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METHODOLOGY OF ISLAMIC ECONOMICS

PROBLEMS AND SOLUTIONS

Edited by
Necmettin Kizilkaya



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Contents

<i>List of illustrations</i>	vii
<i>Preface</i>	viii
<i>List of contributors</i>	xii

PART I	
Foundational issues and questions	1
1 Methodology of Islamic economics: Is the subject worth discussing?	3
ZUBAIR HASAN	
2 The methodology of third-generation Islamic economics	18
ASAD ZAMAN	
3 The purpose of Islamic economics: Sunnatullah (Sunnah of Allah)	31
HAKAN SARIBAŞ	
4 Dilemmas of Islamic economics	52
MUHAMMAD AKRAM KHAN	

PART II	
Foundations	115
5 Usul Al-Iqtisad approach in developing the foundations of Islamic economics discipline	117
HAFAS FURQANI AND MOHAMED ASLAM HANEEF	
6 Islamic economics as an integrated social science: Novel ideas on its foundations	134
MOHD MAHYUDI	

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PART III

Islamic economics and *Fiqh* 159

- 7 Islamic economics' methodology and *Fiqh* 161
MONZER KAHF
- 8 The *maqasid*-based methodology of Islamic economics 181
SEIF I. TAG EL-DIN
- 9 Economic *salafism*: Scientific amnesia in modern Islamic economic studies 199
NECMETTIN KIZILKAYA

PART IV

Encounters 219

- 10 Comparative understanding of the socio-scientific process: Islam and Occidentalism 221
MASUDUL ALAM CHOUDHURY
- 11 A review of methodological issues in conventional and Islamic economics: A methodology for Islamic economics 251
SHAMIM AHMAD SIDDIQUI
- 12 Sources of dualism in modern rationalist thought: Implications for Islamic economics 277
ABDULKADER CASSIM MAHOMEDY
- 13 Hamlet's ghost, Orientalism and the tragedy of Islamic economics 315
VALENTINO CATTELAN
- 14 Methodological trends in studies on Islamic economics in Turkey: A critical evaluation 331
İSMAIL CEBECİ

Index 348

Part II

Foundations



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5 Usul Al-Iqtisad approach in developing the foundations of Islamic economics discipline

Hafas Furqani and Mohamed Aslam Haneef

1. Introduction

Islamic economics as a new emerging discipline in contemporary Muslims' scholarship is challenged to eloquently present all dimensions comprising a discipline, namely clear subject matter, well-defined body of knowledge, methodology(ies) for theory appraisal and knowledge growth and accumulation. Those dimensions of a discipline, however, will not emerge and develop if the foundation is not existed and clarified.

Therefore, scholars like Nasr (1987), Sardar (1988), Khurshid Ahmad (1992), Haneef (1997), Abu Sulayman (1998) and Choudhury (1999) persistently call Islamic economic thinkers to achieve "discipline consciousness", "discipline independence", and to release themselves from the over-emphasis on Western economic ideas, framework and methodology. A serious effort to build a strong philosophical foundation that will form the basis for the operational framework of Islamic economics as a distinct and independent discipline is needed. Islamic economists has to attempt a systematic and comprehensive Islamic approach through a realistic assessment of the contemporary social, political and economic milieu in the light of Islamic principles and through a realistic assessment of the Muslim understanding of Islamic principles as a prerequisite.

This chapter attempts to highlight some philosophical aspects of Islamic economics by exploring the foundational/methodological issues related to Islamic economics. For want of a better term, we propose to call this area *usul al-iqtisad*. *Usul al-Iqtisad* attempts to discuss the foundations of Islamic economics: what are the necessary components of the foundations of Islamic economics and how it can be established so that a body of knowledge can be built. The purpose is to construct a clear and strong foundation of knowledge that is reflected in the state of art, subject matter and body of knowledge and also to hasten the speed of the evolutionary process of Islamic economics towards becoming a distinct discipline (if that is feasible).

2. What is *Usul al-Iqtisad*?

As a new discipline in contemporary Islamic scholarship, many have wondered about the origin and the roots of Islamic economic ideas in contemporary

times. Monzer Kahf (2003) and Haneef (1997), Addas (2008) and El-Shaikh (2011), for example, observe that Islamic economics in the early phase was dominated by the scholars and writers with a background in Islamic sciences in particular *fiqh* discipline and as an emerging discipline seems to some extent is constructed from *fiqhi* foundations. There is a tendency to narrow the discussion of the *fiqhi* discussion in Islamic economics discourse and restrict *fiqh* to Islamic law. This was observed by Addas (2008, p. 5, 97) by looking at the current practice in the literature. He says:

Islamic economics is no more than the result of applying the Islamic rules and injunctions, i.e., Islamic *fiqh*, to the prevalent secular theoretical structure of economics and finance to separate the permissible from the non-permissible, as well as to ascertain the position of the *sharī'ah* on economic acts and current business events.

Yalcintas (1987, p. 28) earlier on also observed that Islamic economics is a modern version of *fiqh al-al-muamalah*. If *fiqh al-muamalah* sets the legal framework of economic transactions, Islamic economics studies the rationale and motives of the same. *Fiqh* is an inexhaustible source of insight and is indispensable for economic analysis (if it is to carry the adjective “Islamic”), i.e. to be in accordance with *sharī'ah*. This, he says, is simply because in Islamic economics we deal not only with the how but also with the “ought/should be”. Fahim Khan (2002, p. 62) in similar observation says:

Roots of Islamic economics should, by definition, lie in *fiqh*. Islamic economics as a distinct discipline will be justified only if we can show that *fiqh* literature, that provides understanding of Islamic texts, leads us to different roots for understanding the economic behavior of man.

Consequently, *usul al-fiqh* become an important methodology in developing Islamic economics because the nature and subject matter of Islamic economics is considered to be similar to *fiqh* whereby Islamic economics is the result of applying the Islamic rules and injunctions to the prevalent secular theoretical structure of economics and finance to separate the permissible from the non-permissible, as well as to ascertain the position of the *sharī'ah* on economic acts and current business events.

Furthermore, more prevalent evidence we can see in the field of Islamic finance. Shari'ah compliant in financial transactions that has been defined with legalistic definition of complying to the juridical Shari'ah rulings have occupied the Islamic finance scientific enterprise of converting and modifying the conventional practices to suit Islamic law. People in the banking and finance industry seem to be very much interested in the provision of “operation manuals” dealing with the “how to” comply aspects of banking and finance with Shari'ah (legal) principles.¹

However, scholars like Mannan (1984), M. Anas Zarqa (1987), Nejatullah Siddiqi (1992), Umer Chapra (1996), Naqvi (1997), Metwally (1997), Yousri (2002), and Mirakhor (2007) seem to be aware of this problem and have argued that in developing the discipline, Islamic economists have to go beyond “juridical texts”, that is, concern with particular human action and instead should focus on wider the implications these ‘*fiqh*’ positions have on the economic system as a whole. In other word, the scope of Islamic economics is more than the object of study as in *fiqh* discipline.

In addition, if we agree to develop the foundation of Islamic economics discipline using the Islamic scholarship legacy, it has to be seen as more than the narrowly defined *fiqh*. It must include areas of *tawhid* (ontology), ethics or *akhlāq* (axiology), epistemology and methodology that would have to tackle *usul al-fiqh* as well as areas in *usul al-din* and others.

Usul al-Iqtisad that is argued in this chapter attempts to cover those wider spectra of Islamic scientific legacy with a new ontological, epistemological and axiological perspective. In other word, *usul al-iqtisad* would involve a much wider scope of subjects than *usul al-fiqh* that is focused on legalistic dimension of human action.

Usul al-iqtisad, which consists of two words, *usul* and *iqtisad*, literally means “origin”, “roots”, “principles”, “fundamentals”, “rudiments” or “elements” of a particular thing.

Unlike *usul fiqh*, that is more on dealing with the textual sources (*adillah al-shar’iyyah*) to derive the Shari’ah rulings (*ahkam al-shar’iyyah*), *usul al-iqtisad* is dealing with texts (*nusus*) and human action (life-reality) in economic sphere in an interactive and integrative perspective. The venture of *usul al-iqtisad* would include areas such as the Islamic worldview, its Islamic economic vision, philosophy, including its ontology, axiology, and especially epistemology (including methodology) relevant for Islamic economics and other social/human sciences

Iqtisad includes both the normative and positive dimensions of economic analysis and policy. *Usul al-Iqtisad* therefore aims to investigate the three dimensions of Islamic economics as follows:

- 1 The *normative framework* or the worldview, vision, doctrine, philosophy and conceptual aspects. While the source of this worldview and doctrine is primarily revealed (i.e. from *ulum al-Shari’ah* or *ulum al-naqliyyah*), it requires the use of reason and the process of *ijtihad* in translating and applying the revelation and tradition into economic rules and policies (and we could add values, norms and principles) as well as interpreting what is meant by principles and concepts established by revelation when applied to the economic sphere of life.
- 2 The *positive analysis* of actual human behaviour in the different areas that make up economics. In *usul al-Iqtisad*, the discussion of positive economics deals with the “what is” of economic behaviour is done with an integration and comparison to the “what should be” of the normative framework.

- 3 The third component involves an enquiry into how to transform the “what is” into the “what should be” (*transformative framework*). *Usul al-Iqtisad* is also concerned with policy prescriptions is a very important feature and dimension of Islamic economics where the epistemological base of Islamic economics, founded on revelation, has a different position with regards to conventional economics.

Several characteristics and purposes of *usul al-iqtisad* as the methodology of Islamic economics can be delineated as follows:

- 1 *Usul al-iqtisad* is a combination of methodology developed in our Islamic heritage (namely *usul fiqh*) and contemporary economics methodology. *Usul al-iqtisad* deals with the primary sources of Islam (*naqliyyah/revealed*); Qur'an and *Sunnah* as well secondary sources (*'aqliyyah/reason*); reasoning, experimentation and observation of both our legacy and of modern economics.
- 2 As a methodology of Islamic economics, *usul al-iqtisad* aims at delineating the foundations in developing Islamic economics discipline and outlining the principles that could be used to appraise Islamic economic theories.
- 3 The methodological principles created should not be partial by only emphasizing Islamic methodology or conventional economic methodology respectively; both are integrated through a methodological dialectic and creative synthesis. Therefore, a proper understanding of the Islamic methodology developed in *usul al-fiqh* and contemporary methodology in conventional economics is required to get a creative synthesis of the two methodologies. In order to be able to make this creative synthesis, prerequisites such as understanding the Islamic worldview and its Islamic economic vision are also needed. Likewise, an attempt should be made to explore and elaborate the Islamic epistemological traditions to get a new breakthrough for methodology in contemporary Islamic economics.
- 4 *Usul al-iqtisad* also concerns the validity of economic theories appraised that can be evaluated by its internal consistency (to the doctrine, logical rules, and empirical evidence), its compatibility with other aspects of life, and its provision for improvement. In this regard, Naqvi (1981) sees Islamic economists should exert great effort to raise a “unified” economic discipline, on testable foundations, in a typical Muslim society and not in some Islamic utopia.²

3. *Usul al-Iqtisad* and sources of knowledge

Islamic epistemological tradition recognizes various sources of knowledge from where we can derive our Islamic economic theory. This would include divine revelation (*wahy*), intellectual reasoning (*'aql*), and factual observation of universe (*āfaq*) and of the human self/behaviour (*anfūs*). In the literature, those sources of knowledge have been classified in various ways such as *āyāt al-*

qauliyyah (the texts of revelation which are mostly explicit) and *āyāt al-kaw-niyyah* (sources of knowledge from the observation of universe which are implicit). It is also mentioned as *al-Qur'ān al-takwīnī* (cosmic revelation or the created Universe to describe a), and *al-Qur'ān al-tadwīnī* (a book of God or “created book” to describe the textual revelation) (Kamali, 2006).

