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## Foundational challenges in the construction of an Islamic economics discipline

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**Abstract:** Islamic economics is challenged in whether it can be called a discipline in the sense of having a clear subject-matter, methodology to appraise theories, a well-organised body of knowledge and systematic accumulation of knowledge. Islamic economics is still in the formative stage as a discipline, and many fundamental issues need to be addressed by the scientific community. This paper identifies several challenges to be answered by the Islamic economic scientific community in order to develop a discipline of Islamic economics. Embarking from the Islamic worldview that provides foundations in our understanding of economic phenomena, we must develop the conceptual foundations, conceptual scheme, key-terminologies, methodology to appraise and evaluate theory, and an Islamic ethics framework. The answer to those challenges will determine the scientific direction of Islamic economics, ensure a sustainable growth of knowledge and expedite the evolutionary process of Islamic economics becoming a distinct discipline.

**Keywords:** Islamic economics; Islamic worldview; foundations; discipline; knowledge accumulation.

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## 1 Introduction

Islamic economics as an organised body of knowledge is still in the process of development toward becoming a discipline. Its scientific elements, body of knowledge, methodology, are still in the development stage and will continuously evolve to a more mature and sophisticated level in the future, provided all dimensions, including its philosophical foundations are given sufficient attention.

Being a new discipline, Islamic economics 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. In this regard, extensive intellectual effort among the Islamic economic scientific community to clarify, most importantly, the fundamental elements of science is needed.

This paper aims at identifying certain challenges to be addressed by the scientific community in developing an Islamic economics discipline. Embarking from the Islamic worldview that affords us a basis of understanding economic phenomena, we must develop the conceptual foundations, conceptual scheme, key-terminologies, methodology to appraise and evaluate theory and Islamic ethics framework.

## 2 The Islamic worldview and Islamic economics

Islamic economics is founded on the Islamic worldview upon which we comprehensively see *the existence* and the interaction of all *realities* in it and economic phenomena within it. The Islamic worldview is the basis of a system of thought as well as a map to orient and explain economic phenomena, and from which we evaluate realities, and put forward prognoses and visions of the future. In the discipline construction and development, the Islamic worldview provides a framework of thought, and objectives as well as a set of axioms and principles on which that Islamic economics system of thought operates, shows direction and ensure progress and development of Islamic economics discipline.

The Islamic worldview provides unique features of Islamic economics as a practical system that distinguish it from other economic worldviews. While undeniably, some institutions (rules of behaviour) in one society may be shared by others, there must be an identifiably unique set of institutions or behavioural patterns that differentiate one prefixed economic discipline from another [Mirakhor, (2009), p.32].

The source of the Islamic worldview from where Islamic economics derives its philosophy, objectives and operational principles is a revealed source, namely the Qur'an [Berghout, (2007), p.29]. This source of explanation is able to explain the truth and reality in totality based on certainty (*yaqīn*) and not from a speculative or philosophical reasoning based on doubt, and gives a vulnerable and insecure worldview. Its scope of explanation includes this worldly life, the hereafter, physics and metaphysics, visible and unseen realities, and provides a broader perspective of life and hence gives a holistic perspective of current and future life direction. The Qur'an in this regard mentions:

This is the Book about which there is no doubt, a guidance for those conscious of Allah – (Al-Baqarah [2]:2)

And We revealed the Book (the Qur'an) to you as an explanation of everything, and as guidance and mercy and good tidings for the Muslims (Al-Nahl [16]: 89)

The explanation of economic phenomena in Islamic economics is based on the Islamic worldview. The explanation is comprehensive as it is based on the Qur'an that has explicated everything on existence, and covers, in a holistic and unity perspective of explanation, the material, physical, mental, spiritual and metaphysical dimension of realities, with a socio-scientific explanatory power based on the revealed, rational and empirical sources of knowledge and having a balance and proper perspective of ethics/values.

Therefore, Islamic economics as discipline, as envisioned by Mirakhor (2009, p.32), is concerned with the following, which constitute a comprehensive framework of Islamic economics:

- 1 the rules of behaviour (institutions) prescribed by Islam as they relate to resource allocation, production, exchange, distribution and redistribution
- 2 economic implications of the operations of these rules
- 3 policy recommendations for achieving rules compliance that would allow convergence of the actual economy to the ideal economic system envisioned by Islam.

