Chapter 1
Islam, its Worldview and Islamic Economics

Chapter Preview
This chapter tries to answer the question ‘why there is a need for Islamic economics’? It takes as its premise the position that no human endeavour is value-free and that all human activity and scientific disciplines are based ultimately on one’s worldview or vision. The Islamic worldview is centred on the principle of Tawhid or Unity of God. Man, his aim in life, the universe and the way he interacts with other human beings are all inter-related and form part of the conceptual foundations of Islamic economics. Elaboration of the Islamic worldview and its relationship to economics is provided. Comparisons to conventional secular economics are made, highlighting similarities and differences.

After reading this chapter, students should be able to

- Distinguish the Islamic view of deen with the conventional understanding of religion
- Understand the Islamic view concerning man, his aim in life and how economics is part of a bigger purpose of creation
- See the universe as a creation of God for man to utilise in the best way possible for humankind as part of man’s duty as khalifah on earth
- Understand the similarities and differences between the approach to economics and Islamic economics

Outline
Islam
definition of Islam : iman, amal, ihsan;

The Islamic Worldview
god, man, nature/universe, religion; the nature and characteristics of man; man's role as ‘abd and khalifah; nature/universe in Islam; the concept of deen and its significations to economic activity;

Islamic Economics
definition of economics; scarcity and choice and the economic problems; definition and scope of Islamic economics;
Introduction

Economic development has occupied central concerns in the Muslim world for the last fifty years. For most Muslim countries, the post World War II period has meant political independence. The fifties and sixties were generally periods of economic growth, with most newly independent Muslim countries continuing, albeit with some modifications, the ‘system’ of their colonial masters. The goal in many Muslim countries was, and still continues to be, to ‘catch-up’ with developed countries, utilizing the models developed and followed in the west, or as proposed by western scholars and consultants of all persuasions and schools of thought. The perceived ‘failure’ of these growth models and the ‘oil boom’ years of the early 70s also coincided, some would say caused, the worldwide Islamic resurgence as well as a renewed interest among some Muslim scholars and countries, to find ‘indigenous’ solutions to their ‘development’ problems. Hence, the ‘creation’ and popularizing of Islamic economics.

In 1976, the First International Conference on Islamic Economics was held in Makkah al-Mukarramah, bringing together economists, jurists and scholars of other related disciplines for the first time to discuss issues of concern to the Muslim ummah, leading eventually to the birth of the discipline of Islamic Economics. Since 1976, three other conferences have been held: in Islamabad (1983), Kuala Lumpur (1993) and Loughborough (2000). In addition many other international and national conferences, workshops, symposiums and seminars have been organized all over the world attempting to discuss economic issues and its related disciplines from Islamic perspectives. Thousands of articles, books and seminar papers have been written, numerous Islamic economic research and teaching institutions have been set up, while many universities and institutions of higher learning have introduced courses/programs on Islamic economics and its related fields. At the governmental level, a few Muslim countries have attempted to introduce Islamic banking and finance reforms in their economies.

One major question that needs to be answered, and answered well, before any fruitful discussion of Islamic economics can take place is whether or not there is really a need for an ‘Islamic’ economics. After all, when Muslim scholars speak of Islamic economics or the Islamic economic system, to the contemporary western economist, some basic ideas and concepts may seem contradictory or at the least, meaningless. However, as this chapter will argue, there is a case for Islamic economics. This viewpoint is premised on the basis that no human endeavor is value-free as presented by proponents of ‘positive economics’. All science, in this case economics, is preceded by what Schumpeter (1954) calls a ‘vision’. We will argue that there is an Islamic vision that differs from the vision that underlies conventional western economics that grew in western Europe over the last 3 centuries. Since ‘religion’ and its role for man and society is the focus of discussion, it is very important to clarify what this term means in Islam and in the west today.

Relation of Religion and Economics

The very idea that a religion can determine economic activities would be dismissed as incoherent and emotional by the majority of contemporary western economists. This is primarily due to their historical experience with Christianity and the result of the secularization process that took place in western Europe since the 17th century. As a result of this experience, Watt (1979, p.3) quotes religion to the occident as a . . . 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.