In Islamic epistemology all those sources of knowledge are considered as complementary and integrated for the pursuit of truth and would therefore essentially lead to the deepening conviction of the Truth (Qur'an, *Fātir*: 28, *al-Mujādalah*: 11). To quote El-Mesawi (2005, p. 7) “reason and revelation are but a twofold light revealing the same object, a twofold expression of one and the same original reality, rooted in the essence of things”. The insistence of the Qur'an for man to reflect, ponder, think and observe basically shows that revelation wants to manifest it harmoniously coalesced with the faculty of reflective thinking and the faculty of inner perception, the heart (*al-qalb*) (Acikgenc, 1996, p. 52).

Usul al-Iqtisad is developed in accordance with the provision of sources of knowledge to deal with the subject matter (the problems to be solved) of the discipline and to appraise theories in Islamic economics. All sources of knowledge will be simultaneously studied and are connected to explain realities and to reach conclusion. It is believed that one cannot be understood without reading the other and to have a thorough explanation we have to take all the inputs from those sources of knowledge thoroughly.

In other words, in *usul al-Iqtisad*, the sources of knowledge are approached comprehensively in an integrated approach whereby in order to understand, comprehend, explain and gain knowledge, *fine combination* of the sources of knowledge as well as methodology is important.

4. Usul al-Iqtisad's approach to developing Islamic economics discipline

If we observe the trend in developing Islamic economics discipline, there is a pragmatic way in Islamization of economics by jumping to Islamization of the existing conventional economics body of knowledge, assuming there is no problem with its scientific foundations. The focus on Islamizing the end products (body of knowledge) has been done at the expense of a thorough elaboration, discussion and eventually application of a proper methodology to economics which resulting Islamic economics is yet to offer a distinct discipline with its own perspective of subject matter, definition, theory, methodology and body of knowledge (Haneef, 2009, p. 51).

In *usul al-Iqtisad* perspective, Islamization at the level of a body of knowledge cannot be done without clear and coherent philosophical foundations that are projected from an Islamic worldview or vision. The foundations of an Islamic economics discipline is established by elaborating the Islamic worldview on economic phenomena, establishing the doctrine, epistemology of how knowledge is justified in Islamic economics and fundamental values promoted in

Islamic economics. By having those foundations, then the discipline is able to provide “genuine Islamic perspective” to economic problems and sustainable for knowledge accumulation.

Furthermore, in the effort of developing Islamic economics, we are also requested to reconfigure both the actual problem of economics in Islamic perspective and Islamic solutions to solve the problem. This is because not only solutions, paradigms or frameworks might be different, the problem and object of study of economics itself might be different. M. Fahim Khan (2015, p. 13) in this regard observes that

the starting point for developing the discipline of Islamic economics should be how we realistically perceive the economic problems that human beings (we, as well as they) are facing. Inspired by divine guidance, we have our own perceptions of the economic problems of humanity and how to deal with these problems.

Therefore, for Muhammad Akram Khan (1994, p. viii), Islamic economics is not only challenged in attempting a *fresh understanding of the economic phenomena* but most importantly in discovering what are actually *real economic problems* that human beings face and to come up with *fresh solutions* to those persistent problems. This is only possible if we are clear in the first place of the foundations of Islamic economics.

Therefore, in the effort of developing Islamic economics, *usul al-iqtisad* proposes the following three stages, namely:

- 1 Establishing the foundations of Islamic economics discipline.
- 2 Developing the scientific conceptual scheme of Islamic economics.
- 3 Constructing discipline and its body of knowledge.

4.1 Establishing the foundations of Islamic economics discipline

Any discipline and system of thought is founded on certain scientific foundations as the roots, core and basis that would determine the scientific atmosphere, its direction, progress as well as objectives. These foundations characterize the discipline itself, its nature and scope of study. In this regards, what we mean by the foundations of Islamic economics refers to the worldview, doctrine, epistemology and fundamental values as in the following:

- 1 **Worldview, in our case, Islamic worldview** which means Islam’s perspective of existence and realities, **is the basis, roots, or the prior most foundation of any activities, including scientific activities (El-Zein, 1996, p. 1). Worldview conceptually functions as the basis of a system of thought and fundamental principles that form the basis for other subsidiary concepts dealing in a general matter with all aspects of life. It is the basis of a set of ideals of how something**

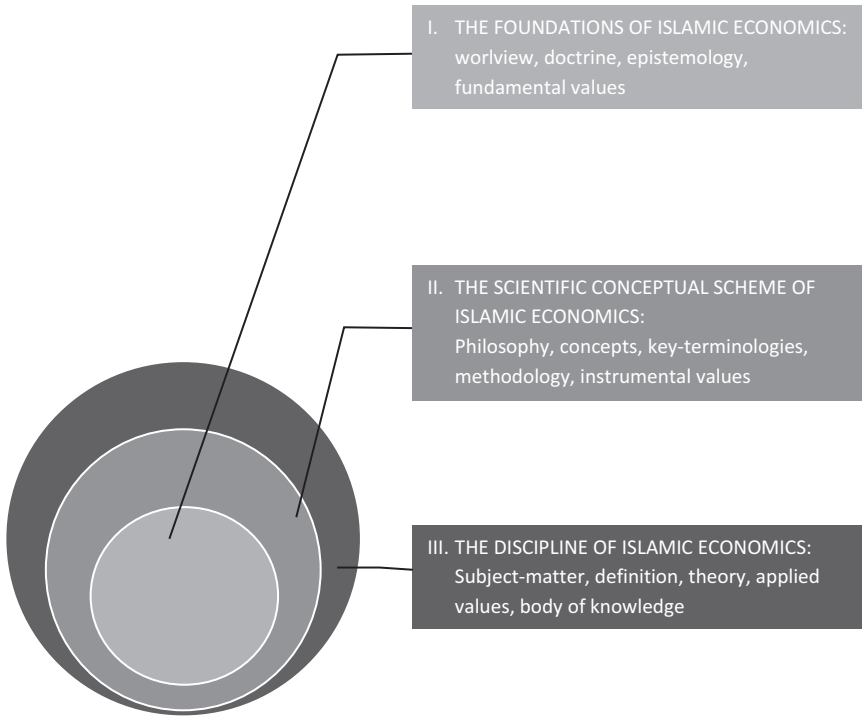


Figure 5.1 The component of Islamic economics discipline in *Usul al-Iqtisad* perspective

should be and an explanation for the disparity between the way things are and the way they ought to be. It therefore functions as the basis for any action, reaction and our perception of the world. The Islamic worldview is a religious worldview where all answers to the worldview's ultimate questions of God, universe, man, life, knowledge, values and morality, stem from religion (*dīn*) itself as revealed in the Qur'an and Sunnah. The Islamic worldview provides a coherent way of thinking not only about the physical world and universe but goes deeper in explicating the concept of existences and realities of transcendent realities and their relationship. As Al-Attas (1979, p. 33) said "Islamic worldview is based upon revealed knowledge through religious experience, and embraces the objective, metaphysical and ontological reality as well as the subjective, mystical and psychological experience of that reality". Hence, the Islamic worldview provides a broad basis in understanding complex economic phenomena, by not separating the spiritual and physical, the invisible realm and the visible realm of phenomena, the body and the soul, matter and meaning, and this life and the afterlife. Islamic economic theory views realities in a comprehensive perspective, and attempts to integrate and unite those realities (Choudhury, 2000 and Mirakhor, 2007). The Islamic worldview on

economics needs to be elaborated and clarified as those perspectives would influence the formation of Islamic economics as a system of thought and activities of Islamic economic intellectual community which then manifests itself in the effort of developing and systematizing body of knowledge of Islamic economics (Sardar, 1988; Acikgenc, 1996).

- 2 Doctrine is a set of visions and principles to manage our life in this world in accordance with time and space. The doctrine of Islamic economics is derived from the worldview of how Islam views the realities and existence of God, human beings and nature, and how Islam views human life and goals which are developed within the ontological belief of integrating metaphysics (religion) and economics. The Islamic doctrine of economic according to Fazlur Rahman (1995) is *economic principles* in Islam that will provide a general and clear orientation towards goals, and the particular economic programmes, plans and blueprints. Abdul-Rauf (1991, p. 92) sees it as a *framework of the Islamic value system* pertaining to human economic life. Naqvi (1994) considers the economic doctrine of Islam as essentially an *idealization of reality* according to Islamic perspective as well as principles and guidance that lead to the ideals. The doctrine, although it can be viewed as a *prior* step in the scientific process (that would set principles, framework and guidelines), has serious and far-reaching consequences for practical economic life which would also be captured in Islamic economics structure as a science. This is because economic doctrine is not something inapplicable; instead, doctrine would only be meaningful if it is applicable in reality. The doctrine should be elaborated in the operational concepts in the following stage.
- 3 Epistemology clarifies what the conception of knowledge involves in Islamic economics system of thought, its legitimate sources, features, scope and how it is applied. Al-Attas (1981) argues that epistemology in Islam is “the study of the sources, limits and methods of knowledge and the nature of truth from the point of view of Islam, affirms the reality of existence and the reality of things and the possibility of knowledge of both”. In this perspective, theory of knowledge (epistemology) is related the Islamic worldview of how Islam perceives reality and truth, life and knowledge. The philosophy of science in Islam likewise is “bound up intimately with the projection of our worldview because it directly concerns man, his knowledge and purpose in life” (Al-Attas, 1981, p. 2). Epistemology is an expression of worldview. Knowledge conception in Islamic point of view is very much influenced by the realities conception in the Islamic worldview. Choudhury (1995, p. 8) therefore argues that Islamic epistemology is a theory of knowledge that discerns the ultimate regress of the source of knowledge. Epistemology, at the same time, holds a vital role in elaborating the worldview of Islam, transforming the vision of a worldview into reality, establishing a distinct Islamic economic discipline, and putting an Islamic stamp on contemporary issues (Sardar, 1988). Islamic epistemology recognizes multiple sources of knowledge from where theories can be appraised. This requires methodology to appraise

knowledge and theories from those sources of knowledge as will be elaborated in the following stage.

- 4 Fundamental Values are the normative foundations derived from Islamic worldview upon which Islamic economics discipline is founded, modelled along and working within the boundaries of those fundamental values (Al-Attas, 2006). It is, in Kuhn's perspective, the entire constellation of beliefs in a disciplinary matrix shared by the members of an Islamic economics scientific community (Kuhn, 1970). Those values are religious values derived from legitimate Islamic epistemological sources, the Qur'an and Sunnah. In *usul al-Iqtisad*, Islamic economics will be founded and naturally grow based those values. We agree with Choudhury (1999, p. 1) who argues that Islamic values are not a new cloth to the conventional economics body of knowledge. He said:

In recent years when Muslim scholars wrote on Islamic economics, they had to turn to mainstream economic theories and clothe these up with a palliative of Islamic values. But no new challenge was posed on the epistemological beginnings of a new field of analytical and scientific study. There was no demand from the Muslim scholars to well-define a distinctive field of Islamic economics. The Muslim scholars thus approached the study of Islamic values in neoclassical economic models of behaviour and resource allocation without questioning either the value-orientation of neoclassicism or the possibility of treating Islamic values in such otherwise value-free models of economic behaviour, pricing and allocation.

