

Redefining Islamic Economics as a New Economic Paradigm

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Abstract¹

The more recent literature on Islamic economics is largely about Islamic financial instruments and institutions. It might give an impression as if the main difference between conventional and Islamic economics is in the instruments, rather than foundational aspect. Islamic economics is not about the prohibition of certain goods and services. It is a vastly different economic system whose answers to the core economic questions vary significantly. It is important to start from the foundation Islamic economics by redefining assumptions, developing new theories of microeconomics and macroeconomics, and offering testable models from the Islamic paradigm. This paper is an attempt to redefine Islamic economics as a new economic paradigm based on the distinctive axiomatic feature of Islamic worldview. In order to do that, the paper first presents evidences of the crises of capitalism and search for alternative paradigm. Second, it outlines the origin of capitalism within the Western secular worldview. Third, it presents the Islamic worldview from anthropological, epistemological, and teleological perspectives. Fourth, it redefines Islamic economics as alternative economic paradigm to capitalism.

1. Introduction

The more recent literature on Islamic economics is largely about Islamic financial instruments and institutions. It might give an impression as if the main difference between conventional and Islamic economics is in the instruments, rather than foundational aspect. Islamic economics is not about the prohibition of

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certain goods and services. It is a vastly different economic system whose answers to the core economic questions vary significantly. As currently done, mimicking conventional economics and finance is only creating Islamic economics and finance by name. The secular essence and soul of capitalist system is largely untouched. It is important to start from the foundation Islamic economics by redefining assumptions, developing new theories of microeconomics and macroeconomics, and offering testable models from the Islamic paradigm. As Nasr indicates the theoretical works in Islamic economics has “failed to escape the centripetal pull of western economic thought, and has in many regards been caught in the intellectual web of the very system it set out to replace” (Nasr 1991, p.388). Indeed, the differences between Islamic and capitalist financial institutions are getting blurry every day. As Asutay points out, “The realities of financial markets which prioritizes economic incentives rather than religious behavioral norms has forced Islamic finance to become part of the international financial system, in which it is recognized as heterogeneity of financial products deprived of their value system... the difference has been reduced to technicality, and the value system is no longer mentioned beyond describing the prohibition of *ribā* by quoting verses in the Qur’ān.” (Asutay 2007, pp.3-18)

This paper is an attempt to redefine Islamic economics as a new economic paradigm based on the distinctive axiomatic feature of Islamic worldview. In order to that, the paper first presents evidences of the crises of capitalism and search for alternative paradigm. Second, it outlines the origin of capitalism within the Western secular worldview. Third, it presents the Islamic worldview from anthropological, epistemological, and teleological perspectives. Fourth, it redefines Islamic economics as alternative economic paradigm to capitalism.

2. Crises of Capitalism and Need for New Economic Paradigm

With the fall of socialist regimes at the end of last century, the free market capitalism, which started in Europe a few centuries ago, has become the dominant system across the world. During and after the 2008 financial crisis, many people began to raise questions about the fate of capitalism. Even though it was not the first crisis of capitalism, it was the biggest one since the Great Depression. Three years later, we are still struggling to recover the crisis. Indeed, with the ongoing debt crisis in Europe, we might see another global financial meltdown shaking the foundation of capitalism. Unlike many economists, I think that the 2008 financial crisis and the current debt crisis are essentially moral crises. It is a “moral crisis” with its root going back as far as the Enlightenment. Adam Smith’s famous metaphor of “invisible hand” is well-known among economists. Indeed, it is an

extremely powerful metaphor explaining the strength of free market economy. According to Adam Smith, shaped by self-interested human nature, supply and demand is sufficient enough to deal with most if not all economic problems. However, as seen in the recent financial crises, the invisible hand without moral compass could turn to a “stealing hand”. In my view, the 2008 financial crisis was the greatest theft in the history of mankind. It was not seen as a theft perhaps because of the invisibility of the hand involved. In my recent paper on the 2008 financial crisis and capitalism, I argue that the 2008 crisis was essentially a moral crisis of capitalism with its root going back as far as the Enlightenment (Aydin 2011). The paper suggests that during the crisis, the “invisible hand” of free market turned to “stealing hand” through market games driven by the irrational and irresponsible behaviors of politicians, creditors, and consumers.