However, this understanding of religion is not necessarily accepted nor applicable to all societies and civilizations. It is a description of the experience and history of western Christianity. Eliade (Encyclopedia of Religions 12, 1987) states that:

. . . 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.

This secularisation process has been discussed by scholars such as Harvey Cox in his Secular City and has been analysed by al-Attas in his Islam and Secularism. He sees secularisation as a philosophical program that includes components that have very significant implications for man. These three components (as mentioned by Cox) are identified as follows

1. Disenchantment of nature- nature looses its sacred connotations and becomes a mere object to be exploited by man. In the Islamic worldview, nature is seen as a creation of God, entrusted to man to be utilized for his benefit and for the benefit of mankind. Nature is a sign (ayat) of God’s existence.

2. Desacralization of politics- authority, including political power is taken away from God/religion and/or their representatives (meaning the Church in western Christian experience) and given to man. In the Islamic worldview, ultimate power and authority belongs to God.

3. Deconsecration of values- all values are seen as transient and relative. There is no absolute reference point. This implies that all norms, values and laws can change according to the preferences of man since he is the ‘master’. In Islam, man cannot overrule God. What has been revealed in the Qur’an, for example, cannot be changed according to man’s liking or dislikes.

While Islam requires human beings to address secular pursuits i.e. to deal with the here and now, it cannot accept the ideology of secularism that underlies much of contemporary science and western society today. This ideology that sees ‘only the here and now’ as being relevant and even ‘real’, hence, all reference to the afterlife, to matters that are not strictly observable or comprehensible to pure human reason, are irrelevant or non-sense. Hence all secular activities, including economic pursuits, cannot be subject to ‘religion’ since secularism also dichotomises human activities into the sacred and the profane, into this worldly and the other worldly.

In Islam, it is this dichotomy and separation of “religion” from other aspects of life that is contradictory, incoherent, and meaningless. For “religion” in Islam, as understood by Islamic scholars and based on its own sources of knowledge, cannot be equated with the concept of religion as understood in the west today. The significance, relevance and centrality of Islam to Muslims is not bound by a time period in “human evolution” but has values, standards and criteria which are absolute. Religion is not a “human creation” of, and for, “infantile man,” but is a representation of a “way of life” for all times. The term used to denote “religion” in the Qur’an isdeen and does not limit itself to the personal rituals and faith/dogma as usually understood by the term religion. As mentioned by Watt (1979: 3–4), the term deen refers more to a:
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, include even matters which the European would classify as hygiene or etiquette . . .

Islam As Al-Deen

Islam is derived from the root SLM (pronounced silm) which means to surrender, to submit. The other meaning of SLM (pronounced salm) means peace. Hence, one can achieve real peace only by totally submitting or surrendering oneself to Allah.

Those who believe and whose hearts find remembrance of Allah—indeed it is in the thought of Allah alone that the heart of man really finds rest—those who believe and act righteously. Joy is for them, and a blissful home to return to (al-Qur’an, 13: 28-29).

As far as Islam is concerned, the concept of deen is provides an all-encompassing ethos for man. More specifically, the economic vision of Islam cannot be envisaged without accepting the all-pervasive concept of deen. In Islamic scholarship, besides referring to the Qur’an and the Traditions of the Prophet (pbuh), semantic analysis is another tool used in trying to grasp the importance of this term and its relationship with other key terms and cultural concepts which provide a “conceptual grasp of the Islamic worldview” (Izutsu, 1964).

Utilising semantic analysis, Al-Attas (1978) talks of the relationship between deen, the Islamic worldview, and its implications on ethics and morality. In his analysis, the word deen, which is derived from the root DANA, has several shades of meaning. Four of the primary signification’s of deen, each seemingly contradictory, but inextricably linked with the other, are explained as follows by Al-Attas:

- Indebtedness
- Submissiveness
- Judicious power
- Natural inclination

In the Islamic perspective man is indebted to God for his very existence, for everything he has, because God created him from nothing. He owes his birth, growth and development to the Grace of his Sustainer, God. The nature of man’s debt to God is total. The rightly guided man realizes that he must repay the debt with himself and ‘return himself to God’. When man realizes this and submits himself willingly and consciously, he is surrendering himself to God and becoming a Muslim. Willing submission denotes absolute obedience to the Law of God. This is Islam or submission is described as follows in the Quran:

“Who can be better in deen than one who submits his face (i.e., his whole self) to God?”
Surah Al Nisa: 125

In a Hadith, we find:

“The intelligent one is he who enslaves himself (dana nafsahu) and works for that which shall be after death.”