4.2 Developing a scientific conceptual scheme of Islamic economics

From the foundations of Islamic economics, scientific conceptual scheme is outlined to carry out the scientific activities of preparing the Islamic economics discipline and systematizing its body of knowledge (Acikgenc, 2000, 16). The Islamic economics conceptual scheme is the general body of scientific nomenclature that constitutes a discipline with its distinctive goals, basic premises, and objects and methods of inquiry to be employed by Islamic economists (Bakar, 2010).³ The Islamic economics conceptual scheme is the "environmental context" in which Islamic economics as a discipline will grow.

In this endeavour, *usul al-Iqtisad* approach in developing the scientific conceptual scheme of Islamic economics is in five dimensions, namely philosophy, concepts, key terminologies, methodology and instrumental values, as follows:

- 1 **Philosophy of Islamic economics** enquires into the abstract ideas of economy in Islamic perspective by answering questions related to the *general concepts of the economic realm* such as economic problems, economic processes, motive and behaviour of individuals, criteria of well-being, goals and system of consumption, production and distribution, etc., as well as *specific concepts in the body of knowledge* such as subject matter, scope and boundaries, the nature of economic agent, set of behavioural framework,

and the methodology to appraise theories in Islamic economics. The various dimensions of philosophy of Islamic economics as a science is naturally discussed earlier among Islamic economics scientific community before any analytical study of Islamic economics is undertaken.

- 2 **Concepts of Islamic economics.** The philosophical discussion as in the above will lead to conceptualization of ideas into a formal concept as a logical representation of Islamic thought that could convey the message of Islamic worldview and values in understanding truth and reality in the realm of economics. In developing Islamic economic conceptual scheme, knowing concepts “allows the researcher to build the foundations of an investigation theoretical or applied” (Rutherford, 2007). *Usul al-Iqtisad* attempts to intertwine the two domains of “doctrine” and “practical realities” in various concepts (key concepts) that would portray Islamic concepts on certain economic phenomena and would be the basis to appraise an Islamic theory. This conceptualization is in two dimensions: *First*, economic doctrines are essentially an “idealization of reality” (i.e. they are set up to inspire human beings on how the “practical” reality should be). Based on those ideals (doctrine), basic postulates, hypotheses and assumptions are derived. *Second*, practical realities, on the other hand, are essentially the “practical manifestation” of doctrine in actual realities.
- 3 **Key terminologies** of Islamic economics in the form of verbal expression of words or terminologies that would describe Islamic concepts in understanding economic phenomena. In doing this, there are two possible approaches that could be used: (i) by adopting the key terminologies of mainstream economics in the context of Islamic scientific conceptual scheme before its adoption and utilization in Islamic economics (as commonly done by maintaining the concept of self-interest, utility, rationality, etc., with Islamic perspective); or (ii) by attempting to coin new key terminologies to explain the object of study in Islamic conceptual scheme. It is recognized that the existing key terminologies in conventional economics have been developed within the Western scientific conceptual scheme in the spirit of a Western secular worldview which to some extent might contradict to Islamic worldview. The key terms/key concepts in economics are therefore not neutral and portray certain economic visions and are used to direct to certain goal as conceived in economics (Samuels, 1990, p. 7). That evaluation within the Islamic economic conceptual scheme is therefore important as according to Al-Attas (1979: 43)

the infiltration of key concepts from the Western world has brought confusion which will ultimately cause grave consequences if left unchecked.” Therefore, he proposes our task will be “first to isolate the elements including the key concepts which make up that culture and civilization ... after the isolation process, the knowledge is free of the elements and key concepts isolated are then infused with the Islamic elements and key concepts.

- 4 **Usul al-Iqtisad** argues that it is better for Islamic economics to have *new key terminologies* that would not only capture the shortcomings of existing terms in understanding economic phenomena but also clarify the distinctive feature of the nature, scope and objective of the discipline and most importantly provide Islamic scientific conceptual scheme where the Islamic economics science is operating.⁴
- 5 **Methodology** of Islamic economics is the way we construct and appraise theory. Methodology provides arguments, perhaps rationalizations, which support various preferences entertained by the scientific community for certain rules of intellectual procedure, including those for forming concepts, building models, formulating hypotheses and testing theories (Machlup, 1978, p. 54). A set of criteria, rules, principles, standards, rationalization, arguments and justifications for theory appraisal as well as testing and proving the reliability of that theory so that we could distinguish between *valid* theories and *invalid* ones (Fox 1997, p. 34), the “truth” from “falsehood” and “real” from “illusory” (Al-Attas, 2006). *Usul al-Iqtisad* believes that an integrative approach to deal with the sources of knowledge: The Qur’an and Sunnah (*naqliyyah*), the intellectual reasoning (*‘aqliyyah*) and facts observation (*‘amaliyyah*) by using Islamic epistemological framework to correctly understand the Islamic worldview and visions and to develop foundations of discipline and unique theoretical constructs that reflect this vision should be attempted. However, the criteria for theory appraisal must be produced by Islamic economists, otherwise, Islamic economics will unwittingly use Western scientific criteria for building and evaluating economic theories (Furqani and Haneef, 2012).
- 6 **Instrumental values** of Islamic economics are certain values derived from the fundamental values that would facilitates the creation of an Islamic socioeconomic system (including the *Islamic man* who is characterized as having Islamic values in all his economic activities in making choices/decisions). At this stage, Islamic economics as a discipline attempts to develop instrumental values for the operation of Islamic economic system that will be manifested in the institutions as well as behaviour of economic agent.

4.3 Constructing discipline and its body of knowledge

The last stage in developing Islamic economics is to construct Islamic economics body of knowledge in the form of a discipline. A discipline according to Acikgenc (1996) would consist of subject matter, definition, theory, applied values and body of knowledge, as in the following:

- 1 **Subject matter of Islamic economics.** Subject matter is the object of study, a body of problems that will be investigated, explored and solved by the scientific community. The subject matter of Islamic economics is conceived based on the scholars’ perspective in conceiving the *economic*

problems in an Islamic framework. Islamic economists will produce provisional opinions to analyse and provide solutions to solve them. The continuous process of addressing the economic problems will solidify the object of study and later on contribute to an accumulation of knowledge. In general, there are two approaches in conceiving economic problems in Islamic economics, namely economic problems *as they are* (the actual reality faced by human being in their economic life) and economics problems *as they should be* (the normative ideals and objectives in solving the economic problems). The approaches implicate to the different conception of subject matter of Islamic economics. *Usul al-Iqtisad* argues the unification in the conception of economic problems in Islamic economics should be attempted. In this regard, economic problems in Islamic economics is based on *life-reality*, i.e. of what human beings face in their life (practical type economic problems *as they are*) and based on *life-guidance*, from the Qur'an on how human beings should live as well as *life-objectives*, i.e. of what goals he should strive for (ideal-type economic problems *as they ought to be*). This implies economic problems as manifested in *life-reality* will be studied within the grand objective of life in Islam; and economic problems as perceived in *life-objectives* will be studied in the context of life-reality. Islamic economic theory will be formulated not only to solve the *apparent* problem of "what is" but also formulated in a way that refers to goals (ideals) of "what ought to be". Islamic economics will not only discuss the "means" of "how to do" but also discuss "ends" of "how to be". Islamic economics perceives its subject matter as an interaction of both the *means* and *ends* studying actual *human behaviour* and *human ends*. Thus, its theory is developed not only to explain the economy but also to provide solutions to current economic problems according to certain vision, and to take steps to move in that visionary direction.

- 2 **Definition of Islamic economics.** Definition is important not only to clarify the object of study, subject matter, scope, as well as its underlying norms and aspirations, but it is important for "scientific justification of the study and development of Islamic economics" (Arif, 1985, p. 79). Hasanuzzaman (1984, p. 49) is against this approach as it would imply that the definition of the science of economics has a universal acceptability, hence the term modern economics is qualified with Islam, which actually it does not, as the economic problems and approaches to solve them are different in an Islamic framework. Therefore, a new definition of economics should be proposed. Arif (1985, p. 82) and Mirakhor (2007, p. 9) believe that the definition should employ *appropriate terminology* which describe concepts *unique* to Islamic economics without any *ambiguity*.
- 3 **Theory of Islamic economics.** Theory in general is a statement of relationships between units observed or approximated in the empirical world. A theory is a simplification of the world that aimed at clarifying and explaining some aspect of how it works. It is a statement about what is going on with the phenomena that you want to understand. Economic

theory in this regard can be defined as a system of logical relations between certain sets of assumptions and the conclusions derived from them (Wacker, 1998, p. 5). Nevertheless, in Islamic epistemology perspective, a theory should also be based on (or not against) the principles as envisaged in the divine revelation (Qur'an and Sunnah). In other word, a theory is not only about describing fact as it is but also a theory should be based on the Islamic principles. In other word, besides reflecting the actual reality, a theory created is also reflecting (not disconnected with) the Islamic principles and values (al-Sadr, 1983: II/10). A theory in Islamic economics does not only attempt to describe the world or fact as it is (positive / a posteriori), nor attempts to merely describe an ideal state of affairs in economic realities (normative / a priori). But a theory in Islamic economics also attempts to prescribe, change and transform the economic conditions (transformative). In other word, a theory in Islamic economics is not only concerned with descriptive accuracy of phenomena but also contains ideals or visions upon which the realities should be changed (Zaman, 2015, p. 6). The assumptions and theories of Islamic economics are the "bridge" that would link the doctrine or ideals and realities. From there, theories of Islamic economics are appraised which are essentially not only on the basis of Islamic doctrine but also based on existing reality of social context, historical experience and current practice. Hence, in *usul al-Iqtisad* perspective, theory in Islamic economics is a statement of relationships between units observed or approximated in the empirical world that aimed at clarifying, explaining some aspects of how it works, and transforming the realities into certain ideals or objectives as envisaged by Islam.

- 4 **Applied values of Islamic economics.** Applied values are the actualization of values in the practical life which are derived from fundamental values as the benchmark of human behaviour study is Islamic perspective. Economic actions and decisions are then to be analysed and examined in the light of those fundamental values. *Usul al-Iqtisad* recognizes that the values, perspective and orientation influence human in this endeavour. In other word, they are not acting the value-free perspective. Therefore, *usul al-Iqtisad* attempts to internalize Islamic values of life in human's decision and action within an individual and societal preference function and analyse the behaviour of human beings with the ethical framework set by Islam. It studies the Islamic type of behaviour as practised by individuals and society governed by the norms of Islam. As has been explained, in Islamic economics choice is conditional and interdependent with *ends* as guided by moral injunctions and spiritual values (Mannan, 1984, p. 114). The formal technical analysis will be done in the light of considering those ethics and values in theory and analysis. The divergence in actual behaviour to the ethical framework would be the basis of analysis and recommendation.⁵
- 5 **Body of knowledge of Islamic economics.** The body of knowledge is the systematization of thought, object of study and discussion that represents

the subject matter and scope of Islamic economics studies. Many scholars view that the programme of developing Islamic economics body of knowledge as part of Islamization of knowledge that attempts to recast the whole legacy of conventional economics' body of knowledge from an Islamic perspective by adopting the best that conventional offered, then to imbue these with Islamic principles and to inform further development with Islamic values (Bennet, 2005, p. 110). Al-Attas (2006), however, criticizes contemporary Islamic economics body of knowledge as an empirical theory with "neo-classical guise" that "merely substituted Islamic terms for neo-classical ones, retaining the latter's assumptions, procedures and modes of analysis. As such, it has failed to engage in the analysis and critique of a highly unequal world economic order in which the gaps are ever widening". A critic that should be taken into account by those who are engaging in the Islamization of economics project. *Usul al-Iqtisad* also believes that Islamization of knowledge cannot be done by jumping straight to the body of knowledge, instead, effort should be put initially to develop a solid foundations of science of Islamic economics. Therefore, in *usul al-Iqtisad's* perspective, the process in developing Islamic economics body of knowledge is not that simple. The project of developing Islamic economics body of knowledge is the final step in developing Islamic economics that attempt to capture all dimensions and processes as have been discussed in the above (three stages with all steps). The process of developing an organized body of knowledge should be done gradually with systematic effort by taking all the progress in knowledge accumulation (Acikgenc, 2000: 12).

