

Toward a Definition of Islamic Economics: Some Scientific Considerations.

Muhammad Arif

*Research Department, State Bank of Pakistan
(Currently a Ph.D Candidate in Economics, Clark University,
Worcester, MA 01610, U.S.A.)*

The contributions of Dr. Hasanuz Zaman and Mr. M. Akram Khan in the Winter 1404/1984 issue of the JRIE (pp.51-61) are timely attempts to recognise the importance of defining Islamic economics. Since the definitions of Islamic economics proposed by these two scholars will be discussed below, it seems appropriate to reproduce them here.

"Islamic economics is the knowledge and application of injunctions and rules of the *Shari'ah* that prevent injustice in the acquisition and disposal of material resources in order to provide satisfaction to human beings and enable them to perform their obligations to Allah and the society." (Zaman, p.51).

"Islamic economics aims at the study of human *falah* achieved by organising the resources of earth on the basis of cooperation and participation." (Akram Khan, p.55).

Since economics is a mature science any attempt to define Islamic economics necessitates a clear statement of the scientific justification for the study and development of Islamic economics.

It also requires discussion of the scientific traditions that can be helpful in presenting the definition of Islamic economics in a clear, concise and convincing way so that our position is well understood by the profession in general. Lastly, we need a statement of the basic economic problem for the study and solution of which Islamic economics deserves to be developed. The basis of our efforts to develop Islamic economics lies in the fact that the paradigm of Islamic economics is different from the other economics paradigms. This statement needs further elaboration.

We start with acknowledging the fact that economics is a normal science. "Normal science means research firmly based upon one or more past scientific achievements that some particular community acknowledges for a time as supplying the foundation for its further practice. Today such achievements are recounted, though seldom in their original form, by science textbooks, elementary and advanced." (Kuhn, p.10). Within a community of scientists involved in research in a given normal science there may exist different paradigms. The term paradigm is defined as, "some accepted examples of actual scientific practice - examples which include law, theory, application, and instrumentation together - provide models from which spring particular coherent traditions of scientific research." (Kuhn, p.10). In the context of the science of economics, two widely known paradigms at present are: the Marxian paradigm of socialism and the market economy paradigm of capitalism. The paradigm of Islamic economic system is the *Shari'ah* which is fundamentally different from the above two. Every paradigm in economics is based on certain philosophic foundations and is a system of belief. (Edwards, Reich, and Weiskopf, 1978).

The structure of economic science is shown in chart no.1. This chart is drawn on the basis of the structural organization of a normal science as discussed by Thomas Kuhn in, *The Structure of Scientific Revolutions* (1970). This chart shows that an economic system is the outcome of the paradigm that it follows. The choice of the paradigm is reflected by the behavioural pattern of the individual units in the society. The behaviour of the individual units is, in fact, the basis of the micro foundations of the system. The philosophy in which the individual unit believes is crystallized by its behaviour.

Using the structure of economic science, chart no.2 shows the place of Islamic economic system vis-a-vis capitalism and socialism. This chart shows that the philosophic foundations of capitalism are in *laissez faire*. The behaviour of the members of a society that believes in *laissez faire* is symbolized by the 'economic man'. The economic man believes in utilitarian rationality. The behaviour of the economic man is the basis of the micro foundations that logically lead to the market economy paradigm. Using this paradigm the conventional economic theory builds the economic system known as capitalism.

A society based on the philosophic foundations of dialectical materialism chooses a different course. In this case the basis of the micro foundations lies in the fact that private ownership of the factors of production is not allowed. The resulting relationships lead to the Marxian paradigm of economics. This paradigm builds the economic system called socialism whose structure in the context of economic science is shown in chart no.2.

A society whose members adopt Islam as their way of life will develop the Islamic economic system. The scientific structure of Islamic economics is shown in chart no.2. Like the other economic systems, the economic system of Islam is also rooted in certain philosophic foundations such as the following:

- i) *Tawhid*: God's Unity and Sovereignty.
- ii) *Rububiyyah*: Divine arrangements for nourishment and directing things towards their perfection.
- iii) *Khilafah*: Man's role as God's vicegerent on the earth.

- iv) *Tazkiyah*: Purification plus growth.
- v) Accountability: Belief in accountability on the day of judgement and its implications for the life in this world and in the hereafter. (Khurshid Ahmad. p.230; and Arif, 1983).