It is important that this submission be willing, for if this unwilling, it is not true submission. Since submission has to ‘come from the heart’, it is not really possible to force or compel someone to submit truthfully. Unwilling or grudging submission denotes arrogance and is
therefore, tantamount to kufr or disbelief. It is also Man has been given the judicious power or aql to enable him to make decisions. Man can choose between good and evil. When man consciously decides to repay the debt he owes to his Creator, he is acting upon his natural inclination; this brings us to the fourth meaning of deen. Man is born with a natural inclination to submit to God. This happens when he ‘remembers’ the covenant he made with his Lord. The covenant is mentioned in the following terms in the Quran:

“And remember when your Lord brought forth form the children of Adam, from their loins, their seed and made them testify as to themselves (saying): ‘Am I not your lord?’ they said: ‘yes! We testify,’ lest you should say on the day of resurrection: ‘verily, we have been unaware of this.”

When man gives in to this natural inclination, or fitrah, (the pattern according to which God created all things) he obtains true freedom. There is a seeming contradiction in terms of the idea of man attaining freedom by submission to God. But this seeming contradiction is reconciled by the fact that man becomes free by submitting to God because that is what his natural inclination compels him to do. It is this stage that man can obtain peace with his Creator. This willing and conscious submission to God is what Islam means when it talks of complete submission to God.

However, if man does not use the revelation and his ‘aql to interpret the revelation correctly, it can lead to man going astray. In addition, man’s forgetfulness sometimes leads him to choose incorrectly. It is for this reason that God, in all His mercy and compassion sent down the various revelations and prophets to guide mankind. This guidance is not only limited to the specific ibadah or ‘ibadah khusus like prayers, fasting and the hajj but also includes guidance in all aspects of man’s life in this world, including the economic. Therefore, as far as economic behaviour is concerned, it is certainly part of this total submission. Hence it can be part of an act of worship provided it is done with the correct intention, proper knowledge and followed by correct action.

Deen in the Qur’an
The term deen appears in the Holy Qur’an 92 times and is used in different contexts to give the following meanings: debt, obedience, judgement and way/custom/religion. It is natural for man to obey and submit to God’s will in all aspects of his worldly life (51:56). While obedience forms the central purpose of life, what this means in economic matters depends on how one interprets “God’s will” with respect to economic pursuits.

The implication of man’s acceptance of the covenant with God (7:172) is that man has to judge himself and others, based on God’s criteria as represented by the various revelations sent to man at different times through all the Prophets and messengers, and by using his intellect to interpret and understand the criteria (4: 150–152, 163–165; 10:47; 2:121; 39:42; 47:24). But man, if his lower self or animal desires is not controlled by his higher/rational self, has a tendency to forget this covenant and his natural inclination to submit to God, hence the need for “religion,” revelation and prophets. Also, man is the only creation that was given “free will” or the ability to make conscious choices (18:29). In Islam, all the previous prophets from Adam till Jesus are recognized and are part of the beliefs of Muslims (4:150–152). The Qur’an is considered to be the final and complete revelation for man and the Prophet Muhammad is the seal of prophets (33:40). Based on this permanent revealed knowledge, man then uses his intellect to organize his life on
earth. The interpretation and understanding of this revealed knowledge become central in all human endeavors, and a proper understanding of the Islamic worldview is a necessary pre-condition in all efforts to build Islamic “systems of thought,” and hence policies, in the various disciplines including economics and its related areas like banking and finance.

The finality of revelation means that guidance from God is complete. It does not mean that the revelation contains detailed blueprints for all of man’s material, intellectual and needs for all time. While the guidelines and principles are there, it is up to man to develop these principles into the detailed blueprints depending on the time, place and situation concerned. This human input/contribution to the understanding of the Qur’an is central in this Islamic worldview and provides the necessary dynamism to address contemporary needs.