5. Conclusion

Usul al-Iqtisad attempts to address the challenge to develop the foundations of Islamic economics as a discipline with its distinctive features, subject matter, methodology, theory and body of knowledge. It is argued that the effort to develop Islamic economics discipline cannot be done by jumping to Islamization of body of knowledge as it is done currently in the mainstream Islamic economics discourse (or Islamization of economics approach). Instead, what needs to be done is to develop the foundations of Islamic economics based on the sources of knowledge in Islamic epistemology and the Islamic worldview and visions in human economic life so that a genuine, solid and sustainable body of knowledge of Islamic economics can grow. Then the scientific conceptual scheme of Islamic economics as the scientific nomenclature in which Islamic economics as a discipline will grow should be developed. This would include dimensions such as philosophy, concepts, key terminologies, methodology and instrumental values. The last stage in developing Islamic economics is to construct its body of knowledge based on the foundations and scientific conceptual scheme of Islamic economics in the form of a discipline which consist of subject matter, definition, theory, applied values and body of knowledge of Islamic economics.

Notes

- 1 Some writers, such as Kahf (2003: 35) see the relevance of *usul fiqh* and *qawa'id al-fiqhiyyah* to derive the principles and theories of Islamic economics. *Fiqh* according to Kahf is an indispensable source of knowledge for Islamic economists, especially when it is dealing with developing financial instruments compatible with *Shari'ah*, a deep understanding of the *fiqhi* positions on partnership, sale contracts, lending and *riba* is essential.
- 2 For an extensive discussion on the criteria of theory appraisal in Islamic economic methodology, read Furqani and Haneef (2012).
- 3 Arif (1985, p. 56) calls it the establishment of “philosophical foundations of discipline” from where we can embark to “paradigm building”, that is the stratification of “primary concepts” in Islamic economics discipline.
- 4 See for example the work of Furqani (2015). He argues that for certain key concepts and key terminologies as alternative to conventional key concepts in the microfoundation of Islamic economics, such as the concept of *huyuq* to replace *self-interest* as the basis of individual behaviour, *maslahah* to replace utility maximization as the objective in making decision and choice, and *taqwa* behaviour to replace rationality behaviour as the virtue of economic man.
- 5 The process of unification and application of Islamic values in actual life according to Choudhury (2007: 23–25) can be achieved systematically at the epistemology (E), ontology (O) and ontic (O) level. The epistemological level cultivates the consciousness to accept the divine roots of knowledge as the primal foundation of all knowledge and understanding on the foundation of unity of divine knowledge to be applied in all configurations of world systems. This will be articulated through scientific and public discourse at the ontological level which is realm of being and becoming of logical formalism of the epistemological ideas. The epistemological (E) and ontological (O) levels must be then encapsulated in capability and functioning at the Ontic (O) level which is the level of evidences. The E-O-O phases flow incessantly and continuously, as knowledge formation and its recursive induction in the systemic transformations emerge in the light of unity of knowledge. Such a learning experience brings out the analytical, quantitative and empirical policy-theoretic study, followed by inferences, policy analysis and recommendations, programme formulation and the like. This will be followed by automatic evolution (E) into fresh E-O-O learning phases to perpetuity.

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6 Islamic economics as an integrated social science: Novel ideas on its foundations

Mohd Mahyudi

1. Introduction

As part of the intellectual response to address the malaise of Muslim states and societies, Muslim intelligentsia started an academic revolution referred to as the “Islamization of Knowledge” (IOK) in the early 1970s (Barom et al., 2013). The IOK has gained interest up until today since it represents that serious and continuous attempt to find a panacea to the cognitive conflicts that exist within the minds of bright Muslims as they consciously reflect upon the Islamic worldview against the backdrop of foreign secular knowledge. Over the span of four decades, IOK has its ups and downs so much so that there are concerns about its output quality, including in the field of Islamic economics. Nonetheless, the massive influence of the IOK agenda in the academic sphere is very visible especially in universities in Muslim-majority countries such as Malaysia, Indonesia and Pakistan.

Considering that Islamic economics is a major part of that IOK project, this effort to bring in the Islamic viewpoint into the present and future economic theories cannot afford to be oblivious of the events taking place in its mother discipline, economics. The appreciation of the previous sentence depends on the Islamic economists’ stance on the formal link between economics and Islamic economics. This study argues that we cannot detach Islamic economics from economics per se for they share the same subject matter. Any attempt to detach them would inevitably set the course for the emergence of two totally distinct sciences. In effect, the Islamizing economics project has to be abandoned and this would be to the disfavour of all Islamic economists who would still want to ply their trade in economics and not in other knowledge disciplines. Here, we borrow Siddiqui’s (2011, p. 141) standpoint to convincingly justify the necessity for the link to be established,

For me, 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 for current and future well-being of its people, given the resources at hand and influenced by the views held by the different segments of the society about the different aspects of human life. Islamic economics is then, simply, *to study economics from an Islamic perspective.*

With the link firmly established, the most that the Islamic economists could do is to proffer the Islamic perspective on any economic issue at hand. Hence, it is strategic for them to be aware of observable trends and find their place and space to significantly contribute within the overall general and specific scientific scheme of economics. This is done while pursuing their ultimate aim of developing a distinct body of knowledge called Islamic economics.

Referring to trends in economics, this study is excited to report that the future looks bright for anyone associated with this science who wishes to combine ethics with economics. This is because Putnam's (2012) "entanglement of fact and value" notion is on its way to replace Robbins' fact/value dichotomy. This dichotomy by Robbins relates to his assertion that, "... it does not seem logically possible to associate the two studies [ethics and economics] in any form but mere juxtaposition. Economics deals with ascertainable facts; ethics with valuation and obligations" (Putnam, 2012, p. 113).

About this "entanglement of fact and value" idea, the prominent Harvard University philosopher Hilary Putnam (2012) puts it that there is always a moral side to the economists' analysis and problem-solving attempts on economic issues, be it on income redistribution or measure of welfare, to cite a few examples. Similarly, 30 years before Putnam, Mannan (1983, p. 46), who is an Islamic economics protagonist, hinted at the truth underlying this entanglement phenomenon as he critically stated, "When examined carefully apparently normative propositions reveal positive questions and *vice versa*." Hence, the more the economists are consciously aware about this inexorable truth, the faster economics science enters into the "second phase classical theory"; which refers to "economic theory that tries to combine both the best mathematical models of an economy and the best ethical reflection" (Putnam, 2012, p. 112). Vital facts and data surrounding human lives, including economic ones, are rationally meaningful to human progress when we do not limit ourselves to merely describing the logical relationships between them. That is why mankind, who amongst them are economists; instinctively apply an evaluative or normative process on them. Apparently, this action reflects the truism that we measure what we value (Stiglitz, 2010). This truism points to the essential worthiness of the suggested "'entangled' concepts *viz.* concepts that cannot be simply factored into a 'descriptive part' and an 'evaluative part'" (Putnam, 2012, p. 113). However, it should be cautioned that this evaluative or normative elements must naturally invoke the role of values, morality and ethics for this new body of economics to properly present itself as having an integrated character, as opposed to just having an ethical façade.

Justifiably, the desire to assimilate economics and ethics by an increasing number of contemporary economists, observable from the rising interest in what Rosser and Rosser (2004) term as "New Traditional Economy" discourse, makes a lot of sense. It is also of course valid given the interconnected nature of values and facts (Putnam and Walsh, 2012; Broome, 1999; and Hamlin, 1996). The prospect of this positive trend motivates Farina et al. (1996, p. 1) to announce that "... several economists are now prepared to take

into serious account the ethical dimensions of rational decisions". Thus, this recent development adds more support to the civilizational need to emancipate the economists' mind from the influence of Robbins' fact/value dichotomy.

This outlook displays a highly probable future wherein the outgoing value-free version of economics has to make way for the incoming value-based economics. In other words, therein lie noticeable openings for the proponents of heterodox economic ideas, particularly those having affinity for ethical concerns, to rigorously formulate this new body of economics science. Therefore, such positive changes could be viewed as another impetus for Islamic economics to continue with its internal recalibrations in order to demonstrate itself as a credible scientific offering. This continuous improvement process is crucial for Islamic economics to survive in this fresh competition of ideas to topple the reign of mainstream neoclassical economic thought. In addition, the fact that the "first-generation of Islamic economists" declared this knowledge discipline as a value-laden intellectual enterprise in 1976 during the First International Conference on Islamic Economics held in Makkah could serve as an inspiration for budding Islamic economists to partake in this IOK effort (Islahi, 2013). All in all, we are confident that the future also looks encouraging for Islamic economics.

Our present study is an attempt to present a solid and clear case for Islamic economics. In essence, we wish to argue that it is an opportune time for this four-decade old offering to significantly project itself as an *integrated* social science. This introductory section is intended to show the promising future for value-based economics, including Islamic economics. Next, a quick evaluation to reflect on the inchoate state of affairs of Islamic economics is undertaken. With such disclosure, newcomers to the field could be in a much better position to chart their action plans to seize the opportunities provided by the economics discipline as a whole. In section 3, we put forward our own attempt to strengthen the edifice of this nascent discipline. To that end, some insights on selected epistemological matters and basis for micro-foundations are suggested. These insights are arguably novel given that they are primarily inspired by the most recent writings on the concepts of rationality and economic agent for Islamic economics. Section 4 looks at possible implications on the IOK efforts in the immediate future. Finally, section 5 concludes our discussion.

2. Critical reflections on Islamic economics science

The introduction section places our optimism on the Islamic economics' prospect. One must not, however, be carried away with that very promising outlook so as to stay on track with developing the right identity for Islamic economics as a credible science. Here, we seek to provide critical reflection points on the actual state of affairs for this relatively new discipline. For that purpose, we undertake this direct assessment exercise by focusing solely on Nienhaus (2013). In that thought-provoking paper, he objectively evaluates the journey of the Islamization of economics thus far by concentrating on issues

surrounding its substance and method. We rate his evaluation highly because he writes as a Christian scholar who has a long history in enriching the content of Islamic economics while attending to core topics such as Islamic economic system and *zakah*. In a way, Nienhaus' (2013) criticisms on the four-decades-old Islamizing effort are reasonably fair; hence, acceptable; unlike several biased ones attributed to mainly external critics, for example, Shams (2004) and Kuran (1983, 1995a, and 1995b).

In brief, this section will analyse, evaluate and state our own standpoint on Nienhaus' criticisms clearly while respecting Tahir's (2017) demand for the observance of intellectual integrity in Islamic economics research. As a guide to readers of the present study, subtitles to the four subsections below are exactly similar to that of the four subsections that are under his section 4 entitled "Some Problems of Islamic Economics" (Nienhaus, 2013, p. 189). Notice also that the subtitles are actually concise representations of Nienhaus' fair criticisms.