Like any other disease, the real solution is only possible if we deal with its root causes rather than relieving its symptoms such as high fever. Indeed, sometime temporary relief with general medicine could deceive the patient by giving a wrong signal and worsen the conditions in the long-term. In 1929, when the free market system failed, we came to the understanding that government intervention is necessary sometimes to deal with economic crises. Similar to the Great Depression, the recent and ongoing financial crises could be another great opportunity to understand and fix a major flaw of free market capitalism. If the fix is not possible, this might mean a shift to new paradigm. This might be the case because capitalism has produced morally driven economic and financial crises (Aydin 2011) as well as failed to deliver its promise of paradise in this world. I am talking about the crisis of happiness.

It was Easterlin (1974) who first came up with some quantitative signs of happiness crisis in capitalism. In his study which covered the years between 1946-1970, he found that despite a great increase in the real income per capita, there was not a significant change in subjective well-being. He later did a similar study for Japan and found that the average self-reported happiness level did not increase in Japan between 1958 and 1987 despite a fivefold increase in real income. Since this study, we have seen a surge in studies on happiness. Most of them confirm Easterlin’s findings in terms of the impact of monetary wealth on happiness. A recent study shows that the case is not quite different for China which has been experimenting with consumer culture for the last two decades. The study found that remarkable economic growth from 1994 to 2005, with real income per capita increase of 250 percent, ownership of color television sets rose from 40 percent of households to 82 percent, and the number of people with a telephone jumped from 10 percent to 63 percent. Yet, this did not translate into higher life satisfaction.

Rather, the percentage of people who say they are dissatisfied has increased, and the percentage who says they are satisfied has decreased (Kahneman, Krueger 2006).

Easterlin Paradox claims that the lack of a direct correlation between average life satisfaction to income per capita across nations. In other words, even though rich people report higher life satisfaction than the poor in a given country, wealth does not explain differences in self-reported life satisfaction across countries and in even in the same country over time. For instance, Frey (Frey 2008, p.39) finds that income per capita jumped in Japan by a factor of 6 between 1958 and 1990, while average life satisfaction remained unchanged at a level of 2.7 out of four point scale. Layard (Layard 2005, p.33) shows that “for countries above \$20,000 a head, additional income is not associated with extra happiness.” Nevertheless, “within a single country, at a given moment of time, the correlation between income and happiness exists and it is robust”(Bruni, Porta 2007, p.xv).

Despite some evidence of its failure in providing happiness (Lane 2000, Hamilton, Denniss 2006, Kasser 2002, Diener, Suh & Oishi 1997, Easterbrook 2003), the globalization of consumer culture and materialistic values is rapidly displacing traditional values. Indeed, those questionable new values are spreading all over the world. They have entered every realm of human life, including even spiritual places like churches, synagogues, and mosques. They have turned a human being into a consumption machine. But not only does a consumer culture fail to bring happiness, it also fails to protect the environment. It has produced many environmental problems, including unchecked growth in the production of solid waste and in greenhouse gas emissions. Therefore, it is not sustainable in the long run (Aydin 2010b). It is not just weapons of mass destruction; it is also the products of mass consumption that are threatening the future of all living beings on this planet. Indeed, while the former threatens the outer universe, the latter threatens the inner universe. With more and more consumption, people are no more, and sometimes even less, happy. This is neither desirable nor sustainable. In short, wealthy capitalist nations are currently experiencing a serious “happiness crisis”. It is spreading around the world with the globalization of capitalism. Actually, it is more dangerous for capitalism than the current financial crisis because of its complexity. There are many studies presenting evidences for the existence of the happiness crisis without delving into its root causes (Lane 2000). In other words, they are discussing symptoms without diagnosing the disease. Therefore, there is an urgent need to examine and modify or replace the existing dominant economic paradigm, which is based on always more consumption, in order to achieve more happiness while reducing consumption to sustainable levels.

Since both moral and happiness crises of capitalism could not be solved within the existing paradigm, according to Thomas Kuhn's following statement, we need to develop a new paradigm: "Scientific revolutions are inaugurated by a growing sense, again often restricted to a narrow subdivision of the scientific community, that an existing paradigm has ceased to function adequately in the exploration of an aspect of nature to which that paradigm itself had previously led the way. In both political and scientific development the sense of malfunction that can lead to crisis is prerequisite to revolution." (Kuhn 1970, p.92) However, it is not easy for scientists to get out of the existing paradigm and offer solutions to crises from a new perspective. In Kuhn's terms, "Normal research, which is cumulative, owes its success to the ability of scientists regularly to select problems that can be solved with conceptual and instrumental techniques close to those already in existence." (Kuhn 1970, p.96) Revolutionary research has to build upon new concepts and instruments. They have to offer something new and contradictory with the existing ones. This is the case because "scientific revolutions are here taken to be those non-cumulative developmental episodes in which an older paradigm is replaced in whole or in part by an incompatible new one." (Kuhn 1970, p.92)