As a result of these philosophic foundations the behaviour of the representative economic agent in an Islamic society can best be characterised as the "Muslim, i.e., one who submits to Allah". The behaviour of the Muslim man is very different from that of the long celebrated 'economic man'. Qur'an's position on the economic mans attitude towards life is very clearly stated:

"Some say, 'Our Lord, give us all the good things here in this world. Such people shall have no share in the Hereafter.' (2: 200)"*

Qur'an also gives a clear description of the behaviour of a Muslim:

"Then there are those who say, 'Our Lord, give us what is good in this world and also what is good in the Hereafter and save us from the torment of Fire.' Such people will have their due share (in both worlds) according to what they earn. And Allah is swift at settling accounts." (2: 201-202).

Qur'an frequently mentions that the individual who believes in Islam and practices it as well, shall have only one course of life i.e. obedience to Allah and His prophet Muhammad (peace be upon him). The references of some of the verses emphasizing this are: (3:32), (3:132), (5:92-93), (8:1), (8:20-21), (9:71), (24:54-56), and (58:13).

A Muslim is the one whose purpose in life is to achieve *falah* by being successful in his role as the vicegerent of God on this earth. His success in this role depends among many other things, on the acquisition, allocation and disposition of the resources, which are a trust, according to the consent of Allah.

Thus it is the Muslim man's behaviour which serves as the basis of the micro foundations that logically lead to the *Shari'ah* paradigm. This micro foundations' link between the human behaviour and the *Shari'ah* paradigm (in an Islamic society) is the scientific basis of our efforts to develop Islamic economic system. Our efforts to develop Islamic economic system based on *Shari'ah* paradigm are fully consistent with the scientific traditions of paradigm building.

After having shown the scientific basis for the development of Islamic economics, we look at the traditions of the science of economics that will be useful. We find that the practitioners involved in the development of a paradigm observe three traditions. In the context of the development of Islamic economics these three traditions mean that:

- i) we should differentiate between the definition of Islamic economics and that of its paradigm

* This and the following translation from the Qur'an are taken from S. Abul A'la Moudoodi's "The Meaning of Our'an".

- ii) we should develop an appropriate terminology which describes the concept unique to Islamic economics without any ambiguity
- iii) our proposed definition of Islamic economics should state basic economic problem as a built-in phenomenon of human life; and not as an exogenous scenario being imposed upon the economic agents. The implications of each of these traditions will be discussed in greater detail in the following:

i) Defining Islamic Economics and not its Paradigm:

We should be aware of the fact that there is a difference between Islamic economics and its paradigm. The definition of Islamic economics is the *Statement* of the Basic Economic Problem and it need not explicitly mention the paradigm involved. The paradigm involved should be defined separately. According to the structure of a normal science, anything that involves the law, theory, instruments and practices concerning the solution of the problem is included in the paradigm. (Kuhn, p.10); also see chart no. 1. In the case of Islamic economics *Shari'ah* is the paradigm.

But in the profession, the *Shariah* paradigm will be used by those economists only who define the basic economic problem in a certain way. Thus a paradigm is a means, and it will be followed by those practitioners only who share a common definition of the basic problem. Hence it becomes clear that it is our outlook towards the basic economic problem that tells us that the best way to solve this problem is to follow *Shari'ah* paradigm. Therefore, our definition of Islamic economics should be a statement of our understanding of the basic economic problem and not a statement of the means to solve that problem in a certain way.

ii) Use of the Appropriate Terminology:

The established scientific traditions tell us that the choice of appropriate terminology plays a key role in the smooth development of a paradigm. A kit of appropriate terminology to express a phenomenon which is unique in one paradigm, enables the reader to clearly distinguish the nature and characteristics of this paradigm from that of the other competing paradigms. For example the terms like: Surplus Value, Proletariat Class, Bourgeoisie Class, etc; are representative of the Marxian paradigm. The reader reading these terms, is able to recognize immediately that the paradigm being mentioned here is Marxian. Thus when defining Islamic economics we should also try to develop and use the terms that represent the distinct nature of the *Shari'ah* paradigm without any ambiguity. This would allow both the scholars and the students to use a term without the additional burden of qualifying statements to save the reader from potential ambiguity. Once the readers and the critics of Islamic economics understand this sharply distinct terminology they will not confuse Islamic economics with something else. They will be able to appreciate the fact better that we are not trying to make certain adjustments in the existing paradigm of capitalism to accommodate Islam or vice-versa. Instead, the use of the appropriate terminology, representing the particular Islamic concepts, would make it obvious that ours is an effort to develop the *Shari'ah* paradigm of Islamic economics. This clear vision of our efforts would allow them to appreciate the fact that the *Shari'ah* paradigm is capable of achieving certain goals which the other paradigms are unable to achieve. It is, however, worth mentioning here that the new terminology will be needed only where there is a disagreement on the use of the existing terminology/concepts; or concepts alien to the existing paradigms are

