

Philosophy of Islamic Economics

By

Mohamed Aslam Haneef

Professor, Department of Economics

IIUM

Presentation at Islamic Economics Winter Course,
Bogor, Indonesia Oct 14th 2019.



3 Definitions of 'Philosophy'

1. 'Philosophy' as an academic discipline
2. 'Philosophy' as a set of beliefs or worldview
3. 'Philosophy' as a study or inquiry



As a Discipline.....

You need to be in a formal ‘philosophy programme’.

For those who are interested to read more about the technicalities of Philosophy of Islamic Economics, please read PhD Thesis of Dr Hafas Furqani completed in Department of Economics, IIUM)

Dr Hafas discussed in detail the three main areas of philosophy of economics- ontology, epistemology and axiology



This ‘winter’ course presentation will focus on philosophy as worldview (2) and a mode of inquiry (3)

No discipline is value free- ultimately stems from one’s beliefs or worldview

Based on this worldview, we undertake a **process** to develop our **conceptual framework and behavioural framework** according to modes and ways in line with our sources of knowledge



This **process** means ‘generation’ of new ideas and also ‘evaluation’ of those Ideas

In Islamic scholarship, our sources of knowledge are **revelation and universe**

In Islamic approach, generating new ideas (or the conceptual framework) requires the **use of ‘aql (intellect)** to ‘interpret’ both revelation and the universe

This is the Integration/Islamization of Knowledge (IoK) agenda

```
graph TD; Turath --> CIEF[Contemporary Islamic Economics & Finance]; ModernKnowledge[Modern Knowledge] --> CIEF;
```

Contemporary Islamic
Economics & Finance

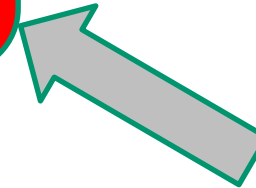
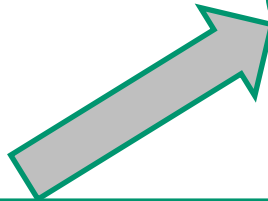
Turath

Modern
Knowledge

Contemporary Islamic
Economics & Finance
Via
'Integration'

Turath
Needs
Relevantization

Modern Knowledge
Needs
Islamization





Critical Approach is part of IoK Agenda

- IoK requires us to undertake critical evaluation of modern knowledge based on our Islamic worldview- Islamization i.e. **genuine** Islamization
- IoK requires us to also undertake a critical evaluation of our turath since not all may be 'relevant' due to time-space factors- In IIUM we call this 'relevantization'



Philosophy of Economics

Critical thinking in three areas

a. The content of the body of knowledge (including its subject matter, its scope and developing the subject matter) (**Ontology**)

b. Epistemology/methodology- how we acquire knowledge and how we know our knowledge is correct and why we say so

c. Axiology- values relating to what is good or otherwise

Systematic approach to developing the body of knowledge and its value orientation.....



Worldview and Economics: Why a Value-Based Economics is Imperative

Axiology and Ontology of Islamic Economics
(Value Orientation in the subject matter of
Economics)



Is There A Need for Value-Based Economics and Finance?

- During a briefing by academics at the London School of Economics on the turmoil on the international markets (Nov 2008) the Queen asked:

"Why didn't anyone notice it coming?"



Many Causes of 2008 Financial Crisis

- Some are ‘economic’ such as artificially **low interest rates** that allowed people to borrow to buy houses that they really could not afford.....
- **High levels of debt**.....



Another group of factors deal with **IDEOLOGY/WORLDVIEW**

- The **'belief'** that all was well, that our economics cannot be 'wrong'
- The **assumption** that markets would solve everything.....
- Accepting/Recommending **'man's greed'** as a 'good' trait in economics and finance.....
- That it was ethically ok to **transfer risk** in order to maximise your own gains.....



J.S. Mill (1836)

Political economy, therefore, reasons from *assumed premises* which might be totally *without foundation in fact*, and which are *not pretended to be universally in accordance with it*.