Nevertheless, the challenge remains for Islamic economists to develop foundations upon which a discipline of Islamic economics is established and all its components, which includes the ontological foundations (to provide a basis for delineating Islamic perspective in economics by clarifying the Islamic conception of economic phenomena/realities, and hence developing the discipline conceptual foundations and scheme); epistemological foundations (to provide the foundations for sources of knowledge and methodology to derive theories from those sources of knowledge); and ethical foundations (the system of ethics and the incorporation of ethics into Islamic economics science and policy).

### **3 Challenge I: the foundations of discipline**

Islamic economics, as a new perspective in understanding economic phenomena, is challenged to provide new outlooks, fresh solutions as well as better solutions in addressing economic problems and improving human wellbeing.

Having an Islamic worldview that provides a comprehensive perspective of economic phenomena, Islamic economics can potentially offer a better perspective in understanding economic realities. Deep understanding of the Islamic worldview will provide us proper insights on how to understand economic phenomena in the light of Islamic conception of realities and truth.

This effort is part of the 'ontological renewal' approach in economic studies that aims at investigating what exactly is the economic realm in the Islamic perspective, so that an appropriate structure of the discipline can be constructed on, namely: its vision, nature, subject-matter, definition, economic problems, economic actors and others all of which constitute the 'what' queries of the basic foundation of Islamic economics discipline.

For Islamic economics, the ontological quest provides a basis for delineating Islamic perspective in economics by clarifying the Islamic conception of economic phenomena/realities and hence developing the discipline's conceptual foundations and scheme/framework in studying those economic phenomena.

### 3.1 Islamic understanding of economic phenomena

Economics as a science is shaped by a worldview with a predominant focus on a materialistic conception of the world with a reductionist outlook, in which the real world is reduced to something less than its multi-faceted realities in order to be studied in a formal system or model; object reality is reduced to the spatio-temporal world of the senses. The limits imposed by methodological reductionism prevent economics from dealing adequately with complex reality, generating a possible mismatch between the models' presuppositions with the 'real' features of social reality being investigated [Lawson, (2003), p.12; Mäki, (2008), p.340].

According to Morchio (1991, pp.150–151), reductionism can be defined in three meanings:

- 1 formal reductionism: economic theories could be deduced from the principles of other sciences, i.e., physics, biology and chemistry
- 2 factual reductionism: physical and chemical laws are in principle sufficient to give account of structures and functions of economic systems
- 3 methodological reductionism: methods that have so efficiently worked in physics, should work as efficiently in economics.

Reductionism has been criticised as too myopic in understanding realities and hence is unfit to explain realities in their proper perspective. When there is a clash between the ontological convictions of an economist and the apparent ontological implications of a theory held by this economist, there may be a healthy pressure to revise the theory so as to realign ontology and theory. At present, in economics, there is an emerging consciousness to search for a new reference frame to understand economic reality properly [Zeidan and Fonseca, (2007), p.177].

For Islamic economics, 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 after-life. Islamic economic theory views realities in a comprehensive perspective, and attempts to integrate and unite those realities (Choudhury, 2000; Mirakhor, 2007).

That perspective could answer the critics to the mainstream positivist/empiricist approach for its *simple* and *partial* framework based on a materialistic conception of the world with a reductionist outlook in understanding complex phenomena, which is limited to sensible, observable and quantifiable realities. The positive-normative dichotomy propagated by the scientific method also worsens the situation and makes economic theory suffer a 'lack of realism' and hence unable to explain realities as a whole (i.e., individual, social, physical, metaphysical, observable and unobservable realities) (Mäki, 2001; Hands, 2008).

Islamic economics must address this. The elaboration of the Islamic worldview in the economic realm would provide a comprehensive perspective in understanding complex

economic phenomena, by not separating the spiritual and physical, the invisible and the visible, body and soul, matter and the meanings, and this life and the after-life. The knowledge produced and the theory appraised will reflect that perspective and will be evolving continuously through the process of the model of unification of knowledge in world-systems as derived from the primal source of Divine unity (*tawhid*) [Choudhury, (2000), p.9]. *Tawhid* (the unity of God which is the core of Islamic worldview) enables viewing realities in an integrative and unity perspective whereby the ethical consciousness, spirit of brotherhood and social responsibility would emerge from the basis of God's consciousness (*taqwa*). The Qur'an (4: 36) in this regard mentions:

“Worship Allah and join none with Him in worship, and do good to parents, kinsfolk, orphans, the poor, the neighbor who is near of kin, the neighbor who is a stranger, the companion to your side, the wayfarer (you meet), and those (slaves) whom your right hand possess. Verily, Allah does not like such as proud and boastful.” (Al-Nisa' [4]: 36)

With the basic foundation of *tawhid*, a clear picture of the ultimate perspective in comprehending economic phenomena (of the relationship of individuals and society, values and facts, ideal and reality, absolute and relative, eternal and temporal in the sacred and profane dimensions) and in appraising theories based on that comprehension with a unity perspective between the individual and the society can be elegantly attained. The framework of understanding economic phenomena derived from the Islamic worldview can form the foundation in constructing models that lead to policy prescription and/or a better comprehension of economic phenomena.

### 3.2 Islamic economic philosophical foundation

The next challenge in the discipline construction process is, to develop an Islamic economics philosophical foundation upon which concepts of Islamic economics are clarified, which includes the systematisation of concepts (derived from the Islamic worldview) as the foundations of Islamic economics. This aims to answer some philosophical questions of Islamic economics, such as the principles and doctrine of Islamic economics, general concepts of the economic realm, problems, processes and goals 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, criteria of well-being and the methodology(ies) to appraise theories in Islamic economics.

The present research program in Islamic economics has adopted two approaches, namely:

- 1 Adopting the existing foundational assumptions of neoclassical economics as done by Hasan (2011) by accepting three key elements: scarcity of resources; pursuit of self-interest; and maximising behaviour of economic agents. Then to add an Islamic perspective to those assumptions.
- 2 Contemplating and deriving *new* foundational assumptions based on the new economic visions/philosophy supplied by the Islamic worldview derived from the Qur'an and Sunnah in understanding human nature/characteristics/behaviour/needs, or economic problems to be solved and the goals to be achieved. The answer to those queries would then determine the subject-matter, the scope and boundaries of discipline as well as the basis for further knowledge accumulation.

The second approach seems to offer a new perspective in understanding economic realities and phenomena enabling Islamic economics to offer a better perspective in explaining human behaviour in solving economic problems and realising human wellbeing.

If that could be done, the scope of economic analysis in Islamic framework will become wider and more complex, since moral, psychological and spiritual dimensions will also be captured, and will become the basis for further knowledge accumulation in Islamic economic scientific tradition.

### *3.3 Islamic economics conceptual scheme*

The worldview and ontological study in Islamic economics according to Acikgenc (1996, p.579) produces the ‘conceptual scheme’ which is the general body of scientific nomenclature. This step could be done if we have established philosophical/conceptual foundations of Islamic economics.

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, (2006), p.5].<sup>1</sup> It is developed based on the conceptual foundation, based on the Islamic worldview and Islamic epistemology in understanding knowledge (*‘ilm*), truth, science, scientific statement, theory and method [Acikgenc, (1996), p.580]. The conceptual scheme of Islamic economics is the framework, scope and boundaries of discipline – including the definition, subject-matter (problem of economic study) – body of knowledge and Islamic economic methodology to appraise and evaluate economic theories.

Developing an Islamic economics conceptual scheme is very important for Islamisation of economics to occur correctly, requiring that knowledge borrowed to be evaluated within that scheme. For that purpose, the Islamic economic conceptual scheme must be developed from its own sources (i.e., Islamic worldview) and using Islamic epistemology; a mere ‘grafting’ or ‘transplanting’ the Islamic principles/values while maintaining the western scientific conceptual scheme will produce conflicting results which according to Al-Attas (1979, p.44) “are not altogether beneficial nor desirable”.

Unfortunately, in the absence of an Islamic economic conceptual foundation, contemporary Islamic economists still primarily work with the neo-classical economic conceptual scheme, which of course was primarily developed by Western philosophers. Thus, forming knowledge and structuring the discipline from an Islamic worldview through an Islamic economic conceptual scheme, is the primary criteria of an ‘Islamic science of economics’ (Zaman, 2015).

