economics[3]. According to Izutsu (2002), the Qur'an is "a large semantic field, a self-sufficient system of words into which all words, whatever their origins, have been integrated with an entirely new systematic interpretation". In this endeavor, Izutsu's semantic approach to the Qur'an could be utilized to develop Islamic key terms on economics. The semantic analysis of the Qur'an, according to Izutsu (2002, p. 3), should be understood in the sense of the Qur'anic worldview, i.e. the Qur'anic vision of the universe that would deal mainly with the problem of how the world of being is structured, what are the major constituents of the world and how they are related to each other.

Those key terms/concepts, however, should also be clear, rigorous and analytical to explain the behavioral rules and norms of an Islamic system and can yield empirically testable propositions. As suggested by Nasr (1994, p. 36), they should also bear the impression of "shift of paradigm" and the establishment of a new philosophy of economics in an Islamic framework. This effort could strategically bring intellectuals to the "discipline consciousness" of the ability and viability of Islamic economics to be a distinct science on its own, not to be a subordinate or a branch of mainstream neoclassical economics. In addition, this effort could lay the foundation to "intellectual consensus", as Mirakhor (2007, p. 8) suggests, of:

[...] a common language with agreed definitions of words, terms, and concepts, including a clear specification of the institutions that define the ideal Islamic economic system and of the individual and collective behavior expected in such system.

3. The microfoundations of Islamic economics

In the light of the above arguments, we believe that there is a need to propose and develop Islamic key terms/concepts in the microfoundations of Islamic economics to establish a solid body of knowledge of Islamic Economics. In this regard, three key concepts will be proposed, namely, *huquq*, *maslahah* and *taqwa* as an alternative to the concepts of *self-interest*, *utility* and *rationality*, respectively, which serve as the microfoundations of mainstream "neoclassical" economics.

3.1 The basis of relationship: *self-interest* vs *huquq*

Mainstream economics starts by assuming that generally human beings pursue their own self-interest. Man, his function and aim, can be nothing else than involving to preserve oneself and one's purpose (Fromm, 1990, p. 26). Self-interest has a meaning that the human being is an autonomous/atomistic being who measures value at the level of personal impulses, desires and preferences (Ryan, 2003, p. 249). Sen (1990, p. 80) describes the structure of "self-interested behavior" as having three distinct and essentially independent features:

- (1) *Self-centered welfare*: Where a person's welfare depends only on his or her own consumption (and in particular it does not involve any sympathy or antipathy towards others).
- (2) *Self-welfare goals*: Where a person's goal is to maximize his or her own welfare, and given uncertainty the probability weighted expected value of that welfare (and in particular, it does not involve indirectly attaching importance to the welfare of others).
- (3) *Self-goal choice*: Where each act of choice of a person is guided immediately by the pursuit of one's own goal (and in particular, it is not restrained or adapted by the recognition of mutual interdependence of respective successes, given other people's pursuit of their goals).

Islamic economics, while recognizing individual's self-interest as part of the human nature, does not consider it as an absolute concept to explain the motives of human behavior. This is because individual's self-interest is not exclusive as all "beings" (society, animals, plants and other creatures) are having their own interests/rights. Therefore, in Islamic literature, we find the discussion is more on the concept of *huquq* (self-right and obligation), rather than that of self-interest. In this perspective, all beings that exist have certain rights, exclusive naturally to him-/herself, and certain obligations to be delivered to other beings. The concept of *huquq* could better explain the relationship of man and nature and properly put the ethical foundation in this relationship in an Islamic framework.