Communism which emerged as the anti-thesis of capitalism failed to be an alternative due to its misunderstanding of human nature. It wrongly associated the problems of capitalism to "private ownership" and established its foundations on "collective ownership" which killed the individual incentive. Seeing religion as poison for people, the system attempted to create a caring society based on strictly secular values. At the end, the system collapsed from its own contradictory maxims. With the recent global financial crisis of capitalism, there is ongoing search for a possible alternative paradigm. Islamic (moral) economics could attract great attention if it could go beyond the existing frame of conventional economics. For that matter, if Islamic economics would offer an alternative paradigm, it has to contradict with the existing ones. It has to offer new "conceptual and instrumental techniques". It has to be non-cumulative, rather than cumulative development of the existing knowledge. In my view, Islamic economics based on Islamic anthropological, epistemological, and teleological perspectives could form an alternative paradigm over time. In this paper, I attempted to outline the distinctive features of Islamic worldview and its consequences for Islamic economics. .

It is important to note dissident voices of Islamic economists on the need for a new paradigm in economics. For instance, Zubair Hasan (1992) claims that the basis features of the capitalistic system were evolving during the era of Muslim

Spain in Europe before even it emerged in England. Hasan argues that Islamic economists make mistakes by comparing the ideals of Islamic system with the realities of capitalist system, not its ideals (Hasan 2011). Therefore, he considers their writings being a sort of apple-orange comparisons. He calls for a step-by-step approach to Islamizing economics rather than comprehensive approach (Hasan 1998). In my view, this judgment is due to equating free market system with capitalism. Indeed, it is possible to claim that the Prophet of Islam himself was functioning within a capitalist economic system if we see private property and free enterprise as the defining features of capitalism. Actually, this is the core argument of a recent book titled as *Islamic Capitalism and Finance* (Cizakca 2011).

3. The Enlightenment Project

The emergence of capitalism in the Western Europe coincided with the Enlightenment. ² Indeed, one could claim that capitalism is the economic pillar of the Enlightenment project. Therefore, we need to examine the Enlightenment in order to understand capitalism as a materialist economic system. The Enlightenment was a project to release human minds from the chains of churches in the Dark Ages. In his famous essay titled as "What is Enlightenment?" Immanuel Kant (1996) described the Enlightenment simply as freedom to use one's own intelligence. The Enlightenment thinkers believe that humans are generally good and perfectly rational. Therefore, they should shape their destiny, not the dogmas of churches. The thinkers ultimately succeeded to gain freedom for human minds. Their victory helped to remove the darkness in the Europe and replaced with the light of human minds. They did not stop there. They expanded their wars against all religions assuming that they are no different than Christianity in the Dark Ages. Indeed, they labeled religions as myths. Of course, in the age of reason, there was no room for myths. Ironically, even though they fought against the ancient mythos, they created modern ones. They put logos against mythos.

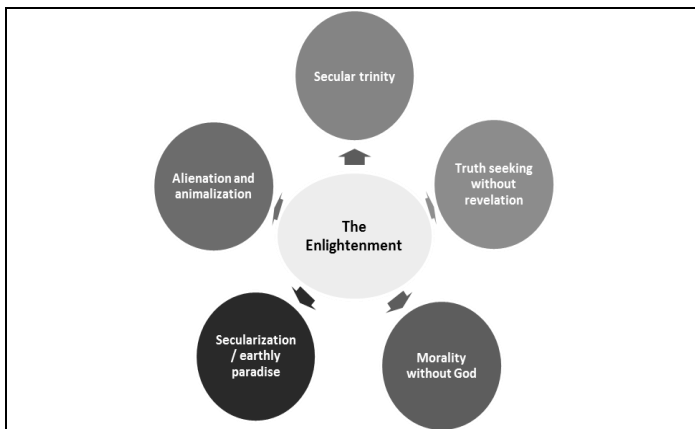
The chart below outlines the key components/pillars of the Enlightenment project. First, it was a project against Christian trinity. As historian Peter Gay (1996) asserts, the Enlightenment broke through "the sacred circle," whose dogmatic teaching had confined thinking. In C. Wright Mills words, "Once the world was filled with the sacred – in thought, practice, and institutional form. After