Islamic economics as a discipline to progress, must develop a well-formulated Islamic economics conceptual scheme as the ‘environmental context’. In this endeavour, Hermansen (1996, p.519) suggests that Islamic economists should review the classical heritage (*turath*) and derive some basic conclusions on ‘earlier’ conceptions of Islamic economics (or Islamic science in general), and its basic assumptions and methodology in order to disclose the meta-disciplinary structure principles.

#### 4 Challenges II: the epistemological foundations

Islamic economics is equipped with new sources of knowledge separate from *intellectual reasoning* and *facts observation*, which is *divine revelation (wahy)*, which provides a unique scientific basis to develop an Islamic economics discipline. The interaction of those sources of knowledge will be translated into the body of knowledge of Islamic economics. The specific challenge is to develop methodology to derive knowledge and appraise theories in Islamic economics.

The mission of epistemology, the theory of knowledge, according to Rescher (2003, p.xiii) is “to clarify what the conception of knowledge involves, how it is applied, and to explain why it has the features it does”. The epistemological tradition that emerged during the Western enlightenment paved the way for the collective acceptance of materialism and secularism as the basis of knowledge. Secularisation of knowledge is interpreted in two ways:

- 1 to eliminate the role of religion in scientific realm
- 2 to protect scientific realm from the authority of religious institution (e.g., the Church).

The *first* sees suspiciously views religion as irreconcilable with science; the *second* sees religious values/beliefs as something that could be absorbed in science but the latter should not be monopolised by any religious institutions that would limit scientific freedom. Both views, however, argue that religion as much as possible should be externalised (if not marginalised) in the scientific sphere.

In the early twentieth century, logical positivism emerged as a methodology that determined the criteria of ‘scientific’ in economics [Zaman, (2013), p.4]. The ‘logical positivism’ (initiated by the members of Vienna Circle) emerged and popularised the petition to eliminate ideological and metaphysical elements in the scientific realm. Today, ‘logical empiricism’ (new nature and new appellation of logical positivism) is the most adapted in the modern Western epistemological tradition [Redman, (1993), pp.7–9].<sup>2</sup> Their position is that:

- 1 only observation and experimental verification are accepted as valid means to acquire knowledge;
- 2 only statements that were either analytic (e.g., definitions) or synthetic (testable statements of fact) qualified as cognitively significant, or meaningful. All other statements lacking cognitive significance are judged as meaningless, metaphysical or non-scientific.

The possibility of knowledge acquired through religious experience, or through divine revelation, was denied since it could not be observed or known cognitively, nor verified empirically. Morality is also considered as non-sense and unscientific. Asad Zaman (2013, p.4) in this regard observes the Western epistemological tradition and concludes:

“Having rejected religion, the Europeans turned Science into their new religion. Science became (and continues to be) a term of reverence. If something is “scientific” that means it is good, true, and reliable. Something which is “unscientific” is bad, irrational, superstitious and unreliable. Just as religion was trusted before, so it became an article of faith among Europeans that science would deliver all truths needed by mankind eventually.”

The Islamisation of Knowledge, that emerged in the 1970s in the modern Muslim intellectual tradition marks an 'epistemological consciousness' among the Islamic scientific community to free themselves from the epistemological tradition created in the West and to re-establish the 'epistemological foundations' based on the Islamic worldview as the basis for the development of contemporary Islamic disciplines. Islamisation of knowledge attempts to internalise the religious doctrine, principles and values into the scientific sphere, with a two-prong strategy: One, *a critical evaluation of modern knowledge*, developed through conventional methodologies that may not be 'complete' from an Islamic perspective; and two, *a critical evaluation of the Islamic turath* (intellectual heritage), to see its relevance for meeting contemporary needs. Both 'prongs' include a very important 'critique' of the present situation and the past (Haneef and Aslam, 2009).

Nevertheless, in doing this, we should note that an authentic and original concept of Islamic economics is possible if we have clearly understood our own worldview. To achieve that purpose, we should clarify the 'Islamic economic methodology' to appraise theory and provide justification of its reliability as the guidance in the attempt to develop the 'Islamic economic conceptual scheme'.

#### 4.1 Islamic economic methodology

The discussion of methodology has a special place in the epistemological discussion especially in the context of establishing an Islamic economic conceptual scheme. The discussion of 'theory of knowledge' in epistemology should be specified and detailed further in the discussion of 'theory appraisal' in methodology. If epistemology provides a bigger picture of the source of knowledge and their justification, methodology provides guidelines and criteria on how to appraise and justify theories from those sources of knowledge. Methodology is a reflection of epistemology. How we conceive our source of knowledge reflects the means (tools) developed to attain knowledge (theories) from those sources.