introduced. Thus we find that one of the important responsibilities of the builders of a paradigm is to coin an easy but distinct terminology capable of distinguishing their perspective from that of the other prevalent paradigms. Terminology, in the final analysis, plays a vital role in advocating a particular viewpoint towards the economic problem at hand. Selection of terminology is also suggestive of the possible measures to solve the problem. The moment we come across a particular set of terms being used in the analysis, we immediately recognize the paradigm that is being referred to; and our mind can picture the paradigmic implications of the terminology being used.

iii) Constructing the definition of Islamic economics which states the basic economic problem as abuilt-in phenomenon of human life; and not as an exogenous scenario being imposed upon the individual.

The definition of Islamic economics is nothing but the statement of the basic economic problem; as viewed by an economic agent in the Islamic society. Attempts to define Islamic economics call for stating the basic economic problem in such a way that it is expressed as an integral part of human life. This way the statement of the problem itself leads the individual to a logical approach for its solution. The one who follows this logical approach is normal and rational.

Lionell Robbins defined economics as, "the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses". But Robbins meant a very specific pattern of human behaviour. In this book (1935) he perfected the concept of economic man as the truly representative economic agent of a society based on the philosophy of *laissez faire*. Since the human behaviour, as represented by the rationality of the economic man, is a response to the basic economic problem (as viewed by the economic man) therefore, utilitarian efficiency considerations logically build the capitalistic economic system. Here we find that Robbins very skillfully knitted the problem and its solution together, and made it an integral part of the economic man's rational behaviour.

Thus any statement of the basic economic problem to be used as the definition of Islamic economics should also take into account the role played by the individual in the solution of the stated problem.

If we define Islamic economics as the knowledge and application of injunctions and rules of *Shari'ah*, then what type of individuals do we expect out there in the society - who will be eager to embrace the *Shari'ah* guidelines and principles in their activities. Or if we define Islamic economics as the study of human *falah* - again we are faced with the same question; namely: what type of individuals do we expect to be out there in the society who will be happy only when they achieve *falah*?

A proper description of the representative economic agent in our definition of Islamic economics thus becomes a scientific necessity in the development of the *Shari'ah* paradigm. Such an identification enables us to meet all the scientific requirements of paradigm building.

First, it provides the scientific justification to develop a separate paradigm of Islamic economics; as the behaviour of the economic agents is the basis of the micro foundations of an economic system. Second, it eases the task of the Islamic economists who are engaged in research and analysis to formulate the hypotheses and theories that best describe the *falah* oriented behaviour of this representative unit. Third, a clear understanding of the behaviour of this representative unit would enable the society to create and establish an institutional framework conducive to his *falah* oriented activities. Fourth, it saves our critics from unnecessary trouble too; and they wouldn't launch the criticism that is caused by nothing but sheer ambiguity.

The representative economic unit in an Islamic society is a Muslim - one obedient to Allah. His spirit of obedience demands that he follows the path of Islam by acquiring the knowledge of *Shari'ah* and applying it to solve all his problems including the economic ones. Thus Islamic rational behaviour is built into his personality and thinking. Consequently he always follows the injunctions and the rules of the *Shari'ah* in all walks of his life.

The Need to Recognize the Human Behaviour as the Basis of the Micro foundations of the System

The argument is that the human behaviour should be duly recognized as the basis of the micro foundations of Islamic economic system. If we accept that the Islamic economic system is based on *Shari'ah* paradigm, then what interests us, as economists, is the behaviour of the economic agents in an Islamic society. This means that the element of human behaviour will contribute to the functioning of the Islamic economic system in a variety of ways. For example let us look at the theory of consumer behaviour in an Islamic society. Suppose a consumer has a certain level of income, and prices are given. He is a Muslim. Assume that his income is much above the subsistence level. Thus he saves some part of his income and pays *Zakat* on it. He follows *Shari'ah* in his spending decisions and spends with moderation.