Huquq or in a singular form *haqq* is translated as "truth", "real", "certainty" (*al-tsubut*), "right", "claim" (*al-nasib wa al-haz*), "obligation" and "responsibility" (*al-wujub, al-mas'uliyah*) (Sharbasi, 1981, p. 117). It also means "beneficence" and "public good" (*al-khayr wa al-maslahah*) (Kamali, 1994, p. 11). Those meanings signify two dimensions of *huqûq*. First, *huqûq* means right and responsibility/obligation (as it is denoted in Qur'an, 6:141; 51: 19; 70:24-25). This implies that while human being is acknowledged to have an exclusive entitlement/assignment (*ikhstisas hajiz*) that established an authority/power (*sultah*), at the same time he has a responsibility/obligation (*al-wujub*). Second, *huqûq* also implies the claim of right should be directed to the higher values/objective such as justice (*'adl*), righteousness (*ihsan*) and *maslahah* (beneficial). *Al-Haqq* is one of the most repeated names of God in the Qur'an, implying that not only the concept has a broader perspective and metaphysical connotation but also the central role of God in conceptualization of the notion of right and obligation and, in this regard, in the notion of *huquq* (Ahmadi and Ahmadi, 1998, p. 189).

Several conceptual differences and its implications in developing the microfoundations of Islamic economics between the two concepts are as follows:

First, while the concept of self-interest is based on a "unitary self-view", the concept of *huquq* is based on "holistic and integrated self-view". All realities in a secular worldview, following the natural law of gravitation, have been reduced to the level of individual. A human is considered as an autonomous/atomistic being that measures value at the level of personal impulses, desires and preferences for all his activities (Ryan, 2003, p. 249). Man is the centre of all beings (anthropomorphic in nature), a purely earthly creature, isolated, divorced and cut-off from the Divine source and responsible to no one but himself, independent of any external elements of society, environment and even God. Human-self in a unitary self-view is having one single identity, either

individual identity (as in capitalism) or social identity (as in socialism). Both identities are always in conflict and cannot exist simultaneously unless at the expense of the other. While capitalism glorifies the individual identity of self, socialism sees the ultimate identity of self to be a social being whereby individuals dissolve their selves into it.

The concept of *huquq* upholds a holistic/integrated self-view of individual. As his self is composed of the physical body (*jism*), spirit (*ruh*), soul (*nafs*), heart (*qalb*) and intellect (*‘aql*), and having free-will to either choose the positive or negative behavior, the human being is a unique being with complex behavior and having multiple needs and goals. Likewise, an individual's self is having dual identities: individual being and social being. This implicates that an individual, while having the capacity and tendency to fulfill his own interest, at the same time, also has a tendency and capacity to pursue society's interest as he is a social being. In other words, the instincts that serves human virtue, sacrifice, generosity and sharing are the same as those that suit man's sense of aggressiveness, material acquisitions, selfishness and egotism (Azzam, 1993, p. 284). This perspective implicates that the concept of *huquq* upholds a broader perspective in understanding individual's self instead of reducing it into the concept of pursuit of self-interest to attain physical satisfaction and earthly pleasure.

Second, while human behavior in the concept of self-interest is “unitary and static”, in the concept of *huquq*, it is “reciprocal and dynamic”. Individual behavior in the concept of self-interest is having a unitary perspective with a “one-way motive direction”. The basic axiom is individual is motivated by his self-interest, and, therefore, will certainly aim at maximizing his own utility for the sake of his pleasure even at the expense of other's interest as implied in the Pareto optimality principle, or at the expense of nature. Nature, in this perspective, is viewed as something to be exploited for individual desire-satisfaction.

In the concept of *huquq*, individual behavior is viewed in an “integrated perspective” by having “two-way direction (reciprocity)”. All beings in Islamic worldview have a particular *huquq*. This *huquq* is the *inherent (natural) self-right* that should be respected by other beings and the *inherent self-responsibility* that should be delivered to the other beings. The concept of *huquq* views individual behavior as motivated not only by *self-interest* (demanding and acquiring more of one's right) but also by *self-obligation* and *self-sacrifice* to the society and nature by “giving, caring, sustaining and developing”. This right and obligation is an Islamic basis of economic affairs in resource allocation, as well as in making choices and decisions at the micro- and macro-level.