The Islamic Worldview and Economics: The Economic Vision

Elaboration and analysis of the Islamic worldview can be very complex and wide in scope. For the purposes of our study, we will limit our analysis of the Islamic worldview to those aspects that have implications for economics, thus building an “economic vision” which can and should be developed into a system of economic thought covering the “sub-systems” of various aspects of economics. We agree with the view of Acikgenc (1994) that:

. . . the nature of the human mind cannot but perceive a problem within a scheme of constructive unity . . . human reason is by nature architectonic (Kant, 1965) . . . for the human faculty of knowledge is such that it can operate only within a categorical scheme (Whitehead, 1929).

What needs to be done is to derive or “systematize” a certain economic vision within the overall worldview which will involve certain “core” concepts in the overall worldview which are relevant in the construction of the economic vision. This process of deriving an economic vision, made up of selected interrelated concepts, is “ideologically” based in the Schumpeterian sense, since the choosing, and later ordering, defining and interpreting these concepts are undertaken within the overall worldview of the person doing it (Schumpeter, 1954). While Schumpeter still considers this ideological element as something which needs to be “neutralized” through proper, universal methods of analysis, we do not agree that these elements are necessarily “bad” or that they can and should be neutralized. In this sense, we agree with Heilbroner (1988) who sees ideology as a part of economics since its “motivations are not only powerful, inescapable, but legitimate.”

Since alternative worldviews/ideologies exist, different economics are not only possible but, one can argue, natural and legitimate as well. In fact according to Heilbroner, without a vision or a “belief system” (ideology) there can be no economic analysis because there will be nothing to analyze. In this sense, economic analysis works within an ideology. What is required is to ensure that within the economic vision, the concepts, and later on the more detailed analysis of the internal mechanisms of the economic system, are coherent and logically consistent with the vision and worldview itself. Seen from this perspective, the universality of the western experience of economics cannot be accepted as a rule of law. This view is supported by 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.
These assumed premises stem from one’s worldview, which in our case necessarily discusses the concepts of God, man, universe, religion and aim in life.

The Concept of God in the Islamic Worldview

“Say He is Allah, the One. Allah-us-Samad (the self-sufficient master, whom all creatures need, He neither eats nor drinks). He begets not, nor was He begotten; And there is none co-equal or comparable unto him.”

(Qur’an 112)

In the Islamic worldview, the central or core concept which permeates all aspects of life is Tawhid or the unity of God. To be a Muslim is to believe in the Oneness of God (112:1–4) and to have God constantly present in one’s life. There is first and foremost an ontological demarcation between God and everything else. Tawhid has three aspects:

- **Oneness of the lordship of Allah; Tawhid al-Rububiya**: To believe that there is only one lord for the entire universe; its Creator, Organizer, Planner, Sustainer, the Giver of Security, etc., and that is Allah.
- **Oneness in the worship of Allah; Tawhid al-ulahiya**: To believe that none has the right to be worshipped but Allah.
- **Oneness of the names and the qualities of Allah; Tawhid al-Asma was Sifat**: None can be named or qualified with the Names or Qualifications of Allah, e.g. Al-Kareem. We must also believe in all of these qualifications.

The foundation stone of the Islamic faith is Tawhid. The Islamic worldview fundamentally rests on this concept. Everything else is a logical extension. To the Muslim, God talks of Himself in the Holy as the One God who has no partners (17:111; 112:1); the God who is living, eternal, self-subsisting (3:2; 112:2); the God who created all other creations (6:12–14) with the sole purpose of worshipping Him (7:54; 24:41; 51:56); the God who created man as the best of creations and gave him knowledge (2:30; 96:4–5); the God who created the universe in perfect order (13:2–4); the God who is the Cherisher, the Sustainer, the Gracious, the Merciful, the Omnipotent, Omniscient, the Owner of everything.

Since in Islam (literally meaning submission), only God is the Creator, Sustainer and Judge, to be a Muslim (i.e., one who submits) is to do all “as God has directed” and for His sake. God is the ultimate cause and end of everything. By submitting totally to God, one is in the state of total worship to God. It is in this sense that even economic matters become a part of the “religion.” Many of the attributes of God, represented by His (the beautiful names) found in the Qur’an, can be seen to have direct relevance to economics/commerce, and can be developed as part of Islam’s economic vision. For example, God is al-Malik or eternal owner. This has tremendous implication for property ownership since even private property will be subject to the idea of absolute ownership ultimately belongs to God. It is our view that different “economic systems” of thought and policy could be supported by differently interpreting these attributes and some of the central economic concepts found in the sources of Islamic economics.