The sources of knowledge in Islamic epistemology are not limited to the facts as exposed by law of nature, or as experienced/showed by human behaviour, but also including the divine revelation (*al-wahy*). The twin epistemological foundations of *naql* (revelation) and *aql* (reason/universe) significantly differs from neoclassical economics (Furqani and Haneef, 2012). The discussion of the methodology of Islamic economics clarifies those differences.

Nevertheless, as an introduction in this epistemological discussion, it is sufficient to say that the methodological discussion is very important in developing an Islamic economic conceptual scheme. *First*, the methodology would clarify how to appraise theories and provide evaluation of the reliability of theories in Islamic economics [Blaug, (1992), p.xii]. This task is important since Islamic economics at present still lack in this methodological framework and hence depends heavily on the conventional (neoclassical) methodological framework (Sardar, 1988; Alatas, 2006).

*Second*, the progress of Islamic economics depends on developing good methodology which in turn can be used to further progress the discipline. Knowledge accumulation will aided by methodology and discipline progress will be determined by the correct handling of accumulated knowledge. Methodology will play a role in knowledge production and knowledge accumulation to ensure that the knowledge acquired is valid and legitimate (Haneef and Furqani, 2011).

*Third*, the conventional scientific method criteria should be examined, analysed, modified/replaced by Islamic scientific criteria if deemed necessary in the light of Islamic objectives. The objectivist assumption (that there is an objective universe which can be explored, approximated, progressively and precisely by quantitative models); the positivist assumption (that what is scientifically real must take as its basic data only from that which is physically observable); and the reductionist assumption (that scientific explanation consists in explaining complex phenomena in terms of more elemental events and simple models) will must be evaluated. A *tawhidic* methodology that views realities in a harmony, integrity and unity perspective will be proposed and elaborated.

#### 4.2 Islamic economics key-terminologies

Epistemologically, we must also develop *key-terminologies* to clarify the key-concepts used in economic discourses/ideas in Islam and adopted in the body of knowledge of Islamic economic discipline. This, according to Rutherford (2007, p.x) would allow Islamic economics to build the theoretical and applied foundations clearly and systematically. Thus, Islamic economics needs to find ‘key-terminologies’ to properly capture the messages of those concepts and to reflect the Islamic worldview; the purpose is to construct a formal and logical representation of Islamic thought in economics. In so doing, there are two possible approaches that we can use:

- 1 Re-examine, reevaluate, and redefine the key-terminologies of neoclassical economics before its adoption and utilisation in Islamic economics. This approach pragmatically maintains already known terms/concepts in economics and substantially redefines them with an Islamic perspective, or simply adding the ‘Islamic’ prefix to the existing terms, such as *Islamic* utility, *Islamic* rationality, etc.
- 2 Coin new-key terminologies to explain the object of study in the Islamic perspective. This approach proposes a genuinely new conceptual framework that could reflect the Islamic worldview in understanding economic phenomena, clarify the distinctive feature of the nature, scope and objective of the discipline as well as provide an Islamic scientific conceptual scheme.

Nevertheless, we should, however, note that not all economic terminologies should be replaced by new ‘Islamic’ terminologies. We suggest replacing only those terminologies that constitute the Islamic economic scientific conceptual scheme (i.e., the Islamic context for the discipline of economics to operate).

### 5 Challenges III: the ethical foundations

As a system of thought, economics is inherently infused by values found in or derived from, a certain worldview. Our ontological perspective significantly affects how we see truth and reality, how we conceive God, human beings, the universe, and life and its goals. Ethical concepts derived from a particular worldview are translated and incorporated into the subject matter of economics. Therefore, different worldviews might create not only ‘philosophical differences’ of economic thought, but also ‘behavioural differences’, ‘theoretical differences’ and ‘policy differences’.