2.1 Islamic economics as a widely disregarded field

Taken as a whole, Nienhaus (2013) believes that the scholarly world, in general, has not shown serious consideration to the young discipline of Islamic economics. He backs up his belief by listing the small number of published articles on the discipline as noted by the American Economic Association (AEA) and its electronic bibliography, EconLit, which includes non-AEA mainstream journals. Nonetheless, he does admit that the number of research output in Islamic economics has increased over the years. However, this overall observation is indicative of the relatively low quality of those outputs.

On this point, we tend to be on the side of Nienhaus (2013). Islamic economists themselves are complaining about this particular situation (Khan, 2013; and Nahar, 2016). Nahar (2016) concludes that Islamic economics lacks visibility in intellectual publications and the existing Islamic journals are yet to acquire highly reputable status. This is despite the fact that Nahar uses not only Islamic economics as the search term but also Islamic Business, Islamic Accounting, Islamic Management, and Islamic Banking and Finance. Technically speaking, this treatment clearly overstates the number of journals that are classified as Islamic economics, but Nahar omits non-English journals. Subsequently, 25 journals are evaluated based on nine assessment criteria; namely Impact Factor, Google Scholar Metrics, Eigen factor Score and Article Influence Score, Publisher, Editorial Board, Acceptance/Rejection Rates, Peer-reviewed, Where Indexed and Publication Fees. The figures from the adopted subjective and objective measurements directs Nahar (2016, p. 106) to confess that "From the study conducted, there is a concern regarding limited quantity and quality of globally reputable publication avenues in the discipline of Islamic Economics".

The above is our take on Nienhaus' (2013) overall comment. Next, we wish to specifically address four factors that, in Nienhaus' opinion, are the possible reasons behind the little attention given to Islamic economics. Firstly, Nienhaus

is correct in observing that religious content is alien to the predominantly secular-based academic setting. The frequent references to the divine scriptures tend to deter conventional economists from having interest in not only Islamic economics but also all other faith-based economics, including Christian economics. This situation is quiet understandable given the influence of secularism in Western thought and culture. The reliance on logical positivism as the methodological belief system that sets the standard of truth in scientific pursuit is a testament to our assertion.

Secondly, about the limitedness of factual and theoretical knowledge produced by Islamic economists, Nienhaus attributes this weakness to two explanations. First, Islamic economics has the proclivity to examine problems that are similar to those found in conventional economics studies. On this matter, we wish to defend Islamic economics. Let us not lose sight of our earlier argument that Islamic economics is simply economics viewed from the Islamic perspective. So, it is not a surprise to see that Islamic economics shares the same subject matter with conventional economics and “The real difference will lie in the details” (Khan, 2015, p. 15). As a result, applied economic problems under inquiry are bound to be similar. As for the second explanation, Nienhaus links it to the idealistic nature of Islamic economics orientation. On this one, we totally agree with Nienhaus. This is because there is an increasing number of scholars who are siding with Nienhaus and among them are Hosseini (1992), Kuran (1995a), Warde (2000), Shams (2004), Siddiqi (2008), Farooq (2011), Shinsuke (2012), Mahomedy, (2013), Khan (2015), Mahyudi (2015a, 2015b, and 2016). Basically, their standpoint is that the viability of Islamic economists’ altruistic proposals is very questionable with the absence of *homo Islamicus*. Thus, we concur with Nienhaus (2013, p. 190) that Islamic economists prematurely adopt the “idealistic visions of a rather distant future”.

Thirdly, Nienhaus complains about Islamic economics’ failure to challenge long-established views with new arguments and offer new fields for theoretical or practical application. This could be seen from Islamic economics inability to fill up the gaps in welfare economics. This study also agrees with this point. We believe that this has something to do with the identity crisis faced by Islamic economics science (Siddiqi, 2008; Zaman, 2012; Mahomedy, 2013; Tahir, 2017; Gattoo and Gattoo, 2017; and Mahyudi and Aziz, 2017). With the prevalent internal confusion, the discipline is not in the right position to make significant contributions.

However, all is not doom and gloom for Islamic economics. Mahomedy (2013) reports on the self-admissions about this internal crisis by first-generation and second-generation Islamic economists. Muhammad Akram Khan, in his 2013 Keynote Address at the First World Congress on Integration and Islamisation of Acquired Human Knowledge, alluded to the same concern. Interestingly, there are signs that remedial measures are in place. Khan (2015), for instance, is indeed a commendable attempt to revisit the discipline’s purpose of inquiry and subject matter. Notably also, Furqani (2012 and 2015) proposes a more organized presentation of ends, means and cardinal virtue for Islamic

economics science. Even Zaman (2015 and 2017) is serious about reviving the discipline's promises. Therefore, positive developments are in progress.

Fourthly, Nienhaus observes that the content of Islamic economics is quite irrelevant to non-Muslims. Nevertheless, we opine that this unwanted perception persists because of the Islamic teachings rather than scientific orientation held by the first and second generations of Islamic economists. Perhaps, this is the unintended negative implication from the circulation of those Islamic economics definitions that tend to portray this young discipline as a study on Muslims and Muslim-majority countries only by their reference to phrases like "people imbued with Islamic values". Again, we are optimistic that change is coming with the third generation of Islamic economists who tend to be more scientific in their work. To rectify this situation, Khan (2013), Siddiqi (2014), Khan (2015) and Mahyudi (2016) push for a more universal outlook in this discipline. A widespread acceptance of the definition by Mahyudi and Aziz (2017) may serve that purpose since it carries that universal spirit. To the cited authors, "*Islamic economics is the application of the Qur'ānic framework in the study of any individual's and society's effort in welfare improvement*" (Mahyudi and Aziz, 2017, p. 238). This fresh definition clearly identifies the whole of mankind, at both the individual and collective levels, as the most proper audience for Islamic economics. In short, while we appreciate Nienhaus' critical observation, we are confident that with the ushering in of this new universal appeal, non-Muslims would be interested in Islamic economics too.

2.2 The potentially deterrent normative dimensions of Islamic economics

As the titles to Nienhaus' (2013) section 4.2 and this subsection suggest, Nienhaus expresses his fear about the potential impediment to constructive engagement between non-Muslim conventional economists with Islamic economists. To him, this impediment exists mainly due to the normative character of Islamic economics substance since it originates from the primary sources of the Islamic worldview *viz.* Quran and Hadith. Because of the reliance on these sources and the entailing normative character of the Islamic economics discourse, he sees a narrow window of opportunity for the two identified groups of economists to have meaningful interactions that would enhance the status quo of economics science.

Based on the above line of critique, this study is inclined to agree with his criticism. Furthermore, he is actually hinting at the *potential* nature of the point that he is trying to make. Technically speaking, when his argument is conditioned in such a way and since we know for sure that the probability of that particular situation happening is not zero, we are argumentatively cornered to agree with his position. Nevertheless, we sincerely believe that that probability could be significantly reduced from its present imaginative figure. Despite this we wish to still argue that Islamic economics normative element is *not* a hindrance for the economists' fraternity to have congenial dialogues. It is in this frame and aim that we seek to address Nienhaus' concern in this subsection.

2.2.1 Islamic economics as an integrated social science

We first clarify our branding of Islamic economics as an *integrated* social science. On this pivotal issue regarding the substance of the discipline, we are in complete agreement with Mannan (1983). Mannan (1983, p. 45) avows that due to the inseparable connection between normative and positive aspects in Islamic economics theory-building, analysis and policy formulation steps, “it is neither a positive nor a normative science”; which in turn becomes his single criterion for the integrated nature of this science. Hence, we reject Nienhaus’ (2013, p. 191) statement that “Islamic economics is by its own definition normative economics” since it inadequately represents the substance of this discipline.

As an integrated science, it does not imply that Islamic economists deny the differentiation made between positive and normative economics as deliberated in all introductory courses on economics. Like conventional economists, we have to also accept that the former focus on economic problems as they are, whereas the latter are more concerned with what ought to be. This integrated character actually means that any desire to classify Islamic economics as either positive or normative science would be misleading and counter-productive. Therefore, to identify Islamic economics as normative economics is rather incomplete. Similarly, any assertion to treat Islamic economics as a positive science, for example Khan (2013), would portray the same incomplete picture as well. Instead, in order to capture the comprehensive substance of the knowledge discipline in question, we are adamant on acknowledging Islamic economics as an *integrated* social science.

2.2.2 Islamic epistemology and “Quranic framework”

Following through with the integrated science clarification, we now seek to elucidate our stance on Islamic epistemology. To Nienhaus (2013), since Islamic economics rely heavily on the primary sources of Quran and Hadith, it should be considered as a normative intellectual enterprise. Furthermore, these sources do not offer much when it comes to cause-effect relations or descriptive statements. This understanding leads Nienhaus (2013, p. 192) to assert,

The sources provide only few directly applicable instructions (for example precise rules for heritage) but mostly general principles and normative orientations to guide people in this world ⁽²⁸⁾. But the interpretation and application of normative Quranic injunctions requires also the use of the ‘positive’ knowledge at hand. The need to take guidance from that primary sources constitute the normative and *Islamic* component in ‘Islamic economics’, the application of the knowledge of the time is the *economics* component in ‘Islamic economics.’

This present study highlights that the whole idea gathered from Nienhaus’ quotation above could well be used to argue the case for integrated science

instead. To be more specific, the second sentence shows a clear need for the normative *and* positive components to co-mingle for the proper delivery of Islamic economic thinking. Evidently, Nienhaus (2013) seems to contradict his earlier position that Islamic economics is a normative economics. Thus, Nienhaus himself has to concede that in order to present the true substance and nature of Islamic economics it is a must for the positive and normative aspects to co-exist.

Notice that the root of his contradictory position lies in the topic of epistemology. However, Nienhaus is actually correct at making the vital point that the most distinctive feature for Islamic economics is its epistemology. Haneef (1997, p. 41) confirms that “The central point of departure of Islamic epistemology from that of the west is in **the prominence and centrality of revelation in the pursuit of knowledge**”. To qualify further, Haneef’s reference to the Western epistemological position relates to the influence of logical positivism standard of truth in the dominant *secular* scientific community. Unfortunately, his distinguishing criterion, as originally stated in bold in the above citation, cannot be relied upon in separating Rosser and Rosser’s (2004) New Traditional Economy into its individual component of Jewish, Buddhist, Confucian, Hindu, Christian and Islamic economics. The epistemological source for the New Traditional Economy or faith-based economics is the respective holy scriptures or divine revelations. Thus, giving due prominence and centrality to the specific religious texts manifests a more unique epistemological attribute of each faith-based economics, rather than just a mere use of the word “revelation” as done by Haneef. So, to display the right case of Islamic economics, Haneef’s statement must be reworded by replacing the word “revelation” with the word “Quran”. In effect, this revised criterion would show that Islamic economics is the only discipline among all schools of economic thought that utilizes the Quran in its knowledge acquisition process. It is this unquestionable unique quality that motivates Mahyudi and Aziz (2017) to place the phrase “Quranic framework” in their definition of Islamic economics. In short, Islamic economics is distinct because of its special brand of epistemology, a criterion that Nienhaus perhaps agrees with too.

It is unequivocally emphasized here that our “Quranic framework” does not mean that the Sunnah of our Prophet Muhammad (peace be upon him) is to be trivialized. To display the practicality of Islamic doctrines in day-to-day economic activities, Islamic economics could not afford to repeat the fatal error of the so-called *al-Quraniyyun* group that misguidedly claims to practice injunctions that are found *solely* in the Quran. In fact, the internal contradiction in committing this error is exposed by the Quran itself given that there are many verses that actually demand us to adopt the acts and decisions of our beloved Prophet (see Muhammad, 47: 33; al-Hasyr, 59: 7; al-Ahzab, 33: 36; al-Nisa, 4: 65; and al-Najm, 53: 2–5). Moreover, the Prophet’s knowledge was from God Himself as evident from the Quranic verse, “Allah has sent down to you the Book (The Quran) and *Al-Hikmah* (Islamic laws, knowledge of legal and illegal things i.e. the Prophet’s *Sunnah* – legal ways), and taught you which

you knew not” (al-Nisa, 4: 113). Justifiably, our “Quranic framework” necessitates the perfect symbiosis of the Quran and Hadith sources for the discipline of Islamic economics to express the true beauty of Islam’s universal message.