He fully knows that he should not be a spendthrift because Allah declares that spendthrifts are the brethren of Satan (Qur'an, 17:27). Thus he is following *Shari'ah*: he has already allocated a certain amount for savings; out of the remainder he is spending with moderation. Suppose this spending with moderation means that he is still left with some (disposable) amount. He now has the following options to use this remaining amount:

- a) he can use it for his consumption spending
- b) he can add it to his savings and pay *Zakat* on it
- c) he can spend it for the sake of Allah in a variety of ways; for example: helping the poor and the needy in the society, spending on the social welfare projects like schools, hospitals, education, training of the unskilled, etc.
- d) he can invest it.

As far as option (a) above is concerned our consumer will not choose it because he is a Muslim. He knows that according to the *Shari'ah* his consumption has already reached the maximum level allowed with moderation. Now if his consumption exceeds

this moderate limit, it is undesirable to Allah and will make a negative contribution to his *falah* (for detailed treatment of the consumer theory in an Islamic society see: Arif, 1983). Here we find that our consumer has followed the *Shari'ah* by maintaining a moderate level of consumption. Now he can choose any of the remaining three options; namely the options, (b), (c) and (d). As a matter of fact our consumer can choose any one of these remaining three options or any combination of them. By doing so he will remain within the limits of *Shari'ah*. But whatever decision he makes, his micro level choice will have its implications for the entire economic system at the macro level.

Assume that he chooses option (b) and adds the remainder amount to his savings. In such a case he pays *zakat* on these additional savings as well. This means that Islam's built-in mechanism of social justice becomes effective. This redistributive effect of *zakat* has its macroeconomic implications for the system as a whole.

If he chooses option (c) i.e. he decides to spend the remainder amount for the sake of Allah, then we see the dynamics of Islam's theory of welfare. We find that Islam's theory of welfare is much more superior to the welfare theory of conventional economics which is based on the Pareto optimal approach. Here this consumer is giving a portion of his income to the other members of the society without asking anything in exchange from them. But still his *falah* is increasing. This decision has increased the *fulah* of all: the one who spends in the way of Allah, his *falah* increases; one who receives this amount his *falah* also increases; and the *falah* of the entire society also increases by such an act. This could never happen in a world governed by Pareto optimal rules.

If he chooses option (d); and decides to invest this remainder amount, then economic development takes place with purity. This happens because he is a Muslim and will not invest in any project which is undesirable to Allah. The choice of this option highlights the built-in dynamics of Islamic Growth Theory. But as Islamic economists our job is only half done if we stop at this observation. We know that given the options (b), (c) and (d) whatever he decides is permitted under *Shari'ah* but still we are equally concerned with his actual choice because this micro decision has important macro implications for the functioning of the system. Now our interest in the study of his behaviour is generated because of the fact that option (b) has distributive implications, option (c) has welfare implications and option (d) has growth implications for the economy. The way he behaves now, affects the entire system. Thus his behaviour forms the basis of the micro foundations of the Islamic economic system and must, therefore, be studied despite the satisfaction that he is following *Shari'ah*. If we were interested only in the implementation of *Shari'ah* then we wouldn't study his actual choice out of the three options. namely: (b), (c) and (d).

A policy maker will always be seriously interested in the study of the factors that affect a Muslim's choice of the options in the above situation. Because if the policy maker can fully understand the nature and effectiveness of such factors, then he will be in a position to use them in his macro policies to achieve certain desired goals for the society as a whole. In the conventional economic theory the macro policy makers, (assuming a simple closed economy model) are limited to two policies only, namely: the fiscal policy and the monetary policy. But in the Islamic economic system, an

understanding of the Muslim man's behaviour tells that he will be allocating some resources for the sake of Allah as well. A study of the factors that motivate him to make such a decision would allow the policy makers to create the institutions and adopt the measures which facilitate such decisions by the economic agents in the society. This way the policy makers in the Islamic economic system gain access to one more macro policy, namely the *falah* policy which is non-existent in the non-Islamic economic systems.

The *falah* policy can be used to affect the aggregate demand in an Islamic economy. This is obvious from the components of aggregate demand as shown below:

$$\text{Aggregate Demand} = \bar{C} + D + J + G + A$$

where

\bar{C} = Subsistence level of consumption. If the individual is unemployed or his income is below subsistence, then the *Bait-ul-Mal* will support him with the means to meet the subsistence requirements.

D = Desirable consumption: consumption over and above the subsistence level but within the moderate limits as prescribed by the *Shari'ah*.