Hence, the claim that economics is a purely positivist and objective science, by screening it from value-bias, irrational-elements or personal-judgments, so that it is accepted and applied to all societies, is a myth. Instead, that process screening *values* into a *particular value* framework that is in line with a particular worldview, justifying that value framework to achieve certain visions or goals. Therefore, Zaman (2013, p.24) in this regard argues that all economic theories must incorporate normative judgments. The problem of course, is 'what values' are incorporated in the theory. Conventional economics incorporate values based on secularism and materialism; the claimed neutralisation process of ethics in economics through the scientification procedure is not valid. The process is actually a process of 'selecting' preferable ethical positions based on certain worldview of realities of materialism and secularism and inserting them into economic theories.

### *5.1 Scrutinising the value-bias in mainstream economics*

Economic ethics as propagated in mainstream economics, from the Islamic point of view is problematic in both the nature and scope of its application. Ethics in the secular tradition is purely defined in the mundane and material dimension. There is a systematic effort in the Western experience to separate ethics from religion and replace 'divine ethics' (i.e., a religious-based ethics whose point of reference is in a transcendent Creator) by 'human arrangement ethics' (which is rooted in human narratives and experiences) [Hunt, (2002), p.15; Pollack and Pickel, (2008), p.3], which has been done by delegitimizing the role of religion in establishing values and its standard; and the autonomisation of ethics whereby values can be established by human reasoning and experience without resorting to external authority.<sup>3</sup>

Apart from the secularisation of ethics, ethical formulation in economics has also been marked by the scientism spirit that scrutinises ethics to be an observable and measurable. While secularisation requires an ethics that is purely profane and mundane, scientism/scientification scrutinises it further by requiring an ethics that is sensible, observable and measurable. These two processes effectively divorce science from ethics and ethics from science, which in turn reduces the moral and/or spiritual component of social/natural reality to its material realm and effect. The scientific is equated with the reliably measurable, thus excluding a vast realm of human concern of moral, spiritual and transcendental values which are mostly discounted as subjective and metaphysical.

Within the secularism and scientism spirit, separation/marginalisation has been made between the mundane and divine, profane and sacred, material and spiritual, observable and non-observable values. The concepts of perfect knowledge, perfect competition, rational expectations, invisible hand, free market, market efficiency, exemplify economic concepts enshrined by that spirit. Likewise, the concepts of self-interest and utility maximisation constituting individual rationality are developed based on assumptions that reflect certain values. They are not really descriptive in nature and have been falsified by many practices in human history.

Moreover, those concepts have also been internally and externally criticised mainly due to their inadequacy to properly describe the real practices (lack of ontological fit), their inability to properly guide human beings to achieve the ultimate goal of life and they are actually not really describing proper ethics for human beings, or by-passing the actual man with a fuller perspective of behaviour, potentials and motives (Sen, 1977; Davis, 2003).

Therefore, the neoclassical conception of macroeconomics goals, and the microfoundations of economics has been challenged, with changes proposed in economics discourse. Islamic economics, should be aware of this in order not to simply adopt the neoclassical conventional economic foundations/assumptions, or only partially Islamising by retaining the neoclassical concepts/assumptions and adding the 'Islamic' prefix, e.g., 'Islamic' utility, Islamic self-interest or Islamic rationality.

Instead, all the concepts of neoclassical economics should be subjected to critical scrutinisation in the Islamic ethical framework and if they are accepted, justification is needed and modification required to comport with the Islamic framework; if they are not accepted, a replacement should be attempted.

### 5.2 *Developing an Islamic economics ethics*

Islamic economics develops its own conceptions and offers some new ethical perspectives in understanding economic phenomena, economic goals, and economic behaviour. Economic ethics in Islam is based on the Qur'anic weltanschauung of ethics, which provides an Islamic value system for the construction of an Islamic economics. The *value-patterns* embodied in the Qur'an and the Sunnah are holistic dealing not only with the earthly life but also the afterlife, not only with the material but also the spiritual.