Different Economics – Natural and Legitimate

1. Many of the assumptions made in economics **‘may not be true’** and are probably **‘not universal’**

2. Economists may differ in opinions because of their **differences in their sources of knowledge.**



Ultimately....

- Differences in assumptions made about man, the universe, the economic agent, the assumptions underlying economic models and theories stem from our.....
worldview.



Worldview

refers to the **cluster of beliefs** a person holds about the **most significant concepts** of life-such as **God, the cosmos, knowledge, values, man/humanity, and history.**

These beliefs form a **big picture**, a general outlook, or a **grand perspective** on life and the world.



Worldview

More than just an interpretive lens, a worldview perspective shapes, influences, and generally directs a person's entire life.

Because people behave as they believe, their worldviews guide the development of the *values* that inform their *decisions* and *actions*.



Islamic Economic Worldview VS Mainstream Economic Worldview

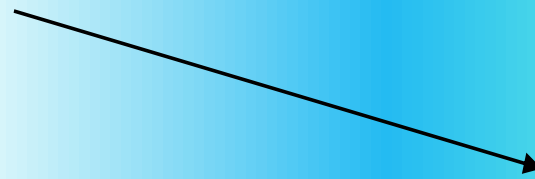
To show that there is a basis for alternative economics and finance, we make brief comparison between the above on

Religion

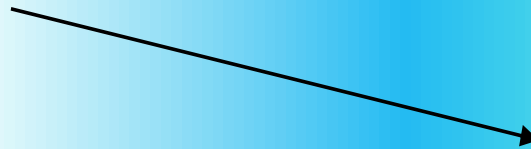
Man

Nature

Religion



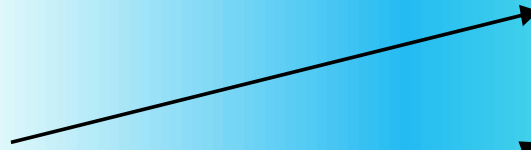
Culture



Education



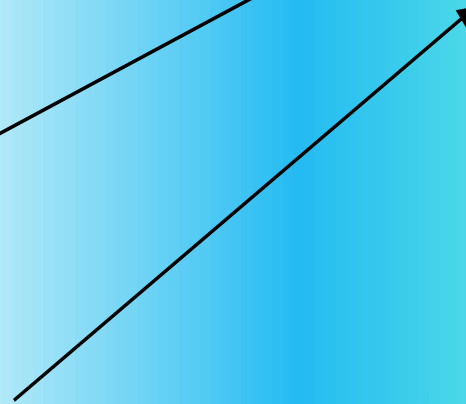
History



Geography



Technology



WORLDVIEW



**Islamic world view - based on the
RELIGION/DEEN of Islam;**

**However, do we understand the same
thing when we use the word
'RELIGION'**

i.e.

**Is the meaning of 'religion' the same
for everyone??**



Religion

To the Occident

- **Montgomery Watt (1979)**

... means a way of spending an hour or so on Sundays in practices which give him some support and strength in dealing with the problems of daily life, and which encourages him to be friendly towards other persons and to maintain the standards of sexual propriety; **it has little or nothing to do with commerce or economics or politics or industrial relationships** ... or may even look on religion as an opiate developed by exploiters of the common people in order to keep them in subjection.



To the Occident

- religion reduced to a private matter between and individual and his/her God(s)
- no role to play in determining public affairs
- science replaced religion as authority
- religion for infantile man; science for modern/nature man
- This understanding of religion is **not necessarily applicable to all societies and civilizations.**



• **Eliade in Encyclopedia of Religions (1987)**

... this dichotomy between the religious and the remainder of human life is a western product and concern ... This distinction between the sacred and the profane, between religion and other aspects of human endeavour is a result of the **process of secularization that has been the experience of Christian/Western civilization especially since the 17th century.**



Religion in Islam denoted by DEEN

- Watt (1979)

whole way of life ... covers both the private and public/societal lives of man, it permeates the whole fabric of society, and includes theological dogma, forms of worship, political theory and a detailed code of conduct, including even matters which the European would classify as hygiene or etiquette ...