I = Investment.

G = Government spending.

A = Direct voluntary spending for the sake of Allah. This expenditure by the individual can be influenced if the government can demonstrate the ability to formulate and implement a policy that motivates the individual to undertake such spendings. This is another potential macro policy which can legitimately be called the *falah* policy (and can be considered one more tool for the policy makers in an Islamic society)

We know that in a recession when the rate of unemployment is high and private investment is not forthcoming due to the pessimism about the market, the aggregate demand in the economy can be increased by using the appropriate expansionary fiscal and/or monetary policies. But such policy activism has been criticised on the ground that it would cause inflation in the long run and would lead the system to instability. If non-activist approach is adopted then flexible prices and quantity adjustments will eventually restore the full employment equilibrium in the long run but after a huge cost in terms of human misery. In an Islamic economy the policy maker is equipped with three policies to stabilise the economy, namely: fiscal policy, monetary policy and the *falah* policy. Of these three, the *falah* policy is least inflationary because this policy uses the measures to motivate those who have enough, to spend for the sake of Allah Thus without the fears of deficit financing and increase in the money supply, significant use can be made of this policy by creating appropriate institutions and using the appropriate measures that motive this kind of spending.

Similarly to curb inflation, in addition to the fiscal and monetary policies, *falah* policy can also be used. This will be done by stressing the negative implications for *falah* if the consumption exceeds moderate limits. Thus we find that in Tinbergen's targets and tools framework, the Islamic economics gives us one more policy tool, and improves the efficiency of the system. This tool is lacking in the conventional economic theory.

All this becomes possible only when we recognize the behaviour of a Muslim as the basis of the micro foundations of Islamic economics. An economic system which is not centrally planned, is very strongly affected by the behaviour of its individual economic units. This is true for Islamic economic system as well. It is founded on the philosophy of economic individualism based on a Muslim's role as the vicegerent of Allah. This role calls for some unique behavioural characteristics that manifest themselves in his economic decision making, and have very far reaching implications from the macroeconomic point of view. If Islamic economics fails to recognize these characteristics of a Muslim, which, in fact, are the basis of the micro foundations of the system, then it will be difficult to develop a macro policy package consistent with the nature and the demands of the *Shari'ah* paradigm, and necessary for its efficient functioning.

A Look at the Two Proposed Definitions of Islamic Economics

The two definitions of Islamic economics mentioned above are the attempts to meaningfully state the basic economic problem. But it may be pointed out that both of them share a common fundamental weakness. In response to both of these definitions it can be argued that what if the economic agents are interested neither in the *Shari'ah* injunctions and rules, nor in the human *falah*. The weakness of these definitions is that they give an impression that the *Shari'ah* based system or the *falah* criteria is being imposed upon the individual from the outside. If the representative economic agent is the 'economic man' type, guided by his utility oriented self-interest, then he does not find any appeal either in *Shari'ah* or in *falah*. Thus there is no scientific justification to develop Islamic economics. But if we clearly recognise a Muslim man who is the representative economic agent of the Islamic society then the need for the establishment of *Shari'ah* and the achievement of *falah* gets built into his behaviour, and these proposed definitions acquire the desired relevance. This recognition provides us the scientific basis to develop the *Shari'ah* paradigm of Islamic economics. This is fully consistent with the scientific traditions of paradigm building. The recognition of a Muslim as the representative economic unit in our paradigm, internalizes the process of Islamization. This internalization manifests itself in the rational behaviour of a Muslim. He is the one whose purpose in life is to achieve *falah*. Thus his quest for the knowledge of *Shari'ah* injunctions and rules, and his commitment to apply them in his real life provides the real scientific bases to formulate theories and test hypotheses of Islamic economics which are different from the conventional economic theory. The natural outcome of the study of a Muslim's rational behaviour is nothing else but the development of the *Shari'ah* paradigm of Islamic economics. Given the above scientific bases of Islamic economics, we can now define it as follows:

Islamic economics is the study of Muslim's behaviour who organises the resources, which are a trust, to achieve falah.