Despite the Qur’an and the Sunnah, which try to explain God to man, the exact nature of God is beyond man’s comprehension. Man is only given a limited, but sufficient, capacity to know God. What is important for man however, is to accept the reality that God exists and that the most fundamental aspect of God in Islam is the Oneness or Unity.
of God, i.e., Tawhid and from which we obtain the unity of creation and its purpose (to worship God) and unity of knowledge and action (no separation into religious or secular in the true sense). We also extend this to cover a “unified” worldview, which must be adopted when trying to understand the Qur’an as a whole, for no partial approach to the message of the Qur’an, in our case of economic guidance, can hope to yield any fruitful systematization of the worldview into an economic vision.

**Man in the Islamic Worldview**

The Arabic word for man, insan, is derived from nasiya, which means, ‘he forgot’. It also means istinas or social/domestic, implying that man is created to be a social being. The Reference of this forgetfulness is to the covenant that man made with his Lord, as identified in the Qur’an:

“And remember when your Lord brought forth from the children of Adam, from their loins, their seed and made them testify as to themselves (saying): ‘Am I not your Lord?’ they said: ‘Yes! We testify, lest you should say on the day of resurrection: ‘verily, we have been unaware of this’.”

_Surah Al-A’raf 173_

“Verily, We created man of the best stature (mould)”

_Surah Al Teen: 4._

“And remember when your Lord said to the angels: ‘I am going to create a vicegerent on earth…”

_Surah al-Baqarah: 30_

“I created not the fins and human except to worship Me.”

_Surah a Dhariyat: 56._

Man is at once the khalifah (vicegerent) on earth and ‘abd (slave) of God. While the role of khalifah implies that nature, the universe, and other creations, are entrusted to man for his utilization, the role of ‘abd means that man does not have any ultimate authority or absolute rights other than to follow the will of God. Both these roles have to be lived simultaneously and any neglect of either one would not enable man to function as his true self. In fact as stated by Nasr (1990):

> There is no more dangerous creature on earth than a khalifah who no longer considers himself to be an abd.

By this it is meant that if man forgets who he is in relation to his Creator, he would be potentially guilty of great “crimes” due to his arrogance. By being the “leader” in this world but with responsibility and accountability to God, man’s actions then become part of his worship and submission to God (51:56). This is of course totally at variance with modern “economic man,” who is not obliged to consider any form of submission to a transcendent God. There seems to be a trend in contemporary Islamic scholarship, especially in the social sciences, to overstress the khalifah aspect with little or only implicit reference to man’s primary role of being the ‘abd of God.

Man, as mentioned in the Qur’an, is the best of creations (95: 4), having been imbued with God’s spirit (15:28–29). Man is at once endowed with physical, intellectual and spiritual potentialities which must all be nurtured and developed. This acceptance of the spiritual aspect of man is of fundamental importance in the Islamic economic vision and has far reaching implications for the epistemology and methodology of Islamic
economics and on human welfare and needs. In addition, only man has been endowed with (intellect), considered in Islam to be essentially a spiritual substance. It is this intellect, when used to its full potential, that enables man to understand his position in the “scheme of things” and to act accordingly. The process of achieving the full potential of the intellect involves a discussion on epistemology, which follows in the next Chapter.

With this proper understanding of the scheme of things and his own position in it, man is commanded to do justice or ‘Adalab on earth. This is seen to be an absolutely indispensable ingredient of the objectives of the shariah or maqasid al-shariah. Islam is absolutely unambiguous in its objective of eradicating from human society all traces of injustice or zulm, which includes all forms of inequities, exploitation, oppression and wrongdoing, whereby a person deprives others of their rights and does not fulfill his obligations towards them. Therefore, it is the duty of man to establish ‘adalah as has been of all the messengers of Allah.