Third, while the process of choice in the concept of self-interest is “one-way” and “static”, the process of choice in the concept of *huquq* is “two-way” and “dynamic”. The process of making choice/decisions in a self-interest framework is not complicated. With an autonomous/atomistic self-view and unitary behavior, a rational individual will make a choice/decision according to his self-interest for the pursuit of his self-utility. A dualistic view of material and spiritual, body and soul, self and society make the process of choice even easier by preferring self-utility over social utility, physical material satisfaction over moral-social well-being. The individual, in this regard, is viewed as the ultimate decision-maker who acts in social vacuum whereby he is not responsible for others and none of others' interest should be considered. Human welfare in general and environmental sustainability is viewed as exogenous variables (externalities in individual economic calculation).

He may also live in a spiritual vacuum whereby he is not responsible to God and his behavior is not directed to attaining spiritual achievement. In the concept of *huquq*, the process of making choice is both complex and dynamic. All being's rights should be taken into consideration as all realities are viewed in totality and should be studied in the whole, which, according to Nasr (1994), "reflects the principle of Unity in its wholeness, as well as in its parts". The particular domain of reality is never considered as being totally independent of other domains of reality, nor lose sight of the whole at the expense of the parts. The process of choice in the concept of *huquq* is made based on the Islamic consideration of morality (*akhlaq*), benefit (*maslahah*) and life hereafter (*akhirah*), which makes individual self-interest or pleasure as not ultimate/absolute but restricted by other's interest and directed to achieving self-pleasure characterized by having high moral standards and firm spiritual foundations.

3.2 The motive of relationship: maximization of utility vs *maslahah*

Maximization is one of the main postulates in economics that says:

- that the firms in general desires to maximize profits; and
- that the consumer attempts to maximize utility (satisfaction).

For Islamic economics, before accepting the concept, prior questions of what to maximize, how to maximize and for what purpose should be examined.

The maximization postulate in Islamic economics is examined in three aspects:

- (1) in terms of its substantive contents of what is to be maximized; utility or *maslahah*, pain/pleasure or what is beneficial/harmful?
- (2) the purpose of maximization; for self-satisfaction/pleasure or self-actualization/transformation? and
- (3) instruments or means to achieve them.

In this perspective, the concept of *maximization* itself is not a problem in Islamic economics, but the question is what to maximize, how to maximize and for what purpose is maximization. Those questions deserve further scrutiny in Islamic perspective.

In addition, in the Islamic framework, the concept of maximization will also be restructured in accordance with:

- the Islamic concept of success and progress (*falâh*) and failure (*khusrân*) in the framework of choices and decisions;
- the Islamic principle of balance and moderation (*tawâzun*) in the ethical domain; and
- the Islamic concept of the nature of the human being, the purpose of his existence and well-being.

We will argue that "homo Islamicus" aims at maximizing "*maslahah*" rather than "utility". *Maslahah* is different from utility in terms of its philosophical foundation, objective and means to realize it. The substantive content of utility can be "pleasure-pain" (Bentham, 1987, p. 65), "desire-fulfilment" (Sen, 1991) or "preferences – representation" (Broome, 1991, p. 3). In the atomistic/autonomous self-view and methodological individualism and reductionist framework of neoclassical economics, this pain and pleasure, desires and preferences fulfillment are defined and calculated at

the level of the individual and reduces happiness to an observable and quantifiable pleasure. The basis of utility is “individual’s wants/desires” and the purpose of utility is “individual’s self-satisfaction”. Every action/choice is approved or disapproved based on the perceived pain and pleasure experienced by the individual[4]. A rational individual will maximize his utility by fulfilling all his wants (desires or preferences) with the purpose of self-pleasure. The more wants are fulfilled, the more pleasure is attained. A rational economic man, therefore, in this framework will necessarily behave self-interested in a “strong sense” by “not only paying no attention to the interests of other people, but also that he always prefers exactly what is in his own interests” (Broome, 1991, p. 4).

Utility can accept any goals/desires preferred by the individual as long as they can bring him satisfaction (Leightner, 2005, p. 375). The maximization of utility, therefore, means no more than each doing as that person desires. The concept, however, is silent on the social origins or moral basis of human desire, how it is constructed and for what purpose (Hunt, 2005). The substantive content of utility can also be “anything”, even though it might be not allowed by religion or causes harm to oneself or society (Broome, 1991). This has been criticized as an attempt to avoid the “value problem” inherent in the selection among goals (Hunt, 2005). Therefore, the concept of utility in the sense of desiredness or wants-fulfillment is purely a subjective concept, and there will hardly be agreement on value-standards or a decisive answer in conventional theory of ethics in this subjective conception of values and plural interpretations of utility (Black, 2008, p. 577). An individual’s preference ordering is then simply stimulated by “things-driven” for “self-pleasure” through his wants/desires fulfillment.