² For the comparison Islam and the Enlightenment in terms of their understanding of human nature, science, and technology, please refer to my following article: "Human Nature vs. the Nature of Science and Technology," in Henk Jochemsen (ed.) *Our Common World. A Cultural Dialogue between Christians and Muslims about the Role of Technology in Our Global Society*, Rozenberg Publishers, March 2010.

the Reformation and the Renaissance, the forces of modernization swept across the globe and secularization, a corollary historical process, loosened the dominance of the sacred. In due course, the sacred shall disappear altogether except, possibly, in the private realm.” (Mills 1967, pp.32-33)

Most Enlightenment thinkers had difficulty to embrace logically inconsistent Trinitarian idea. They came up with an alternative explanation to explain the reality. I call it “secular trinity” because it mimics Christian trinity to a large extent. It consists of causation, nature, and chance. In other words, rather than explaining the reality as the work of Father, Son, and Holy Ghost, the Enlightenment thinkers offer deterministic cause-effect chains, Mother Nature, and chance as the determining forces behind the reality of the universe. Second, the Enlightenment was a project of truth seeking without revelation. For the Enlightenment thinkers human minds were the only source of knowledge. No need to seek guidance from divinely guided individuals because in reality there is no evidence for any Divine Being. Third, since God was dead, there would be no need for morality based on revelation. However, as strongly articulated by Kant, even without God, it is still possible to reach moral principles through reasoning (Reath, Timmermann 2010). Thus, the Enlightenment is a project of morality without God. Fourth, since God is dead, no need to aim for paradise in the hereafter. We are left with no option, but establishing a worldly paradise. In this regard, liberal capitalist economic system has been seen a great tool to accomplish such a goal. Finally, the Enlightenment is a project of alienation and animalization because as argued by Karl Marx capitalism alienates humans and treats him a sort of robot or thinking animal.

Chart-1
The Pillar of Enlightenment



The Enlightenment project also redefined the purpose and meaning of life for individuals. It asked individuals to act free from the restrictions of churches and do whatever they consider is to be best for their interests. The main purpose is not to please God anymore; rather, it pleases the desires of animal souls. The Enlightenment thinkers reject the idea of being servant to God. Instead, they turn humans into the masters of the universe. The ultimate purpose is to gain control over nature, rather than living with her in harmony. The measure for morality is not the Divine revelation anymore. It is internal compass of pain and pleasure or pure reason. Indeed, Bentham suggests that utility calculation should be yardstick for everything including what is good and what is bad (Bentham 2007, p.14).

The “Enlightenment” project is designed to make people believe in themselves instead of believing in god(s). It turns the human “self” to a kind of “inner god.” It promotes “self-belief”, “self-help”, “self-actualization”, “self-motivation”, “self-confidence”, and “self-sufficiency.” It boosts the self by ascribing its accomplishments to the self. It transforms the self to the “inner god.”³ It sets the goal of conquering and mastering the universe for the inner god by defeating, controlling, or stealing from nature.⁴ However, it does not understand that the life of the “inner god” depends on the life of nature. In Horkheimer and Adorno’s terms, “the system the Enlightenment has in mind is the form of knowledge which copes more proficiently with the facts and supports the individual most effectively in the mastery of nature.”(Horkheimer, Adorno 1976, p.83)

While the Enlightenment turns the self to an “inner god”, it also makes him the slave of his desires (I will call it the elephant). He does everything to serve his desires. He sacrifices everything, even his own life, for the desires of his elephant. Indeed, a capitalist consumer views the ultimate goal in life to be the fulfillment of his/her desires. The common saying of “life is fun” in capitalist American society

³ “Man’s likeness to God consists in sovereignty over existence, in the countenance of the lord and master, and in command. Myth turns into enlightenment, and nature into mere objectivity. Men pay for the increase of their power with alienation from that over which they exercise their power. Enlightenment behaves toward things as a dictator toward men. He knows them in so far as he can manipulate them. The man of science knows things in so far as he can manipulate them.” (Horkheimer, Adorno 1976)