“Indeed we have sent our messengers with clear proofs, and revealed with them the scripture and the balance that mankind may keep up justice.”

(Al-hadid: 25).

Universe in the Islamic Worldview

Another element very important in the economic vision is nature/universe. In Islam, nature/universe comprises of the “heavens and the earth and all in between,” a phrase which is repeated numerous times in the Qur’an. The nature/universe is basically another sign given to man to direct him to worship God, the Creator. In addition, besides the visible/material world, there is also the world of the ghayb (invisible) which is equally real and existing to the Muslim. Nature is in natural submission to God (7:54; 22:18; 24:41) in ways known only to God and is meant for man to utilize as and (2:60; 6:95–103; 15:16–23; 16:3–21). On the other hand, man the , is asked to reflect on the majesty and orderliness of nature, to see these “signs” of God’s existence and mercy to man (2:21–22; 116–117; 14:32–34), and thus to submit himself to God. Thus, nature is not seen as something that must be “overcome” or “conquered” in man’s pursuit for development in this world. It is, rather, a bounty from God that must be utilized in the “best way possible” for all, in accordance with God’s will, remembering that it is part of God’s creation. Again, it is our thesis that this “best way” could be interpreted differently by different scholars at different times and places while still being within the parameters set by the Islamic worldview and more specifically, the economic vision.
THINK!

Consider a person who has to cross a jungle by sunset. At dawn he starts his journey with a clear objective to reach the other side before sunset. On his way he finds certain signposts that show him the right way which is also the shortest. He finds that the signs are of great help to him. As he reaches half way through, he sees another signpost showing him the direction. But the signpost is so attractive even to his tired eyes that he decides to take a closer look. The signpost is engraved with diamonds and other expensive jewels. What should he do? He starts digging the diamond first. But then, even the others are valuable. So he continues trying to get them alone. That is his goal now! But before he could get them, it was already sunset and a lot of hungry wild animals were going to be happy. You might be wondering what is a child’s bedtime story doing in your textbook but the point made is essential. Nature is like these signposts and our life is like this jungle. The signpost is just a means to cross the jungle. Similarly nature is for our benefit and not our goal in life.

DISCUSS!

Religion in the Islamic Worldview

The other element in a worldview is religion or in the case of Islam, the concept of deen. As mentioned earlier, this concept is a very comprehensive one and includes worldly activities. It is interesting to note that many of the verses in the Qur’an try to explain in economic metaphors. While this can be partially explained as the best way to make the “merchants of commercial Makkah” at the time of the Prophet best grasp the message of the deen, it also supports the contention that worldly activities do come under the jurisdiction of the deen of Islam.

In fact, we would even be correct to say that deen is meant for this world because it is in this world that man is tested and asked by God to follow the “straight path”. It is in this world that man is made and given the (trust) to manage the world according to God’s will. It is also in this world that man is given the freedom of choice concerning good and bad, right and wrong, and whether to organize his life according to God’s commandments, i.e., to be an ‘abd of God or not. It is also to this world that God sent down the revelation for man’s guidance and the Prophets who brought this message to their peoples, as well as the arena where man’s actions will determine his place in the next, permanent life. In this sense, the deen of Islam, i.e., submission to God, is meaningful only in this world, since in the afterlife, man will no longer be having “choices” or tests. His status in the next world will be the result of actions in this world, either in happiness and pleasure or suffering and punishment. While the temporal economic consequences of “non-submission” may not be a “loss” in terms of material gain, it is the loss in the next world that acts as a strong motivator for the Muslim. This extended time horizon effects decision-making and the concept of rationality in Islamic economics. Not only will the choice of goals be different, but based on the nature of man in Islam and of Islamic epistemology, the “act of choice” would necessarily be different as well.