The basis of *maslahah*, on the other hand, is based on the concepts of “beneficial (*salah*)” and “harm (*darar*)”. Something beneficial is something which is good, right, bring easiness and lawful, while something harmful is something which is bad, wrong, evil, causes difficulties and is unlawful. A choice is decided based on the calculation whether it could bring benefit and could eliminate harm to oneself and others. The stimulus of the actions of human beings in this regard is the “ethical goodness” with the aim of “self-realization” and “self-betterment” rather than a mere sensuous and material pleasure for “self-satisfaction/pleasure”[5]. In this framework, homo Islamicus is aware of his *huquq* (his rights and obligations towards others) and other’s *huquq* (other’s rights and obligations towards him).

Islamic economics, therefore, cannot accept the notion that all goals can be accepted as long as they bring pleasure to the self, where there is no distinction between right and wrong, good and bad, benefit and harm, virtue and vice. In the concept of *maslahah*, only good and beneficial goals to individual, community and nature are accepted. Likewise, any immoral means, exploitative and unethical behavior, although giving narrow self-pleasure, are also not valuable. In *maslahah*-oriented behavior, exploitation and consumption of nature is strictly limited only in the area of *halal* (permissible) and *tayyib* (good and beneficial) (Qur’an, 2: 168), wasteful spending is not preferred although it might increase one’s utility (Qur’an, 6:141; 17:27). Instead, a moderate spending, neither extravagance nor niggardliness, is preferred, as it brings benefit to the individual, society and environment (Qur’an, 4:36-7), while unlawful means and exploitation to reach self-satisfaction are not allowed. The individual should have a disciplined generosity (Qur’an, 25:67), with the purest motives, i.e. love of God (Qur’an, 2:177), instead of mere wants-fulfillment wrapped up by sensual desires (Qur’an, 23: 71 and 28: 50).

that would cultivate the spirit of “excessive attachment to wealth” (Qur’an, 89: 20), thus marginalizing the spirit to help, care and sacrifice for others (Qur’an, 89: 17-18). The concept of *maslahah* includes human and environment benefit, where self-pleasure is not the ultimate goal. Instead, self-betterment and self-realization and spiritual transformation from benefitting others and nature become the goal.

3.3 The cardinal virtue of the economic agent: rationality vs taqwa

As the foundational concept of human behavior is different: self-interested behavior and utility-maximization of *homo economicus* and the *huquq* perspective of behavior and *maslahah* orientation for *homo Islamicus*, the “cardinal virtue” of the respective economic agent will also be different.

Rationality is the cardinal virtue in economics to explain the nature of man, his behavioral patterns and to predict the future outcome of this behavior. It is applied to any entity in the economic realm: the consumer, firm, family and government. Individuals who act according to their self-interest and aim at maximizing their utility, are said to behave rationally. Rationality, however, has been criticized massively for having too little structure of ethics, for example, by not considering social concerns such as sympathy and commitment (Hausman and McPherson, 1996). Sympathy or concern for others is viewed as irrational as it will directly affect one’s own welfare that would reduce individual utility; likewise, commitment to others’ well-being is irrational as it does cause action that is “counter-preferential” even though it does not affect one’s own welfare. A rational economic man in general is a “half-person” who directs all his actions according to his self-interest for his self-pleasure. Therefore, some alternatives to rationality have been proposed and its dimensions have been broadened by incorporating proper ethics to explain human behavior in a fuller (not half) perspective (for example Sen, 1990; Hausman and McPherson, 1996).

In Islamic economics, some scholars have proposed “Islamic rationality” to explain the rational behavior of Islamic man by inculcating:

- *akhirah* dimension in individual behavior (reward and punishment in the world hereafter);
- social concerns; and
- Islamic norms in individual calculation.