⁴ The following excerpt from Francis Bacon reflects the mindset of the Enlightenment thinkers on the power and purpose of gaining knowledge: “no doubt the sovereignty of man lieth hid in knowledge; wherein many things are reserved, which kings with their treasure cannot buy, nor with their force command; their spials and intelligencers can give no news of them, their seamen and discoverers cannot sail where they grow. Now we govern nature in opinions, but we are thrall unto her in necessity; but if we would be led by her in invention, we should command her in action.” (Bacon 2008)

reflects this philosophy of life for many people. The overwhelming majority who embrace this philosophy work very hard during the week in order to have fun over the weekend. That is why some of them choose to end their lives once they lose their ability to gain expected pleasures.⁵

4. Capitalism as Economic Pillar of the Enlightenment Project

The Enlightenment project relies on capitalist ideology to create earthly paradise. Capitalism pursues this goal through market mechanism. However, capitalism is not the market mechanism. It is a worldview that relies on the market mechanism. Capitalism is much more than a free market system. It is an ideology that makes money (capital) the central purpose of life for all individuals. In Karl Marx's terms, "Money degrades all the gods of man -- and turns them into commodities. Money is the universal self-established value of all things. It has, therefore, robbed the whole world -- both the world of men and nature -- of its specific value. Money is the estranged essence of man's work and man's existence, and this alien essence dominate him, and he worships it" (Marx, Lederer 1958). In this sense, the main goal of a capitalist person is to accumulate/gain money wealth. For such a person, money is considered as a god that can open any door. In Marxist terms, capitalism is an ideology, which has turned money into the god of the world. It is a secular ideology, which promises to build a "technological paradise" in this life, not in the next life as promised by many religions. We can call capitalism a secular religion in this context. Capitalism relies on the magical power of the free market mechanism to fulfill its promise of earthly paradise.

The fathers of free market capitalism were strongly influenced by the Enlightenment thinkers. Indeed, the *laissez-faire* capitalism aims the freedom of market from any government intervention. It relies on the assumption that individuals follow their self-interest. According to Adam Smith, it is part of human nature to act on self-interest: "Every man is, no doubt, by nature first and principally recommended to his own care; and as he is fitter to take care of himself than of any other person, it is fit and right that it should be so. Every man, therefore, is much more deeply interested in whatever immediately concerns

⁵ The well-known movie, *The Matrix*, is a good description of the world created by capitalism. The Matrix is defined as follows by a key actor in that movie: "It is an illusionary world. ...It is all around us. Even now in this room. You can see it when you look out of your window, or when you turn on your TV. You can feel it when you go to work, when you go to church, when you pay your taxes. It is the world that has been pulled over your eyes to blind you from the truth.... That you are a slave.... Like everyone else, you were born into bondage, born into a prison that you cannot smell or taste or touch. A prison for your mind."

himself, than in what concerns any other man” (Smith 1976, pp.82-83). From his understanding of human nature, Smith concludes that “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” (Smith 1976, pp.26-27). (Smith 1976, p.26-27) In the *Wealth of Nations*, Smith argues that in order to enhance wealth, every man should be "free to pursue his own interest his own way, and to bring both his industry and capital into competition with those of other(s)." (Smith 1990, p.687).

If self-interested individuals are allowed to make their own decisions, they will do whatever is best for them. The market mechanism determines what and how much to produce if we simply let everyone act based on his or her “self-interest.” Individuals will demand and supply the optimum amount of goods and services for their self-interest. Thus, supply and demand driven by self-interest work like an invisible hand pushing the market mechanism toward an efficient production and consumption. Since society is nothing other than the collection of individuals, overall what is good for each individual is also good for society. In other words, Adam Smith assumes no dichotomy between private and social interests. Therefore, he suggests that the invisible hand driven by supply and demand alone should decide on production and distribution of goods and services. There is very limited, if any, role for the government hand to get involved in this process.

While Adam Smith establishes his theory of supply and demand on self-interested human nature, Bentham shapes his utility theory on pleasure seeking and pain avoiding human nature: “Nature has placed mankind under the governance of two sovereign masters, pain and pleasure. It is for them alone to point out what we ought to do, as well as to determine what we shall do... They govern us in all we do, in all we say, in all we think: every effort we can make to throw off our subjection, will serve but to demonstrate and confirm it. In words a man may pretend to abjure their empire: but in reality he will remain subject to it all the while.” (Smith 1976, p.14) This means that we do not need to do anything other than letting individuals to follow their nature for utility maximization through exchanges in the market. The end result will be good for both individuals and society as a whole.