To provide more explanation on the connection between “Quranic framework” and Islamic epistemology, we now elaborate on channels of knowledge. As noted earlier, Mahyudi and Aziz’s definition of Islamic economics puts its epistemological stance at the core of the discipline. The channels of knowledge in Islam are true narrative or primary sources, senses and ‘*aql* (intellect) (al-Attas, 1989; Haneef, 1997; al-Ghazali, 2005; and Zaidi, 2016). Historically, this is the same epistemological stance adopted by past Islamic theology scholars like al-Ghazali (d. 1111) and Ibn Arabi (d. 1240), to name a few (Haneef, 1997). True narrative refers to the Quran and Hadith which must practically be treated as a single source given that one source could not function optimally without the other (Kizilkaya, 2015). On the role of the intellect, Farid (2008) mentions that Fakhr al-Dīn al-Rāzī, Ibn al-Jawzi and Ibn Rushd are of the view that true narrative and ‘*aql* have a symbiotic relationship; hence, equipping man with the cognitive ability to comprehensively evaluate claims of truth. Kalin (2015), al-Attas (1989), Zaidi (2016), Farid (2008) and Altaie (2016) highlight that the Quran itself promotes the idea that this God-given intellect is a vital tool in man’s perennial pursuit to seek the ultimate truth and be closer to God. Therefore, Zaidi (2016) asserts that true narrative, senses and intellect are all sources of knowledge that man could use to achieve his aim in life. In other words, Islamic epistemology accepts each one of them as usable objects or instruments in knowledge gathering activities. Thus, the “Quranic framework” that is compatible with Islamic epistemology requires man to acknowledge the role of primary sources of Quran and Hadith; the information offered by his sense perception; and the product of his exploits on his intellect.

2.2.3 *Islamic criteria for Islamizing economics*

We are very much inspired by Imam al-Ghazali’s (d. 505H / AD 1111) two necessary and sufficient criteria for the “Islamic” label that denotes Islamically permissible or accepted status. In his attempt to refute some theories originating from Greek philosophy that may have damaging consequences on the purity of Islamic thought, he openly declares his method or approach to achieve that end (al-Ghazali, 2005, p. 30),

Suppose, however, that the statements are found *only* in the philosophers’ books. If they are reasonable in themselves and supported by proof, and if they do not contradict the Book and the Sunnah (the example of Muhammad), then it is not necessary to abstain from using them (emphasis added).

The above quotation is directly referring to al-Ghazali’s treatment to those ideas that are traceable back solely to the works produced by the minds

belonging to a group of Neoplatonic Muslim philosophers *viz.* pure reason. Note that those ideas present the greatest threat to Islamic thought since they might lead to heresy. In facing that serious threat, al-Ghazali (2005) proposes a simple two-tier screening process. The criteria to accept any idea are two: first, it is an evidence-backed reasoning (i.e. logically sound with supporting proof); *and* second, it is in harmony with the primary sources of Islam. Failure to pass through the first condition means that the idea under assessment is rejected. So, it cannot gain acceptance in Islamic thought. But, in cases where the idea passes through the first criterion, that idea must then go through the next stage of screening. Whence it fulfils the second criterion, it could be accepted in Islamic thought. Put differently, the permissible status can be granted to any idea that is cleared at both stages of screening. This rule also implies that any idea that goes against the primary sources can never attain the Islamic status even when there is enough evidence to back up that idea. Interestingly, this two-tier screening procedure was applied by al-Ghazali in his book entitled *The Incoherence of the Philosophers*. The undisputable fact that this seminal book is valued very highly by not only Muslims but also erudite scholars from different faiths up until today is a testament to the reliability and robustness of this 900-years-old screening or filtering process.

With its simplicity appeal, this two-step filtering process is expected to be extremely useful in the entire Islamization efforts. Since the existing contemporary human acquired knowledge is tainted by secularism, the two-tier screening process could practically guide the Islamic scientists in dealing with the content of sciences with Western origin. The extant theories developed by Western-based knowledge acquisition activities should be filtered through using that robust process. Once those inherited substantive and methodological knowledge passes through both levels of screening, they should be deemed acceptable by the Islamic academic world. Equipped with this basic screening procedure, we foresee that it would create greater interest in the Islamizing economics approach than Tahir's (2017) proposed reconstruction approach. Moreover, we also expect that IOK efforts could move at a faster pace than its speed during the last decade with the adoption of al-Ghazali's screening criteria.

2.2.4 Critical remarks

After the above background setting is placed, we are now in a better position to display how Islamic economics' normative dimension is *not* an impediment for non-Muslim mainstream economists and Muslim economists to have constructive engagement initiatives. Here, we reassert that the intellect is a valid tool to acquire knowledge in Islam. The denial or unawareness of the full impact from this epistemological position on scientific activities is one logical reason why non-Muslims and some Muslims think that Islam is antagonistic towards the faculty of reason and science itself. This unfortunate situation worsens when Islamic law-oriented debates are given the predominant space in

most Islamic discourses such as on methodology of Islamic economics. Khan (2015, p. 13) alludes to this situation as he notices that “There has been undue obsession about the role of *Fiqh* (jurisprudence) in developing the study of economics” and this is posited by him to be one factor that sadly causes Islamic economics to show a lack of vision about its methodology. We also share Khan’s concern because once *fiqh* dominates, the course of discussion is steered towards treating the primary sources as the units of intellectual analysis serving the final objective of arriving at a legal position on the disputed issues (Saleem, 2010). Inadvertently, this typical context in Islamic discourses has the ill-effect of marginalizing the contributions from rationality and reason. Of course, this effect would be most felt by the non-Muslims. Thus, looking at the status quo, it is not surprising for us to see Nienhaus (2013) stating that Islamic economics’ normative dimension potentially deters the involvement of mainstream economists.

However, for mainstream economists to remain playing a relevant role in the future, they are somewhat forced by circumstances to engage more with those who are really serious about ethics and morality. As shown in section 1, the wave of “second phase classical theory” waits for no one and IOK is already set to ride on that wave. From our elucidation on Islamic economics as an integrated social science, we dare to claim that the structure of this “second phase classical theory” is very similar to the integrated science project. Thus, we concur with Mahyudi and Aziz (2017) who predict that Islamic economists could be in a leading position by benefiting from their “first-mover advantage”. The extant Islamic theories on ethics, as thoroughly developed by among others, Al-Ḥasan Al-Baṣṭī (d. 728), Al-Kindī (d. 866), Al-Farābī (d. 950), Miskawāh (d. 1030), Al-Māwardī (d. 1058), Ibn Ḥazm (d. 1064), Al-Ghazali (d. 1111) and Fakhr Al-Dīn Al-Rāzī (d. 1209), only awaits future economists’ rediscovery of them (Fakhry, 1991). This situation may indeed serve as an incentive for the non-Muslims economists to get into more profound intellectual discussions with the Islamic economists.

On another front, our application of the Islamic worldview in clarifying Islamic epistemology, Quranic framework and Islamic criteria for Islamizing economics promises another encouraging change of mindset and operation. We foresee that more economists, Muslims and non-Muslims alike, would be able to associate themselves with the efforts “to develop Islamic theory of economics rather than an Islamic economic theory” (Khan, 2015, p. 14). This is because our arguments are actually motivated by our desire to give a bigger room for reason and rationality to roam for the sake of the IOK agenda. The rediscovery of Imam al-Ghazali’s screening criteria is destined to be the catalyst that promotes a more amicable process of constructive engagement between Islamic economists and economists of other faiths. Eventually, when all parties manifest this fresh mindset, this subsection concludes that the normative dimension of Islamic economics is not a deterrent element for effective engagement platforms to flourish.

2.3 “IE light” studies

One criticism by Nienhaus (2013, p. 194) reads: “The increase in the number of studies on topics with relevance for IE in a conventional framework – ‘IE light studies’ – should be welcomed, but it does not indicate a proportionate progress of ‘IE proper’”. The basis for this criticism is his suggestive demarcation between “IE light” and “IE proper” types of research. The former refers to those academic works that consciously adopt the conventional economics orientation in problem identification, research method and analysis. Nevertheless, they are still considered as part of Islamic economics literature due to their association primarily with Muslim countries or Islamic economic institutions, like Islamic banks. In contrast, the “IE proper” ones tend to exhibit either a normative content or a systemic perspective and are typically motivated by the aim of establishing an Islamic socioeconomic political order.

This study totally agrees with the factual nature of Nienhaus’ observation. However, we see little problem with this piece of observation. To make our stand clear, we again rely on the two-stage screening process. This application is deemed necessary because it enables us to strongly stress on our expectation that most, if not all, “IE light” research could easily pass through both stages of screening and thence, gain entry into Islamic economics fold. Due to the widespread usage of economics textbooks authored by Western economists in Islamic universities across Muslim countries, it is hard to say that the bulk of their contents are un-Islamic or against the tenets of Islam. If they were un-Islamic or overloaded with impermissible knowledge, they would obviously be prohibited from being used altogether. In a way, there is that implicit recognition that these books are actually acceptable from the Islamic standpoint. When we can have a stance of that sort on Western-published books, which are basically the output of conventional economics problem identification, research method and analysis, we should not have any qualms with “IE light” ones. Given that this is the most probable overall result of the screening process, we positively welcome the increasing total number of Islamic economics works; which comprise of both “IE proper” and “IE light” studies. Hence, we disagree with Nienhaus’ line of critique that seems to attach some sense of negativity with the relatively lower rate of progress for “IE proper” than “IE light” ones.

Our position could be made more solid once we allude to Nienhaus’ (2013) own penetrative insights on the various advantages that come along with “IE light” studies. In concise, he correctly views that “IE light” scholarly works do open the door for many authors to contribute. These authors include Western-trained Muslim economists, non-Muslims and young talents too. Interestingly, Khan (2013) avers that it is imperative for IOK to get the involvement of wider intellectual circles. We are of the opinion that “IE light” studies could directly address this imperative. According to Acikgenc (2014), this organically expanding Islamic scientific community is most crucial

in developing the right Islamic scientific tradition that has in it the inherent ability and continuous vitality to sustain itself. In the long run, this development is beneficial especially when we give proper consideration to the fact that Islamic economics is still in a “Kuhnian pre-paradigm” stage despite its four decades of playing a dominant role within the IOK agenda (Gattoo and Gattoo, 2017). Therefore, growth in “IE light” research is definitely a boon for the discipline.

2.4 Islamic economics as political economy

Nienhaus (2013) claims that the systemic dimension; which provides that critical and action-oriented trait to the polemics in Islamic economics practice, has the tendency to turn Islamic economics into political economy. As noted in the previous section, “IE proper” discussions are geared towards constructing the ideal world. However, little attention is given on the right set of strategies to attain those ideals.