- no shunning this world
- din is for this world
- use this dunya to achieve akhirah;
- no purely secular activity as all connected to our life in the hereafter
- Al-Qasas : 77

“But seek with the (wealth) which Allah has bestowed on thee, the home of the Hereafter, And do not forget thy portion in this world. But do good as Allah has been good to thee and seek not mischief in the land, for Allah loves not those who do mischief



Unfortunately, Muslims may have
also been infected by the
secularization process

According to Al-Attas, many use
Al-nazrat al Islam li'l kawn

We should use
Al-Ru'yah al Islam li'l wujud



Other Important components of worldview relevant for discussion today are

- Man**
- Nature**
- Aim in life**



1. Man

The notion and view of man as the subject of study in economics has changed over the decades and centuries.....both from a worldview perspective and also affected by the changing environment of the times.....



Economic Man ‘evolved’

- Smith 1776

“However selfish soever man may be supposed, there are evidently some principles in his nature, which interest him in the fortune of others, and render their happiness necessary to him, though he derives nothing from it except the pleasure of seeing it” (TMS I.i.1.1)..... via **sympathy.**



- **“It is not from the benevolence of the butcher, the brewer or the baker, that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity, but to their self-love” (WN, 27).**



But is man just interested in himself?

- Does man not think of others and of the environment when he makes his decisions?
- Does economics just promote selfish individualistic behaviour?



In Modern Economics

-Rational economic man of modern neoclassical economics as ‘representative agent’:

-Self interested (selfish) maximizer of material satisfaction

-Others’ welfare and environment not included in formal models in economics



Modern Economic Man

- The nature of human being in this regard is reduced to an **autonomous/atomistic individual**. The human being is considered as a purely earthly creature, divorced and cut off from the Divine source, master of nature, but **responsible to no one but himself** (S.H. Nasr, 1982)



Man in Islamic Worldview

- Insan; fitrah good but is one who ‘forgets’
- given ^Caqal and knowledge (Al-Baqarah : 31)

And He taught Adam the names of all things ...

- best of creations (Al-Tin : 4)

We have indeed created man in the best of moulds



- Man having dual roles as ^Cabd of Allah and khalifah on earth

Al-Dhariyat : 56

I have only created Jinn and Man that they may serve me

Al-Baqarah : 30

Behold! Thy Lord said to the angels : I will create a vicegerent on earth ...

- cannot be khalifah unless you are first and foremost an ^Cabd



Nasr (1990)

- There is no more dangerous creature on earth than a khalifah Allah who no longer considers himself to be an ^Cabd Allah.



2. Nature/Universe In Modern Economics

Part of secularization process viewed the universe or natural resources as an object to be exploited according to man's wants and choices.

For a science, only this visible world is real and relevant- to be used by man (**as he sees fit**)



Nature/Universe in Islam

- creation of God for man
- Al-An'am : 95 - 103
 - Talks of vegetation and fruits, night and day, heavens and earth, human beings, rain
- material world and world of ghayb
- man as trustee to manage nature according to Allah's guidance
- nature as a sign of Allah's existence



3. 'Aim in Life' In Modern Economics

In secular modern economics, we talk about economic goals/aims i.e.

the goal for rational economic man is to **maximize individual material gain** in this world.



Aim in Life in Islam

- **ibadah to achieve falah (ultimate success)**
- **develop earth to achieve God's pleasure**
- **requires means**
 - al-nafsiyyah - iman, character
 - al-jismiyyah - health, strength, long life
 - al-khariyyah - **wealth**, influence, family
 - al-tawfiqiyyah - divine grace
- **To attain falah we must have knowledge and action.....Islamic economics....**



**Worldview at the base of Islamic
Economics**

≠

**Worldview at the base of
conventional mainstream
economics**



To solve our economic problems,
we require guidance.....

Al-Shari'ah:

Source of Knowledge and Action in
Islam



- In Islam, we have the central position of revelation i.e. the Qur'an (and Sunnah) as the ultimate authority
- the Qur'an is also known as al-Furqan or the criterion to distinguish between values
- how do we use the Qur'an in the process of developing Islamic economic and finance?