This ethical system of economics is put forward as part of the larger Islamic ethical system since economics in Islam is considered part of 'religion' whereby all business activities, wealth creation, economic development, wealth distribution, human welfare are also the 'business of religion'. Secularisation (marginalising the role of religion in scientific enterprise and from the public arena) is therefore not acceptable as Islam holds that ethics is not only interrelated with religion, but is inseparable and built upon it (Al-Attas, 1993; Izutsu, 2004). Religious values which become part of the internal consciousness motivate human beings to achieve happiness and wellbeing (i.e., material achievement and spiritual attainment).<sup>4</sup>

The ethical study in Islamic economics attempts to bring back ethics as taught by religion in theoretical and practical aspects. The neglect of moral, spiritual and metaphysical elements as propagated in neoclassical economics should be explicated. That narrow perception of ethics (as defined secularly and positivistically) has brought worse consequences for human in human development. At the micro-level the nature of individual has been reduced to a half-person characterised by self-interest; at the macro level we have witnessed societal inequalities as well as ecological destruction due to human selfish behaviour.<sup>5</sup> We thus develop Islamic ethics in economics and incorporate those ethics into the body of science characterising Islamic economics as a discipline. The actualisation (objectification) of ethics by the Islamic person in pursuit of economic goals will be the basis in our objective evaluation of the reliability of Islamic economic theory and policy.

Ethics should be adopted on intrinsic grounds rather than as a matter of expediency in theory appraisal and practical application, in order to create an economy with an ethical and spiritual superiority. As a science, Islamic economics is a *self-consciously value-oriented discipline* which rejects the idea that economic theories and policies can develop in a climate of positivistic objectivity and complete value neutrality [Ahmad, (1979), p.226; Esposito and Voll, (2001), p.52]; while insisting on incorporating ethics and religious insights into its theory and policy. Islamic economics, in this regard, makes its ethico-religious connections *explicit* at the very outset [Naqvi, (1994), p.xvii].<sup>6</sup> This

differentiates Islamic economics from other disciplines in economics, as Nienhaus (2000, p.86) observes,

“while Western economists have tended to withhold value judgments and have only begun to return to the treatment of normative questions in the last few years, Islamic economics, in contrast, has always defined itself as a science which makes explicit value judgments and links them to the findings of positive economics.”

This unique position of Islamic economics, i.e., its commitment to ethics, not only provides a framework for a unique economics since these principles are unique to the worldview of Islam, but would create a society with the hallmarks of justice and equity, sharing and cooperation, as well as economic dynamism and growth [Sardar, (1988), p.200]. It is, as we will show, a meaningful moral philosophy that could be the basis of an ethical foundation of economics and a framework to produce the best social structure [Naqvi, (1994), p.xvii].<sup>7</sup>

If the scientification process in conventional economics intends to divorce *religious, metaphysical, spiritual* and *unobservable* values from economics, the scientification process in Islamic economics intends to *incorporate* the derived ethical principles from the Qur’an and Sunnah in Islamic economics theory and analysis and to *actualise* them in the behaviour of Islamic man. Islamic economics, as a science intertwines the *ethical considerations* developed in the Islamic framework with the *theoretical analytical thought* and *practical economy and policies*. The challenge in the scientification of Islamic economic ethics is to produce a set of workable normative-ideals to create a better individual and society.

This ethics inclusion in economics is still one of challenges in developing an Islamic economics. The objective is not only to present the Islamic point of view about economic processes and to highlight its *distinctive* normative character vis-à-vis capitalism or socialism, but most importantly, as Naqvi (1994, p.xx) suggests, “in expanding, broadening the science of economics which has been narrowed and enlightening proper values which has been distorted”, and also in producing the *real* society who will apply all Islamic ideals (precepts) in practices that would create them to be the best exemplary society. As Hofmann (1993, p.101) puts it “an Islamic economic system in an ideal sense must be preceded by an *Ummah* in an ideal sense”.

Furthermore, Islamic economics is not only concerned with ‘ethical inclusions’ in economic theory and knowledge, but as Zaman (2015, p.5) argues, it is also transformative whereby it aims to change the world into an ideal form; such a process is as follows:

- 1 description of the ideal form which is a set of doctrine and goals to be achieved
- 2 systematisation of efforts and operations to achieve those ideals.

To develop Islamic economics, (both theory and knowledge) a solid foundation of ethics and ethical consciousness is important. If we lose direction, it is possible that ethical or spiritual consciousness might be hijacked with other motives. In other words, while ethics is gaining recognition and Islamic philosophy is acknowledged, they are subsumed to economic logics and then valued at the material and financial goals while having an ‘Islamic’ compliant form [Shah, (2008), p.99].