Aim In Life in An Islamic Worldview

The primary aim of life for human as described by Islam is to achieve happiness or falah—ultimate success and pleasure of Allah. The Quran urges man to use the resources in this world to achieve success in the next world:
Al-Ghazali defines four types means through which man can prepare for sa'adah or happiness in this world but ultimately for next world:

**Al fada'il al nafsiyah** - The goods of the soul, which are faith (iman), and good character (husn al khuluq), achievable through action (amal). In this instance, Al Ghazali considered iman equivalent to knowledge of revelation ad practical religion. Iman is also synonymous with amal because the soul can only be improved if the knowledge obtained is acted upon. Good character is thought to embody in temperance and justice. Temperance or moderation equates to the repression of desire and anger; while justice is the observing of moderation in all things. All virtuous qualities of the soul are thought to stem from temperance and justice. Iman and husn al khuluq, then, are thought to be the nearest means of happiness. In other words, they are the most important means of achieving sa’adah or falah. Relating it to economics, what it means is that it does not serve the goal of ultimate happiness to become a successful business-man but one who does not observe all the ethical requirements laid down by the shar’iah.

**Al fada'il al jismiyah** - The bodily goods are essential for happiness, but are obviously of secondary importance when compared to the good of the soul. The four bodily goods Al Ghazali defined are health, strength, long life and beauty; necessary in that order for attaining happiness. Health and strength are necessary for attaining falah because knowledge and action, which are the embodiment of the goods of the soul, cannot be pursued without them. Long life is also deemed to be one of the essential bodily goods because it increases the time, which can be spent preparing for falah. The need for beauty is less important than the first three bodily goods described, but it is significant, nevertheless. This is because a person with reasonably good facial features will be more naturally liked by others and will therefore have to exert less effort towards worldly matters such as earning a living, sparing more time for acquiring the goods of the soul. It is important to note that, the beauty referred to by Al Ghazali refers not the kind that stimulates sexually, but to a pleasant appearance.

**Al fada'il al kharijiyyah** - The four external goods Al Ghazali defines are useful, though not essential, for happiness. The four are wealth, influence, family and noble birth. Wealth is useful, as it tends to free the possessor from the pursuit of the necessities of life. Influence can also be useful because it frees the holder from being hindered by others in the pursuit of the goods of the soul. Family may also help man in his worldly affairs thereby facilitating his pursuit of sa’adah. Noble birth refers, not to birth in a rich and socially prestigious family, but to a family in which knowledge and piety are instilled into all members. This helps in the pursuit of falah as the person may inherit character traits from his ancestors.

**Al fada’il al tawfiqiyyah** - The goods of divine Grace are considered essential for happiness, because without this the bodily and the external goods cannot be successful in attaining happiness. The goods of the divine Grace consist of divine guidance (hidayah), divine direction (rushd), divine leadership (tasdeed) and divine strengthening (ta’id). Thus the primary means of falah are the goods of the soul. Man can acquire them with the help of the bodily and external goods if he is given the goods of the divine grace. Thus, man up to a certain degree, although ultimately derived from God, can control the first three
categories, whereas the last category is a free gift from God, in the sense that it is beyond man’s control.

From the preceding discussion, it should be quite clear that there is a very different view of the elements contained in an Islamic worldview from that of the vision underlying contemporary western economics. This creates an undeniable need for an alternative economic system. Islam has a worldview, which can be the basis of an economic system that will act as a viable alternative for the Muslim countries.

ECONOMICS AND ISLAMIC ECONOMICS

Economics can be defined as “the social science that deals with the production, distribution, and consumption of goods and services and with the theory and management of economies or economic systems”. 6

Economics is both an activity and a discipline. When we buy and sell goods and services, when we decide to save rather than consume, when we decide to buy some shares of a publicly listed company or when we pay our taxes, we are ‘doing economics’ or undertaking economic activity. On the other hand, when we try to describe and analyze the state of economic activity and our actions and then try to prescribe policies to effect economic activity, we are dealing with the economics discipline. All three components of description, analysis and prescription are value based since they exist within a certain conceptual and institutional framework. At the most abstract level, the discipline is derived from one’s worldview or ‘vision’ of what economics is and how it fits into the bigger picture of life.

In a way we can say, economics is a field that deals with the management of scarce resources and hence choice. This is seen from the current definition used today that looks at economics as a ‘science of choice’, i.e. a science that enables one, with the relevant knowledge and information, to make the best choice among competing alternatives, subject to the norms, values and criteria of a society. The nature of modern economics is expositional in the definition given by L. Robbins. He defines economics as—

“the science which studies human behavior as a relationship between ends and scarce means which have alternative uses.”