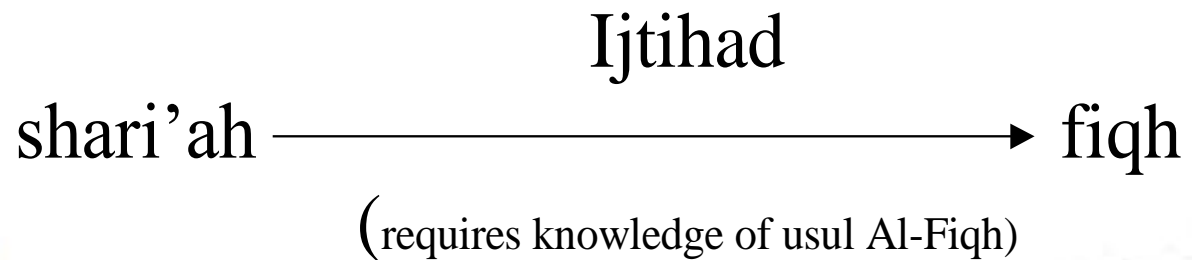


Solving Economic and Finance Problems:

The link between Ijtihad, Shari'ah, Fiqh
and Usul al-Fiqh



**To interpret and apply shari'ah we must use our ^{Caql} and follow the methodology in Islam. Also requires knowledge of higher objectives of shari'ah. Also requires knowledge of the modern context
This process is ijtihad.**





Some major issues

- What is shari'ah- in current popular understanding and practice it is narrowed to mean 'law'- Al- Attas' 'Corruption of Knowledge'
- Who will carry out ijtiihad? Emphasis on the fuqaha'- but in reality need scholars who are also well versed in economics/finance.



How Will Man as ‘**Abd-Khalifah** Make A Difference?

- Man is at once both ‘*abd of Allah* and *khalifah on earth*.
- Both roles have to be played simultaneously for man to perform ibadah.
- Ibadah here is not just a set of ‘religious rituals’ but a true submission to our Creator in all aspects of our life.



If we have man as 'Abd- Khalifah, his economic behavior must be reflect the behavioral norms related to consumption, production etc.....and must be done with humility, modesty, absolute obedience, and other properties that are demanded of a servant

- **halal/haram**
- **No extravagance/miserliness- iqtisad**
- **Priorities in consumption/production**
- **Concerned about environment and others**



Challenges to Islamic Economics and Finance

- **We have not yet created the ‘abd-khalifah!!**
- We do not understand Islam and its worldview- Al-Attas’ ‘corruption of knowledge’
- Cannot developed a values based finance without due attention to economic foundations of finance
- Cannot develop economics without due attention to philosophical foundations of economics
- **Philosophy is important.....**



In order to develop a genuine contemporary Islamic economics and finance in the 21st century will require the **scholars, intellectuals and intelligentsia** who have **mastered both Islamic heritage and modern knowledge and its philosophy and who are able to integrate the two.**

Concluding Comments

1. To develop contemporary IEF- we need to understand the philosophical foundations of both our turath and modern knowledge- teaches us to be ‘critical’
2. Modern economics has foundations that must be critically evaluated- then we can ‘de-westernise’ and integrate based on Islamic worldview
3. Islamic view of God, Man, Religion, Nature/Universe and Aim in Life- present a different foundation for Islamic economics
4. Philosophy of IE sees ‘**man as abd-khalifah** who will act/make economic decisions according to shari’ah..different ethical economics.

Selected References

1. Al-Attas, Syed Muhammad Naquib (1978), *Islam and Secularism*, Muslim Youth Movement of Malaysia, Kuala Lumpur.
2. Haneef, Mohamed Aslam, Mohd Nahar Arshad and Mustafa Omar Mohammed (2020), *Foundations of Islamic Economics*, IIUM Press/IIT ESEA, forthcoming.



Thank you,

WalLahu A'lam

mdaslam@iium.edu.my

14th October 2019, Bogor.