## 6 Conclusions

This paper discussed some challenges to be addressed in our attempt to construct a discipline of Islamic economics characterised by a clear subject-matter, well defined body of knowledge, methodology(-ies) to appraise theories and systematic knowledge accumulation. Embarking from the Islamic worldview that provides a foundation and basis for Islamic economics to operate and grow, we elaborated important dimensions in the discipline foundations that include an Islamic understanding of economic phenomena; an Islamic economics conceptual foundation and conceptual scheme; an Islamic economic methodology; Islamic economics key-terminologies; and an Islamic economic ethics.

The scientific community's responses to these challenges are needed to clarify the Islamic perspectives and hence to establish a distinct discipline of Islamic economics. In this attempt, Islamic economists could benefit from the existing economics of how the paradigm is formed and consensus attained in all dimensions of discipline, while resorting to our own sources and intellectual legacy (*turāth*) and having a visionary and value-scrutinisement of conventional body of knowledge prior its acceptance in Islamic economics.

Strong efforts, creativity and innovation should always be attempted by Islamic intellectual community to determine the *scientific direction of Islamic economics*, to ensure a *sustainable growth of knowledge* and to expedite the speed of the evolutionary process of Islamic economics towards becoming a *distinct discipline*. A complete and solid foundation of Islamic economics discipline is not instantaneous: It requires a massive and sustained intellectual effort.

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## Notes

- 1 Arif (1987, 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.
- 2 In 1929, the Vienna Circle published a position paper called *Wissenschaftliche Weltanschauung: der Wiener Kreis* (Scientific World-View: The Vienna Circle). It began holding international congresses and put out the journal *Erkenntnis* from 1930 to 1939. In 1939 *Erkenntnis* was replaced by the *Journal of Unified Science*, with monograph publication in the Circle's International Encyclopedia of Unified Science series. The Vienna Circle dispersed during World War II for strictly political reasons. Friedrich Waismann and Otto Neurath emigrated to England; Rudolf Carnap, Herbert-Feigl, Kurt Godel, Hempel, Kaufmann, K. Menger, Reichenbach, and Richard von Mises emigrated to the United States. That emigration marked the international movement of logical positivism and later logical empiricism [Redman, (1993), p.9].
- 3 In the practical ethics, the effort has two practical postulates:
  - 1 *the agnostic moral postulate*, where one acts and speaks as if there were no God
  - 2 *the ecumenical religious postulate* where one acts and speaks as if religious concerns did not involve matter of fact, as if religion were not a matter in which one is right or wrong and no claims regarding transcendent truth are approved [Engelhardt, (2004), p.130].
- 4 The history of ethics in Islam shows that while differences of opinions exist, this never led scholars to detach ethics from religion as promoted by secularism. This is also true even in modern times as observed by Galbraith (1983, p.175) the triumph of secularisation of ethics in the West marked by the diminishing role and power of religion, might not be relevant to Islam because "for Moslems personality remains much more important; it is manifested by the stronger presence of both God and the Prophet and by prayers for their intercession... and Islamic organization has a far greater internal discipline and consequent external effect... as a result, Islam remains a much stronger source of power than that available in the even more deeply divided Christian religion".

- 5 Therefore, as Nasr (1994, p.37) rightly points out, “effort[s] to Islamize modern economics and develop a distinct discipline of Islamic economics must be initiated from studying its philosophical foundations from the Islamic point of view in order to reveal for Muslims exactly what is the value system upon which it is based and how this value system opposes, complements, or threatens the Islamic value system”.
- 6 The problem with present economics as observe by Hazim Shah (2008, p.99) is that while ethics is gaining recognition, but it is subsumed to the economic logics and then valued at material and financial goals. The ideology of economic growth remain mainstream in economic goals, so to speak of cultural differences, religious tolerance, international ethics, speaks of the ineffectual and idealistic, which would eventually be subsumed under economic logic.
- 7 Sayyid Qutb (1991, p.1) in this regard is confident this could be achieved since “Islamic *din* was revealed in order to initiate a special kind of community, unique and distinctive, namely an *ummah* that came to lead mankind, to establish the way of Allah on earth, and to save people from the misery brought about by misguided leadership, erroneous ways, and false concepts”. Ahmad (1979, p.226) also points out “the major contribution of Islam lies in making human life and effort purposive and value-oriented. The transformation it seeks to bring about in human attitudes and *paripassu* in that of the social sciences is to move them from a stance of pseudo value-neutrality towards open and manifest value-commitment and value-fulfillment”.