However, we are of the opinion that such modifications to the rationality concept do not really serve the real purpose of an Islamic economic framework. Therefore, instead of saying “Islamic rationality” as the virtue of Islamic man, we found that “*taqwa*” could be the proper cardinal virtue that would perfectly project Islamic ethics in economics and act as a better guide for human behavior. More efforts should be put to explore this virtue to be applicable in the economic realm.

Unlike rationality, *taqwa* is a proper basis of the ethical relationship of man–God, man–man and man–nature and a “unique balance of integrative moral action that denotes the fully integrated and whole personality of man” (Rahman, 1999, p. 28). *Taqwa* is essentially man’s God’s consciousness. It is a state of mind whereby a person brings God to mind and is conscious of the Divine presence in all his actions and, therefore, it will function as a moral safeguard against decay and destruction. *Taqwa* then is a prime subsequent value that emerges from the principle of *tawhid* (belief in the oneness of God).

With *taqwa* behavior, the individual is having an internal self-consciousness that will guard and protect him from committing a harmful or evil action (*mafsadah*) towards others or nature (Qur'an, 52:27; 40:9; 40:45; 76:11); ensure his lower desires of self can be controlled, if not eliminated (Qur'an, 15:42; 16: 99; 17:65); prevent him from transgression or violation of God's limits (Qur'an, 2: 187; 229-230; 4:13; 9:112; 58:4; 65:1); and should they transgress, will lead them soon to repent and redress the imbalance of their personalities (Qur'an, 2:187,229,230; 4:13; 9:112; 58:4; 65:1). *Taqwa* cultivates God's consciousness in human-self that would always remind him to the meaning and purpose of life (Qur'an, 59:19); ensures the cementing personality and commitment to morality, where all details of life and particulars of human activity are properly integrated and synthesized and directed to gain God's pleasure (*mardatillah*, *ridwan Allah*) (Qur'an, 5:114; 3:162; 5:80; 47:28) and to avoid His *ghadab* (anger of God) (Qur'an, 3:77: 80:40-41; 10:27; 68:43; 70:44).

Islam, in this regard, calls for a balance and proportionate perspective of wealth, material satisfaction and spiritual achievement in the sense that it does not ask individuals to abandon life or material possession. Instead, it enjoins human beings to positively enjoy nature and fulfill their physical needs, but understand that this is not the whole business of his life; that over-indulgence in material satisfaction is a mere "delusion" (*mata' al-ghurur*, Qur'an, 3:14), short-term utility (Qur'an, 4:77; 13:26; 16:117; 57:20) and its domination will incline and trap the human being away from his true purpose. Life will only be meaningful if it includes the spiritual dimensions. Therefore, the Qur'an urges human beings to purify their selves (Qur'an, 87: 14-15; 91: 9-10;), work for the prosperity in the *akhirah* which human beings should strive for (Qur'an, 4:77; 10:70; 28:60; 40:39; 42:36; 43:35), and put sincere effort during one's earthly life (Qur'an, 9:38; 10:23; 57:21). Islam in this regard opposes a "single-minded pursuit of wealth" where wealth is accumulated for individual's own utility and satisfaction (Qur'an, 102:1-2).

This *taqwa* attitude will translate ethics into practice. In this regard, the principle of ethical endogeneity will be presumed through *taqwa* behavior (Choudhury, 1995)[6]. *Taqwa* is the core of a theory of ethical endogeneity in socio-scientific reasoning in the Qur'anic world system. The ethical principles in explaining the basis and the motivation of individual behavior, as we have discussed, are derived from the Qur'an and Sunnah as the primary source of knowledge in Islamic epistemology and based on the foundation of *Tawhid* (oneness of Allah, unity of the divine law). *Taqwa* attitude will translate those ethics in practical realities.

Ethics that are derived from the epistemological roots and processed through the ontological investigation of values establish the premise of the ethical principle in Shari'ah to be manifested in practical life by individuals and social behavior. Ethics derived from the moral law as the divine law comprise rules and modes of interpretive applications to all issues and problems of human experience in the light of the law and essence of unity (*Tawhid*) emanating from the episteme of conscious oneness (Choudhury, 2011, p. 118).