This study believes that Nienhaus’ claim is rightly justified. The logic behind our opinion is that his claim is merely a repeat of the earlier chorus of critics targeted at Islamic economic system (Kuran, 1983, 1995a and 1995b; Mills and Presley, 1999; Warde, 2000; Shams, 2004; Farooq, 2011; and Mahomedy, 2013). These critics exist and will persist because many Islamic economists are still continuing the legacy of pre-independence Islamic economic system discourses that are very much influenced by anti-capitalism ideas of Mawdudi, whom Kuran considers as the founder of Islamic economics since a very significant portion of Mawdudi’s personal struggle was to present modern yet Islamic, as opposed to Western, proposals of economic reform in an actual political milieu (Shinsuke, 2012). Therefore, it is not a surprise to see that Nienhaus also views Islamic economics as political economy once we shift our focus from the realm of theory to the *realm of practice*.

Again, we agree with Nienhaus as he asserts that the ultimate aim for the Islamic political economy is the provision of real-life practical solutions to the economic problems faced by the society. To achieve this, “IE light” research must be prepared to fill up the gaps left by “IE proper” studies on topics such as economic development and wealth distribution. The heavy discussions in “IE proper” research has the potential to motivate “IE light” research. A case in point is the influence of the Islamic economic system grand idea onto the birth and rapid progress of the Islamic finance industry. The practical-oriented discussions in “IE light” research could iron out practical concerns, challenges and bottleneck problems albeit its piecemeal approach. The onus is also upon the contributors of “IE proper” studies to streamline the results, findings and recommendations of “IE light” published outputs. Eventually, this could foster the Islamic moral economy that champions the cause of public interest through the scientific or knowledge-based means rather than political means.

3. Novel insights on epistemological matters and basis for micro-foundations

In view of our attempt to present the case of Islamic economics as a social science, this study wishes to state its understanding on science itself. Acikgenc (2014, p. 6) avows that "... there is no single conception of science that is acceptable to all". Given this situation, he offers a definition to reduce the level of confusion around that word "science". Unfortunately, we humbly opine that his version violates the non-circular rule for a definition when he uses the term "scientific" in describing what "science" is. Therefore, we prefer to simply treat science as the collective expressions of the knowledge discipline expert on aspects related to the orderly and systematic knowledge acquisition activities carried out on the subject matter of that knowledge discipline. With this in mind, we put human interactions and societies as the object of inquiry for social sciences or soft sciences; and physical matter for hard or natural sciences. Inevitably, the interest of future IOK endeavours is in both hard and soft sciences; and economics is just one of the social sciences to be Islamized.

3.1 On epistemological matters

This subsection should be treated as an extension to the coverage of section 2.2 above. We bring into discussion points beyond those which are relevant when we address Nienhaus (2013) earlier. It also seeks to shed more light on al-Ghazali's two-tier screening process. As a whole, it is an attempt to furnish more insights on advantages of the Quranic framework espoused by Mahyudi and Aziz (2017).

Interestingly, Williams (2001) lists out concerns surrounding methods as one of the five problems that characterizes epistemology as a field of study. Meanwhile, Acikgenc (2014) claims that the concept of method is pivotal in playing its part as the essentials for scientific knowledge. In fact, he posits that the orderly and systematic manner (i.e. method) adopted by the scientific community to quench its thirst for knowledge is the feature that distinguishes science from the laymen's way of increasing their stock of general knowledge. The centrality of method requires us to first project a fair view on that concept to grasp its proper influence in developing Islamic economics.

This study asserts that presently there is a misguided attempt among Islamic economists to search for that elusive, sophisticated, universally accepted and very strict standard of truth in order to be qualified as Islamic methodology. This preoccupation is perhaps the motivation behind Furqani and Haneef (2012); in which they introduce two criteria of theory appraisal: i) internal integrity; and ii) relational-unity. Nonetheless, the refusal to adopt these criteria by Furqani (2017) himself in coming up with a theory on consumption behaviour should raise an alarm on the necessity to place such high aim in any effort to shape the Islamic methodology. Therefore, it is our contention that Islamic economics must take cue from Feyerabend's (1975) criticism against the

imposition of such rigidity onto scientific methods and at the same time protects itself from “the two extremes of logical positivism and radical historicism” (Kalin, 2015, p. 5).

Thus, this study concurs with Acikgenc (2014) and Nienhaus (2013) on the plurality of scientific methods. It is futile to argue for a universal method in science when we have to accept the unchallengeable fact that different scientific traditions proffer distinct approaches to scientific inquiries. The consistent attacks on logical positivism from the Islamic point of view, as directly expressed by Zaman (2013) and indirectly by Kalin (2015), serve as an indication that the epistemological hubris embedded in the neoclassical economics school’s logical positivism has no place in Islamic economics and Islamic sciences in general. This stance is palatable given that Islamic sciences evolve within a different conceptual environment and context; for instance, on the concept of rationality that will be explained below (Acikgenc, 2014; and Kalin, 2015). Nonetheless, as part of its methodological principle, Islamic economics must equip itself with a clear-cut process to filter out unworthy methods, analyses, theories and policy prescriptions from the existing body of knowledge on economics while undertaking the task of Islamization.

Here, we refer to al-Ghazali’s two-tier screening process. Notice that this process is potent enough to be applied again in ascertaining the acceptance or rejection of any methods suggested by any scientific tradition. To recap, any method that utilizes reason is acceptable provided that there is evidence to support that reasoning and it does not contravene the tenets of Islam. Similarly, empirical-based method is accepted as long as it does not contradict the Quran and Hadith. However, any *belief* that treats reason or empirical evidence as the sole standard of truth is absolutely rejected in Islamic epistemology. In fact, this is the basis for our rejection of the Vienna Circle’s logical positivism. Evidently, the simplicity of this process does provide a high degree of flexibility for Islamic sciences, both hard and soft sciences, to adopt any kind of methods that suit the nature and purpose of the inquiry at hand. Therefore, Islamic methodology is pluralistic by design but this celebration for plurality is conditioned by the mandatory requirement to pass through al-Ghazali’s Islamic status screening test.

To illustrate our Quranic framework vis-à-vis the role of reason and rationality in scientific pursuits, we rely on Kalin (2015, p. 1) who cogently argues that the Quranic position is that, “... far from being a self-standing entity, reason functions within a larger context of existence, intelligibility, and moral thinking”. Relating to existence, Islamic rationality operates in the context of metaphysics of creation with the entity God as the beginning and end of all actions. About rationality and intelligibility, Kalin avows that in the pursuit of truth, reason seeks out the intelligent order intrinsic in natural phenomena and the cosmos; as willed, designed, created and intended by God. In other words, rationality in Islam is that ongoing attempt to use the God-given power of reason to disclose the principles of intelligibility arising from man’s observation on existence. The implication is that Quranic-based rationality is never to be reduced to only instrumental rationality as projected by Western sciences. As

for the link between rationality and morality, Kalin (2015, p. 22) boldly affirms that "... immorality is irrational because it goes against our self-interest and violates the order of things, which, in turn, causes us harm". This position is in tandem with a principle in Islamic psychology that affirms, "All that is *halal* is normal, and all that is *haram* is abnormal" (Iqbal, 2010, p. 213). We find this overall position consistent with the expected *conduct of mind* by Islamic economists in theorizing, analysing and solving real economic problems. Consequently, the comprehensive nature of Kalin's deliberation on reason and rationality according to the Quranic framework leads us to declare that the above explanation covers the fundamental principles for Islamic epistemology which must be understood and embraced by all Islamic scientists; not just Islamic economists. Armed with this Islamic rationality, the social scientists are well-prepared to be more discerning on the "entanglement of fact and value" phenomena in economic analyses; thence, produce potentially the best collection of "second phase classical theory".

3.2 On basis for micro-foundations

One basic scientific doctrine states that any science is constructed of theories related to the subject matter of the referred knowledge discipline (Acikgenc, 2014). Any theory is supposed to be "an abstract representation of the real world designed with the intent to better understand that world" (Arnold, 2000, p. 13). Accordingly, the scientist, in her or his scientific inquiry, is primarily concerned with those sets of variables that would enable her or him to describe, explain and predict an observable event of interest (Fox, 1997). For that theory-building or knowledge acquisition attempt to be successful, Galbraith's (1971, p. 65) reminds us on a very vital rule: "if assumptions become obsolete, so does the knowledge subtended thereon". In view of this rule, the reliability of mainstream economic theory is put into question with the failure to predict the occurrence of the Great Recession so much so that economists are now beginning to reflect more on the limitations of *homo economicus* as an explanatory model of the economic agent used as one micro-foundational basis of neoclassical economic thought. Even faith-based economists like Roberts (2014) and Clark (2014) proffer one version of the attempt to replace *homo economicus* with *homo religiosus*. Regardless of their versions, all attempts can never afford to violate the rule on theory-building emphasized by Galbraith.

Islamic economics has its own version of the economic agent and it is *homo Islamicus* or Muslim man. Arif (1985a and 1985b) assigns this concept as the basis of micro-foundation in the structure of Islamic economics science. However, as highlighted in section 2.1, the absence of *homo Islamicus* thwarts the adoption of proposals from Islamic economists since the viability of such proposals are *conditional* upon the existence of *homo Islamicus* (Azid, 2010; and Shinsuke, 2012). Therefore, we see the critical need to find a better representation for the economic agent given that it clearly violates the rule of theory-building mentioned above.

Mahyudi (2015a) starts to re-examine the basis for Islamic economics micro-foundations. It sets out to search for reported economic behaviour of Muslim societies. Considering Kuran (1995a and 1995b); Mills and Presley (1999); Warde (2000); Shams (2004); Asutay (2007); Farooq (2011); and Siddiqi (2014), one cannot deny that there is a mismatch between the conceptualized economic agent of *homo Islamicus* and the actual behavioural norm in present practices. In fact, with some evidence from contemporary Islamic banking industry, Asutay strongly asserts that *homo economicus* is trampling on *homo Islamicus* in the marketplace. Meanwhile, Çizakca (2010) observes that in the history of Islamic civilization, Muslims merchants relied upon property rights, free trade and market economy as economic institutional frameworks much earlier than their wide acceptance in Western communities. In short, available past and present reports on exchange practices of Muslims reflect that the truth of the matter is Muslims have not been overwhelmingly exhibiting the ideal actions expected from *homo Islamicus*.

After the disclosure of Mahyudi (2015a) and motivated by Saleem (2010, p. 112, emphasis added) who avows that “Economic assumptions and theories cannot be built on *human behaviour as it ought to be*”, Mahyudi (2016) continues with that re-examination exercise by raising some epistemological concerns surrounding the discovery or conceptualization process for the *right representation* of the economic agent for Islamic economics. His analysis prompts him to point out an epistemological error in that discovery process. This flaw was innocently created by the first generation of Islamic economic theorists because of their zeal to display that *homo Islamicus* is a personification of the economic agent that is directly opposite to *homo economicus*. This zeal somehow mis-directed them towards treating their economic man as the ideal man, behaving with “ought-to-be” traits, from which ideal theories and proposals *should be* constructed. Mahyudi (2016, p. 124) summarizes this error:

Unfortunately, in coming up with *homo Islamicus*, early contributors have committed two strands of mistake; first, they have given too much focus on the individual person’s positive aspect of his innate being and second, they have undermined the interplay of social dynamics in influencing actual expressed preferences.

This flaw was then passed on to the next generations of economists. Motivated to rectify this genuine mistake, Mahyudi justifies that the economic man concept that is closer to worldly realities must include also the inherent weaknesses of man in his individual state of being (*al-insān*) and his plural state of being (*al-nās*), not just his angelic potential.