This should already make it clear that in addition to technological and resource constraints, there can be more than one ‘best choice’ if we look at different societies, which have different norms and values. This is not very difficult to understand if we take the case of Japan, the U.S.A. and Malaysia. Although all the three countries share certain commonalities and are capitalist, market economies, the institutions, values and norms that one finds in these countries are also quite diverse. Certainly these countries differ in terms of culture, religion and societal norms that have evolved over time. One clear distinction is that American, as opposed to the Japanese society, is dominated more by ‘pure’ economic considerations. In the latter, social traditions are still very important and effect economic decisions. Similarly in Malaysia, economic considerations and goals should not conflict with the requirements of religion. This can be seen in the development of Islamic economics and finance where in Malaysia, there is an interest-free financial system running side by side with the conventional interest based system.
No matter which society or nation we are talking about, there are at least three major economic problems, which are commonly faced and require description, analysis and prescription. These are---

1. **What to produce?**
2. **How (and how much) to produce?**
3. **For whom to produce?**

Each of these problems deals with one major area in economics. What to produce is conventionally analyzed in consumer behavior; how to produce is discussed in producer behavior; for whom to produce is tackled under factor distribution. While these problems are addressed in the areas mentioned, you may wonder ‘what exactly is the problem’?

This is where economics and economic reasoning come in the picture. In our example above, as a consumer you will not only have a desire to purchase a car but also other wants such as using the money to go for a holiday, buying a small piece of land or some shares in the stock market or to just save the money in the bank or any mutual fund. You may even want to give the money away to some charity. In other words, there are alternative uses to your money.

Again, you may ask, what’s the problem? Why not spend on all the alternatives? Here is where the starting point of economics is: **in most, if not all cases, our resources (in this case monthly salary and other savings and assets) are insufficient to satisfy our desire to consume all the things we want.** We term this in economics as the problem of **scarcity**. The problem of scarcity is a universal problem in that all societies (and individuals) are faced with it. A consumer may want to buy many things but has a limited budget. A producer may want to produce many things by employing all the labor and capital needed to produce all the things demanded but is faced with not only financial limitations but also with technological constraints. In both these cases, our wants and desires are relatively greater than the resources we have at our disposal, hence the problem of scarcity.

**Scarcity and choice:**
In conventional economics, the basic argument underlying the core concept of relative scarcity is that we have unlimited wants and limited resources. The choice over here is as to where to allocate the limited resources and which want is to be satisfied or what is to be produced with these limited resources. Human interacts with each other to make these choices. Based on the worldviews of the individuals how they interact is determined both by natural laws and social laws, i.e., economic and financial system.

While in an Islamic perspective we may argue against the idea that human beings have unlimited wants or that they should be seen as having unlimited wants, the idea that at any one time, one’s resources have alternative uses and you have to make choices as to which alternative to choose is acceptable and applicable. If it were to be western economic system, they would have chosen to produce or consume what maximizes their satisfaction or profit within the constraints of budget or income and the laws of the land.

But in Islamic economics, we have some modifications to this economic pursuit. Firstly, the goal to be achieved must be derived from the Islamic worldview. Our goal of achieving falah is our overriding goal. Since wealth and economic prosperity is part of the external means to achieving falah, a Muslim is justified in his economic pursuits so long as his economic
goals do not contradict the shari’ah. For example, one cannot indulge in activity that is considered haram even though it may give high monetary profits. Secondly, in addition to the income/budget constraint, there are also shari’ah constraints/restraints that will need to be observed when making choices. In general, the choice made should not only help us to make monetary gain but also help in obtaining falah. We will discuss this point further in Chapter 4.

References

5. M.A. Quasem (1976), The Ethics of Al-Ghazali (Chap. 2), UKM, Petaling Jaya.

Problem Set

1. What is Islam? How is it related to economics?
2. What are the elements in the Islamic worldview? Explain each one briefly.
3. What is the nature and role of man in the Islamic worldview?
4. Explain how man's role as an 'abd and khalifah will effect economic activity in Islam.
5. What is man's relationship with nature in Islam and how is this different from western economics?
6. Scarcity and choice are the central issues with which economics is concerned. How is this true for Islamic economics?
7. What is the definition and scope of Islamic economics?