This definition follows the scientific tradition of limiting itself to the statement of the basic economic problem only. It does not explicitly mention the *Shari'ah* paradigm or some of its characteristics, like: prevention of injustice, cooperation or participation, etc. The very fact that the economic unit is a Muslim, makes the knowledge and

application of *Shari'ah* built into his rational behaviour. This implies that his activities and decisions will be based on *Shari'ah* and will demonstrate a number of characteristics, of which prevention of injustice, cooperation and participation are only a few. This definition replaces the term 'satisfaction' in Dr. Zaman's definition with the term *falah*. As a matter of fact at the end of his paper Dr. Zaman explains the meaning of the term 'satisfaction' with Islamic qualifications (Zaman, pp. 52-53). But to the profession of economics, in general, the term 'satisfaction' remains synonymous to the concept of the term 'utility' as used in conventional economics. Standard textbooks on economic theory use the terms 'satisfaction' and 'utility' interchangeably. For example, in his well-known textbook on microeconomics Ferguson writes, "A consuming unit - either an individual or household derives *satisfaction or utility* from each good or service consumed during a given time period". (Ferguson, p. 18). We know that the use of the terms which have the potential of causing ambiguity in understanding of the concepts is the violation of the second scientific tradition of paradigm building as discussed above. Thus we propose to use the term *falah* in our definition instead of the term 'satisfaction'.

The expression in Dr. Zaman's definition, "... to provide satisfaction to human beings and enable them to perform their obligations to Allah and the society" needs further analysis. Here, in principle, we fully agree with the spirit of this statement but on technical grounds we have reservations about the way this spirit is being phrased. Here three things are being mentioned:

- i) providing satisfaction to human beings.
- ii) enabling them to perform their obligations to Allah.
- iii) enabling them to perform their obligations to the society.

To the Western economists the separate mention of the three may sound to be very much in line with the principle of the separation of Church and the real life activities. Thus they may argue that the efforts to meet all the three obligations are fully allowed in the capitalist system as well. Some of them may even argue that in fact it is only capitalism which gives complete freedom to the individual to pursue the activities that enable him to meet his obligations to God and to the society. They would hold that this is actually the true purpose and spirit of *laissez faire* to establish a system which guarantees such freedom for all the members of the society. Thus again here we find that lack of appropriate terminology may cause confusion for other economists. Since Islam is a *Din*, it considers human life in its totality, without making a separation between the Church, the state and the real life. One is accountable for all his deeds and therefore, a Muslim looks for the best of both the worlds. (Quran, 2:201-202). Thus all the activities of an individual in the Islamic society, even if they pertain to different aspects of one's life, are directed towards the achievement of one single goal only i.e. to achieve the consent of Allah. From education production and sales to politics, recreation and entertainment: all activities have to be performed in such a way that one achieves Allah's consent which brings *falah* to him. The person who does so, is nothing but a Muslim' and his goal is nothing else but to achieve *falah*. This concept of the purposiveness of life has to be made built into the definition of Islamic economics. The definition proposed in this note attempts to do the job by using the appropriate terminology. Once these terms are introduced and properly explained critics will have

no scientific basis to offer an adjusted form of capitalism as a substitute for Islamic economic system. Of course they reserve the right to disagree with us and are free to follow any paradigm of their choice.

Mr. Akram Khan's definition rightly tries to focus on the statement of the basic problem but it falls short of making the problem and its solution built into the human life. If the individual is the 'economic man' type then neither he will be interested in achieving, *falah* nor his behaviour will be characterized by *falah* seeking activities. Thus an explicit mention of the kind of individual interested in seeking *falah* is a necessary scientific condition to make the proposed definition consistent with the *Shari'ah* paradigm of economics. The use of the terms cooperation' and participation' in Mr. Akram Khan's definition can be criticized on the following grounds:

- i) The definition of Islamic economics, scientifically speaking, should be limited to the statement of the basic economic problem. It should not include the features of the likely paradigm to be followed in the Islamic economy. The terms 'cooperative' and participative' are not indicative of the basic problem, but represent features of the *Shari'ah* paradigm in an Islamic economy. These terms should be mentioned in the definition or explanation of the paradigm and not in the definition of Islamic economics as such.
- ii) Operationally speaking the inclusion of cooperation and participation may turn out to be unnecessary constraints for an Islamic economy. If all the economic activities have to be performed on the basis of cooperation and participation, then what happens to human initiative? It may so happen that an enterprising economic unit sees the opportunity or the need for a certain venture or activity which is allowed by *Shari'ah* but involves a very high degree of uncertainty.