As Frey and Stutzer (2002, p.1), pioneering researchers in the field of economics of happiness, say “everyone want to be happy. Economic activity – the production of goods and service—is certainly not an end in itself but only has value in so far as it contributes to human happiness.” The mainstream happiness model in capitalism is based on Bentham’s hedonistic model, Aristotle’s eudonic model. In his book called *Introduction to the Principles of Morals and Legislation*, Bentham

argues that the utility principle is the main determinant of human behaviors. Every individual acts according to the utility principle and tries to maximize their utilities by calculating the expected pain and pleasure of their behaviors.

Even though Polanyi gave credit to Aristotle for being first to write on economics, it is obvious that Aristotle did not foresee modern free market capitalism in which luxury consumption and pursuit of bodily desires become symbol of happy life. He did not imagine that rational human beings will subject themselves to a hedonic calculus of maximizing pleasures. He would expect that prudent people would limit their sensual desires for the sake of intellectual and virtues ones rather than inflating them. Aristotle argues that those who pursue bodily pleasures will be occupied with wealth accumulation and could have no time to seek virtue: “those who fix their aim on the good life [and] seek the good life as measured by bodily enjoyments, so that inasmuch as this also seems to be found in the possession of property, all their energies are occupied in the business of getting wealth.”(Aristotle. 1944, pp.1257b- 1257a)

While Aristotle distinguishes between natural and excessive desires, modern economy views the role of market to satisfy any kind of desire. It actually turns everything to marketable objects. The ultimate goal is to invent “pleasure pills” or “experience machine” with no side effects because nothing else matters than the experience of pleasure. In Vicenti’s terms, “the homo oeconomicus seems to be thrown into the world, its existence has no final end, apart from death, and each end is meant to be overcome and to be turned into another mean to constitute an open chain of means-ends.”(Visenti 2011) In Aristotle’s view, hedonistic happiness is not even worthy to be called a good life. Indeed, Aristotle calls the life dedicated to pleasure as the life of “grazing cattle”(Aristotle 1999, p.1095b 21).

5. The Islamic Worldview

As discussed in the previous section, free market capitalism did not emerge in vacuum. It is the product of the western materialist worldview. In order to identify any differences between Islamic economics and its counterparts, it is important to understand the Islamic worldview which is based on the Qur’ān, Hadiths, and views of Muslim scholars.⁶ Islam is not a marginal religion dealing with dealing spiritual life alone. It is a religion providing guidance and well-being for both this life and the hereafter. Therefore, the word *falāh* (real well-being) and its

⁶ For the further analysis on the comparison of Islamic and western worldviews please refer to the following paper I presented at the 10th Harvard Forum on Islamic Finance: “Islamic Economics and Finance: New Paradigm or Old Capitalism”, Harvard University, 24-25 March 2012.

derivatives have been used in the Qur'ān many times. In the five time daily azan (call to prayer), people are also invited to *falāh*. Islam aims to achieve its goal through its value-based and God-centered moral and spiritual worldview. It is important to recognize the overlapping goals between the worldviews of major religions. Islam is not a completely new religion. It is considered to be the last chain of Abrahamic religions. Therefore, it is not surprising to see that Christianity and Judaism have many values in common with Islam. However, the enlightenment movement in Europe deviated from these values and embraced secular, value-neutral, materialist worldview (Aydin 2005).

6. Epistemological Perspective

Choudhury claims that Islamic economics relies on different epistemological paradigm which is significantly different from the western secular paradigm. He suggests that Islamic economics should be upon Islamic paradigm which requires different “methods” and “methodology” in terms of gathering and analyzing data about reality. He asserts that “the prevailing Islamic socio-scientists” are distance from “any substantive reference to the Qur'ānic worldview, it's epistemology of Oneness of the Divine laws (*Tawhīd*), the causal understanding of unification of knowledge in world-systems by the epistemological methodology embedded in ontology and ontic learning domains.”(Choudhury 2007b, p.76) He strongly criticizes the current efforts in Islamic economics due to its lack of epistemological foundation and required data. He argues that the existing literature on Islamic economics has become trapped in the neoclassical framework which is based on secular western epistemology. He discusses the different views on tastes and preferences to support his argument. Neoclassical economics takes consumer tastes and preferences as exogenous in its economic models while Islamic economics provides certain values to guide tastes and preferences. Therefore, according to Choudhury, Islamic economics should focus on endogenizing preferences and tastes through interactive learning.