Cognizant of the severity of the flaws associated with *homo Islamicus*, Mahyudi and Aziz (2017) propose the “universal man” concept. This concept stems from the identification of four elements of human nature; namely, *Ruh* (spirit), *Qalb* (heart), *‘Aql* (intellect) and *Nafs* (appetent self). This model of man is referred to as the R-QAN model and is attributed to Imam al-Ghazali who

explains it in the introductory part of *Rub' al-Muhlikat* (The Ways to Perdition); which is the third part of his four parts *Ihya 'Ulumuddin* (Revival of Religious Sciences). These four elements are necessary and sufficient for all ethics-related discourse. Mahyudi and Aziz's basic premise of argument is that each element requires its own nourishment from which raises the aspects of human welfare or well-being. The four aspects are Spiritual, Emotional, Intellectual and Physical and each one corresponds to its respective human element within R-QAN. Man's pursuit of his complete welfare is one particular feature that distinguishes Islamic economics from conventional economics (Chapra, 2000; Aydin, 2013; Furqani 2012 and 2015; and Khan, 2015).

Mahyudi and Aziz (2017) elaborates at length on the behavioural norms of this novel concept by juxtaposing it against both *homo Islamicus* and *homo economicus* (see Table 6.1).

About ends of economic pursuit, Mahyudi and Aziz (2017) criticize that it is not part of man's standard operating procedure to always maximize in our economic decisions. Everywhere in every stage of man's history, while making economic decisions, each person *subconsciously* answers the most pertinent question: *Would my welfare be better than my previous state of being?* Practically, we just want to be better off than before. Both *maximization* of utility and *maslahah* (public welfare) only enter our thought processes occasionally, particularly when we want to spend huge amounts of money and make long-term financial commitments in some buying or investment decisions. Furthermore, to be better off than before seems to simply reflect on the fact that we are rational beings. In addition, any maximization goal may be considered as an extreme case of the suggested *incremental welfare* goal because before reaching any desired maximum position, all of us must first have more than our previous position. These arguments reasonably imply the superiority of the incremental welfare ends for the economic agent.

On cardinal virtue, the suitability of the justice, and we shall add fairness, is defended based on the irrefutable fact that both justice and fairness are universally used to condition one's perception about the boundaries of right conduct given any prevailing circumstances. Transgressions over the perceived

Table 6.1 Comparison of economic agent concepts

	<i>HOMO ECONOMICUS</i>	<i>UNIVERSAL MAN</i>	<i>HOMO ISLAMICUS</i>
ENDS	Utility maximization	Incremental welfare	<i>Maṣlaḥah</i> maximization
MEANS	Self-interest	Dominant Activated Human Element	<i>Huqūq</i>
CARDINAL VIRTUE	Rationality	Justice	<i>Taqwā</i>

Source: Mahyudi and Aziz (2017).

boundaries tend to cause unrest in all societies across time and space. This point is aptly presented by al-Attas (2015, p. 24, emphasis added):

Looking back into their historical past on the debates and deliberations about the origin and nature of justice, modern scholars and thinkers sum up in evidence that *all human institutions*, i.e. the state, its constitution, its laws, its contract under seal, its treatise and agreements, its organization and operations, involve justice. This means, according to them, that justice is something political or *something natural*.

Finally, the means discussion is captured by a slightly complicated concept of Dominant Activated Human Element or DAHE. Note that human element here refers to that R-QAN model of man. DAHE is an effort to mitigate the incomplete representation of self-interest and *huqūq* (self-right and obligation) motives or “means” in real-life situations. In the actual scenarios, the “universal man” exercises his available freedom to make rational economic decisions. After all, based on the Islamic worldview, “The choice is left to him” and God has bestowed upon him the “intelligence to know right from wrong and truth from falsehood” for him to fulfil his true potential; should he wish to do so (al-Attas, 1993, p. 140). This *subjective rationality* is constructed by entertaining to any combination of composite human elements that has been activated within the economic agent’s mind while he is still in the process of assessing alternative options related to that economic decision. This combination that serves the ends pursued by the “universal man” represents the “means” or motive in that economic decision. As long as the decision is made with a motive that is deemed reasonable by the “universal man”, it is duly considered as a *rational decision from his own perspective*. Mahyudi and Aziz (2017) argues that DAHE is robust enough to reflect the static and dynamic (i.e. in both intertemporal and interpersonal contexts) preferences of the economic agent. Therefore, DAHE is claimed to realistically depict actual circumstances faced by the “universal man”.

In view of the main concern raised in this subsection, it is stressed again that micro-foundational issues, like the economic agent, are crucial in building economic models that represent the best abstraction of reality. With the wrong micro-foundations, the science in focus lacks credibility as a normal science, which according to Kuhn (1970, p. 10, emphasis added), refers to that science whose research is “firmly based upon one or more *past scientific achievements*”. Thus, the “universal man” should be the basis of micro-foundations for Islamic economics as an integrated social science while *homo Islamicus* remains as the ideal concept of man that it is.

So, we may now safely assert that the grand strategy for Islamic economics is *not to presume* the presence of *homo Islamicus* in theory-building exercise, but to continuously nurture the development of *homo Islamicus* amid the “universal man”. It starts with the acknowledgement of the R-QAN elements as the innate potential that every human being is born with. Our own personal

experiences should make us concede to the undeniable fact that life is basically an ongoing test and struggle for each individual person to fulfil his or her endowed potential. A few amongst us may find true success and attain the rank of those who acquire *an-nafs al-mutmainnah* (the peaceful soul); whereas, majority would be under the category of *an-nafs al-ammarah bis-suu'* (the soul that incites unto evil) and *an-nafs al-lawwamah* (the soul that blames). In this regard, the proper attainment of the potential among individuals and societies should be the main concern for policy-makers. The role of Islamic economists is then to assist the policy-makers by suggesting Shari'ah-based public policies which are backed by sound theories. With the right package of policy strategies and initiatives, the society would gradually evolve towards displaying more and more of the aspired *homo Islamicus* character over time. Thus, human flourishing in individuals and societies could actually be observed as their conviction to attain *falah* (true eternal success) is facilitated by these Islamic economic programmes and policies.

4. Implications on IOK

The above sections have an effect on the IOK effort and these implications could be direct or indirect. Inasmuch as the Islamizing of economics process benefits from the argued points presented by the textual content of this study, the implication is quite straightforward. Put differently, if this study managed to provide improved clarity on fundamental issues such as Islamic epistemology and economic agent, the academic world can expect to have more published works on Islamic economics including in the often neglected area of methodology (Haneef, 2005; and Haneef and Furqani, 2011). It is the indirect implication that might escape the imagination of the reader; thus, they deserve a more detailed elaboration here.

The indirect implication relates to the method upon which the IOK agenda can be further pursued. To take the task of building a practical science, the IOK project is suggested to have two phases of sequential development. Firstly, it must prepare the mind of Islamizers, who are the actual scientists doing the Islamizing of past and new knowledge; and secondly, it must tackle the scientific side revolving around the standard process of doing the sciences.

In general, section 2 above is one possible form of the outcome from preparing the Islamizers while subsection 3.1 is part of the input necessary to prepare the Islamizers. By outcome, we mean that once the Islamizers have been given ample teachings on the contents of Islamic worldview, they would be able to furnish the right and proper perspective required for building the discipline in the mould that is compliant to the Shari'ah. As for the input, the content of subsection 3.1 deals with reason and rationality from the Quranic framework. In other words, the Islamizers must embrace the idea that Islamic rationality is to be exercised comprehensively by taking into account the existence, intelligible and moral contexts of the problem at hand. Thus, this concept of Islamic rationality empowers the Islamic scientist with the right frame of

mind before she or he could produce new knowledge. This kind of empowerment is the ultimate goal for the IOK's first phase.

Next, subsection 3.2 may function as an example of the second phase in developing IOK. The dimension of concern there is the method that would make the Islamic sciences acquire that shared universal appeal within the scholarly world. This requires the Islamizers to always exhibit a high level of "scientific consciousness" that demands them to be sensitive about the subject matter, method, body of theories and accumulated scientific discoveries of the respective Islamic sciences (Acikgenc, 2014). The economic agent arguments are put forth with the intent to enrich the actual process of theory-building so that they could easily be considered within the confines of the accepted norm in the science of economics. Put differently, provision of the best epistemological quality for the scientific pursuit is the aim in this second phase of IOK.

To illustrate the different yet complimentary effects of the two phases, we draw attention to the workings of Islamic rationality and subjective rationality. In passing, the concept of subjective rationality is given some coverage in subsection 3.2. Subjective rationality reflects the actual operation that resides in the mind of the subject of analysis *viz.* the economic agent, whereas Islamic rationality is that concept of comprehensive rationality to be adopted by Islamic scientists since it is argued to be in line with the Islamic worldview. Accordingly, Islamic rationality guides the scientist cum observer in his or her scientific activities. In contrast, subjective rationality reflects the real scenario faced by the economic agent in his or her economic activities, which are the social phenomena studied by the science of economics. Thus, in order to fully achieve the *purpose of Islamic economics inquiry* (i.e. describe, explain, predict and *islah* (improve)), both forms of rationality must be allowed to exist within their own domains. So, in a typical economic theorizing exercise, the Islamic economists would try to find empirical evidence that supports their hypothesis and analyse the findings based on Islamic rationality. Meanwhile, during the stage of collecting research data, the Islamic economists objectively observe the behaviour of the economic agents who operate based on subjective rationality that need not be compliant with the Islamic worldview. Later in the policy prescription stage, the Islamic rationality would then be relied upon again in view of the Islamic economists' attempt to improve the state of society and make it more Islamic. When this congenial scientific environment prevails, the intellectual community could expect Islamic theory of economics to have its own unique evolutionary process. This piece of example shows the necessity to respect the symbiotic nature of the two phases for the success of the IOK undertaking. Only by continuously improving these developmental phases can IOK gain momentum to progress in the right direction.

5. Conclusion

In this study, we try to promote the idea of Islamic economics as an *integrated* social science. Initially, the integrated notion relies solely on the element of

ethics to make the case for Islamic economics. As our discussion gets broader and deeper, the element of *godly* comes into the picture when we highlight the role of the divine scriptures in Islamic methodology. The infusion of a *multi-disciplinary* perspective arises as the true nature of man is elaborated in section 3. Notice that in order to grasp the concepts of human nature and rationality, we have to understand not only the influence of man's physical dimension but also his spiritual, intellectual and emotional dimensions of being, all of which require the social scientists to have some basic exposure to other fields of study, for instance, philosophy, theology, psychology, history and sociology. In addition, it is common knowledge that mainstream economic thought is preoccupied with Edgeworth's first principle of economics; that is, individual self-interest. Understandably, the element of *societal* is given utmost importance by Islamic economics partly because it brings that unique character to the discipline of Islamic economics. This study very subtly touches upon this societal concern in making the point that to improve the society's condition is an unquestionable goal in Islamic economics inquiry. Therefore, based on this raw observation, we suggest that GEMS, which stands for godly, ethical, multi-disciplinary and societal elements, as the necessary and sufficient conditions for any science to legitimately carry the "integrated" science status. Interestingly, this novel discovery may well be the perfect antidote to the secularized, positivistic, reductionist and solipsistic package of Western-based sciences. Reasonably, this study's recommendation of GEMS could be among the stimulating topics to be researched further.

On a final note, we are optimistic about the prospect of Islamic economics as an integrated social science given the opportunities provided by the recent Great Recession. We humbly believe that our deliberations in the present study contribute to some intellectual clarity and integrity over several pressing issues related to the substance and epistemology of Islamic economics. Hence, it is our sincere hope that this IOK-themed study could propel this nascent discipline to be more coherent, consistent and comprehensive in the immediate future.

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