Now the question is:

- a) Should the others in the system cooperate with this unit and hence participate in this activity or not? If we accept the organization of resources on the basis of cooperation and participation it becomes mandatory for the others to do so whether they consider the project feasible or not. Should this always be the case in the Islamic economic system?
- b) Let us look at the other aspects of this phenomenon. Suppose in the above case the others do not cooperate with this unit. Then the question is: should this enterprising unit take the initiative and undertake the activity on his own (if possible) or not? If cooperation and participation is the required condition then it should not.
- c) If the terms cooperation and participation are used to describe the nature of the market that will exist under the *Shari'ah* paradigm, then again technically speaking, it is irrelevant to introduce these terms in the definition of Islamic economics. Cooperation and participation will have the place in the *Shari'ah* paradigm of Islamic economics similar to that of perfect competition in the market economy paradigm of economics based on laissez faire philosophy. As a matter of fact, cooperation, participation, honesty, justice and fairness - all these

features of the *Shari'ah* paradigm are built into the behaviour of the Muslim. Once we recognize the Muslim as the representative economic unit of the Islamic society, the behavioural implications of this assumption naturally make all such attributes built into the Islamic economic system.

- iii) "Organizing the resources of earth" is a very narrow statement in Khan's definition. It limits the scope of Islamic economics and contradicts the very spirit of its paradigm. The Muslim man believes that his life is purposive: and the purpose of his life is to be successful in his role as the vicegerent of Allah on this earth. The expression 'vicegerent of Allah on earth' does not mean that his activities should be limited to this earth only. It is the duty of the Muslim to design and administer the world in such a way that the rule of Allah is established. Thus our job is to apply Islam not only in our individual lives and on the Islamic society in a given country; but in fact, as the vicegerent of Allah, we are responsible for leading the entire humanity towards/on the path of *falah*. If the resources of the other planets become accessible and their organization helps us, we should treat them the same way as we treat the resources of this earth.

Conclusion

It seems appropriate to examine the definition of Islamic economics, as proposed in this note, to see if it is in line with the three scientific traditions of paradigm building as laid down above.

Firstly, we find that the definition of Islamic economics, as proposed in this note, limits itself to the statement of the basic economic problem only.

Secondly, our proposed definition uses the appropriate terminology which enables the reader to understand the concepts without any ambiguity.

Thirdly, our proposed definition recognizes the Muslim man as the representative economic agent. This recognition makes the basic economic problem and its solution logically built into his rational behaviour. (Is there any other way to achieve *falah* if one is NOT a Muslim indeed?). A Muslim's Islamic rationality demands obedience to Allah. This leads him to acquire the knowledge of *Shariah* and motivates him to apply it towards the solution of the basic economic problem. Thus our proposed definition maintains the third scientific tradition as well. It internalizes the process of Islamization. Here Islamization, in the final analysis, is the natural outcome of the rational behaviour of the economic agents in an Islamic society. For any paradigm of economics, in which individual units are allowed to make decisions, micro theory is crucial and must be founded on the rational behaviour of the micro units. The recognition of the Muslim man as the representative unit enables us to develop Islamic economics with consistency because his rational behaviour:

- a) serves as the subject matter of Islamic microeconomics.
- b) serves as the basis of the micro foundations of Islamic economics.

According to this definition the basic economic problem faced by the members of the Islamic society is that the resources are a trust of Allah, and man as His vicegerent wants to obey Him in the organization of these resources so that he is able to achieve *falah* by establishing His rule.