Along with *ijtihad* (foundational Islamic investigation for rule setting extensions) process, the Islamic ethics will be endogenized and transmitted into to the human ontological level of abstracting the understanding of the nature and substantive content of the issues and problems at hand in the learning world-system (Choudhury, 2011).

Choudhury (1995) says this is the premises of knowledge-based interactive systems in Islamic economic system in which ethics are seen to play the role of cause and effect in generating extensive circular interrelationships between polity and the socioeconomic system. The ethical premises of the will be functionalized by a system of instruments and institutions that emanates from and reinforces the evolutionary understanding of the unicity precept and its dynamic role in explaining interrelationships in the socio-scientific order.

The openness of the ethical set follows the assumption that the ethico-economic system, by making ethics the core essence of the social order, allows for infinite possibilities for ethical perfection in loops of feedback between the ethical policy variables and the consumption state variables Choudhury (1995). *Taqwa* attitude is the highest level of this ethical perfection in individual behavior. *Taqwa* attitude can be achieved through a learning process of ethical experience in individual and societal economic life. Islamic economics as a body of knowledge and a practical system would provide a conducive environment to achieve that goal.

4. Conclusion

In Islamic economics, the microfoundations that would explain the behavior of individuals in its relationship with other beings is developed from the primary source of knowledge, the Qur'an. We argue the need to re-introduce Islamic terms in this endeavor where:

- the behavioral theories and hypothesis of Islamic economics to be formulated in line with the Islamic concept of man; and
- this will be the scientific basis, as well as directions in terms of research program in Islamic economics.

The effort is an exploratory attempt to re-structure economics according to the Islamic vision in economics. In this regard, the paper proposes the concepts of *huquq*, *maslahah* and *taqwa* to be the microfoundations of Islamic economics in explaining the behavior of human being in economic activities. We have argued that this could provide a comprehensive framework for individual behavior and for comprehensive microfoundations for economics. Much more serious work, however, needs to be done to explore and develop the foundations of Islamic economics based on its unique epistemological sources.

Notes

1. As language could function as an a priori determinant of what human could think, the development of language should be viewed as consistent attempts to construct a formal, logical representation of thought, which would be free from the ambiguities and looseness of human mind.
2. Lawson (2003, p. 84) refers it as scientific fallacies in economics which are rooted in two dogmas; *atomistic fallacy* and *isolationist fallacy* where "the suppositions that *all* behaviors or aspects can in some form be given, or reduced to, a (crypto-) atomistic representation and treated analytically as though effectively isolated from all other factors and not explicitly identified."
3. El-Ashker and Wilson (2006, p. 401) insightfully notes that we should consider Islamic economics as a "born-new" science that does not have to be necessarily pegged to concepts

from the Western economic literature. Instead, it should attempt to generate its own ideas and concepts. For example, if Islamic economics is able to produce its own original concepts and ideas there may not be a need for the often-mentioned statement that the economic treatment is from an "Islamic perspective", a phrase and a statement that seems to be popular among writers on Islamic economics, including in this present essay.

4. In this regard Shackle (1972, p. 10) comments that "economics might almost be defined as the art of reducing incommensurables to common terms. It is the art of heroic simplification".
5. The self that is able to reach this level is described by the Qur'an as *al-nafs al-mutma'innah* (the satisfied soul), which is the soul that "keeps intact their primordial nature (*fitrah*) upon which God created man" (Rahman, 1999, p. 18).
6. The principle of ethical endogeneity was first introduced by Choudhury, M.A. in "Editorial", *Humanomics* (Vol. II No. 3, December 1986) and formalized in his paper, "The principle of ethical endogeneity and the theory of value", presented at the Association of Social Economics Meeting, The Allied Social Sciences Association Conference, Chicago, December 1987. This paper was published as "Price, value and social equilibrium in ethicoeconomics", *Journal of the Social Sciences*, Vol. 18 No. 1, Spring 1990.

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Further reading

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