Chart No.1

The Structure of a Normal Science: The Case of Economics

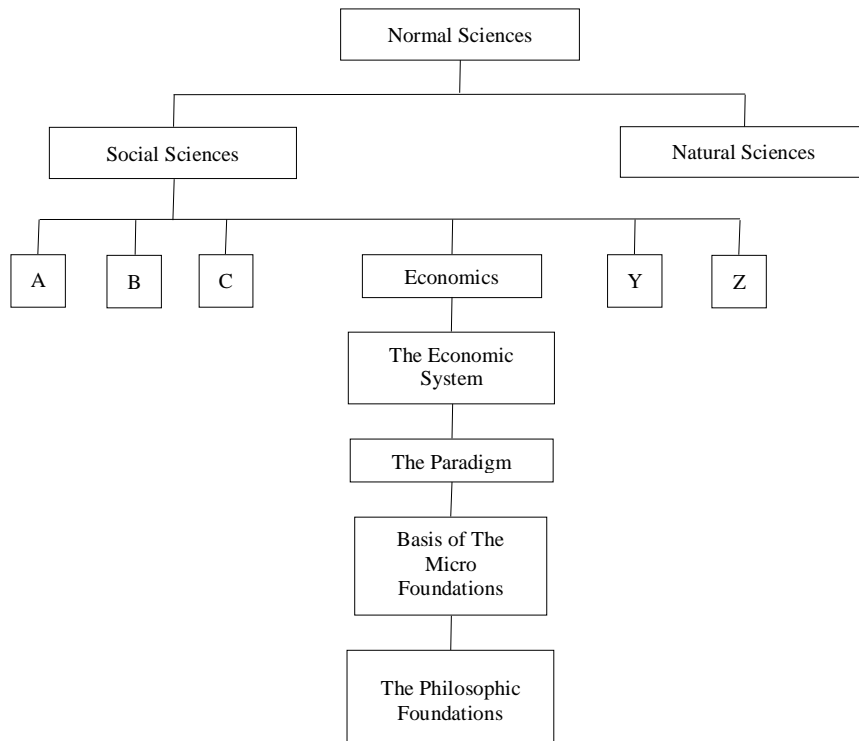
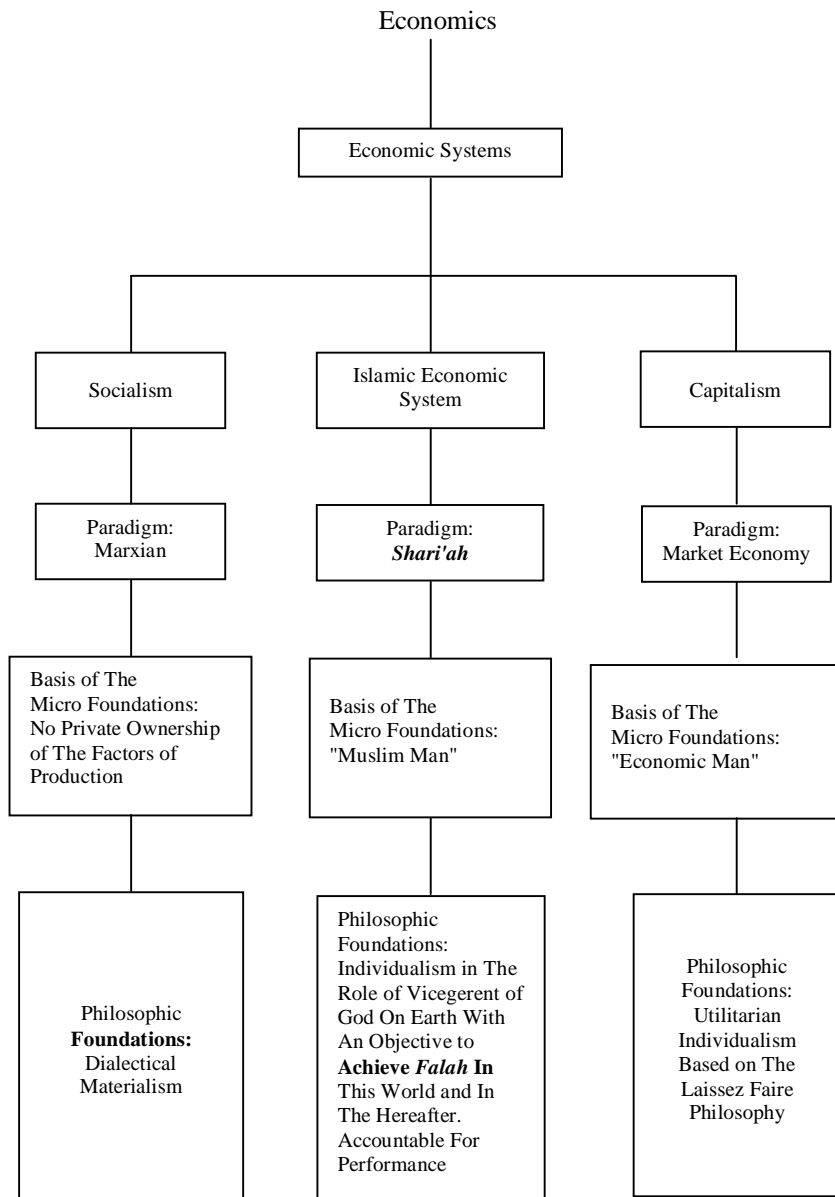


Chart No.2

The Basis of the Micro Foundations and Its Implications for the Economic System



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