As Choudhury states, “if the Islamic worldview is premised on its distinctive epistemology, ontology, and the unified ontic (evidential) way of organizing the world-system, then such as revolutionary doctrine cannot be accumulative in thought as normal science. It must be distinctive and out of the ordinary lineage of normal thinking. The Islamic worldview shares this (Kuhnian) attribute of scientific revolution. Without fundamental invocation, there cannot be a substantive theory and premise for Islamic economics and finance, and thereby, the construction of the Islamic worldview and world-system.” (Choudhury 2007b, pp.76-77)

Choudhury argues that the irrelevance of ethics in economic theory in general and macroeconomics in particular is due to the inability of explaining preferences and tastes through endogenous models (Choudhury 2004). “Preferences and menus at both the individual and aggregate level are formed of bundles of such independently and exogenously assigned behavior. The dynamic and complex nature of learning preferences remains foreign to economic and financial theory... The *Tawhīdi* epistemological, ontological and ontic methodology thoroughly replaces the missing issues of unity of knowledge in learning and process at the microeconomic and economy-wide levels.”(Choudhury 2007b, p.78)

While the materialist worldview relies on the light of human mind alone, the Islamic worldview relies on both reason and revelation. Islam does not ask people to shut down their minds and blindly follow the Divine message. Indeed, it is important to note that the very first message from God to the Prophet Muhammed (pbuh) (and humanity) was not “believe!” or “worship!”. It was “*iqra* (read!)”. It is reported that the Archangel Gabriel came to the Prophet when he was in isolation in a cave and brought him the following verses: “Read in and with the Name of your Lord, Who has created – Created human from a clot clinging (to the wall of the womb). Read, and your Lord is the All-Munificent, Who has taught (human) by the pen – Taught human what he did not know.” (The Qur’ān , 96:1-5)

By referring to the creation of human, the message was clear on where to start reading the vast book of the universe. In other words, following the Divine guidance, we should start reading ourselves first. Then, we could accurately read the universe. We should read ourselves only in the name of God, meaning with His infinite light and guidance. In this regard, the Qur’ān is a “study guide” which shows how to read ourselves and the book of the universe. However, the Qur’ān is not in delusion regarding the human response. It accurately predicts how people will respond to this Divine call: “No indeed, but (despite all His favors to him), human is unruly and rebels. In that he sees himself as self-sufficient, independent (of his Lord). But to your Lord, surely is the return (when everyone will account for their life). (The Qur’ān, 96:6-8) In other words, seeing himself as self-sufficient is the primary cause of the human denial of God. This is also the primary source of the Western dialectic as suggested by Dooyeweerd (1997).

From an Islamic point of view, it can be said that God makes Himself known to humanity through His words and works. If we listen to the Divine Revelations and read His works in the universe, we will know His attributes. We should begin our reading from ourselves because the knowledge of the self will help us to know

God. Once we understand that we are absolutely impotent and needy, we will realize that nature could not produce anything on her own. Everything from an atom to galactic systems is the works of God and under His control at every moment. He is not the god of gaps. He is the God of everything at every moment according to the Qur'ān. Thus, the oneness of God (*Tawhīd*)⁷ becomes the source of ontological-epistemological knowledge in the Islamic worldview. In other words, the *Tawhīdi* paradigm provides the unity between ontological and epistemological level of reality. Therefore, there is no dichotomy between the revealed knowledge and reasoned knowledge.⁸ While the former comes from the Divine Words (Al-Kalaam), the latter comes from the Divine Power (Al-Kudrah). They are just the different expressions of the same reality which comes from the One (Al-Ahad and Al-Waheed). Due to the unity of knowledge in the Islamic worldview, no contradiction is expected between genuine scientific and religious truth.

As discussed before, the “Enlightenment” project rejects any heavenly God, but embraces the earthly one. It has created a “secular trinity” which consists of nature, cause-effect, and chance. It has also turned the human self to an inner god. The main error stems from its understanding of human nature. In order to correct this mistake, we need to begin with ourselves. We need to discover our inner universe. Once we do that, we will understand that we are not self-sufficient, but contingent. Therefore, we cannot do it by ourselves. We need to rely on the Divine power and mercy at every moment. We are infinitely needy creatures. Our life depends on the entire universe. Our desires are as big as our imagination. However, we have absolutely no power to fulfill our needs and desires. We are like a completely paralyzed person. In reality, we cannot even feed ourselves because we do not have control over our digestive system. It is the Divine power working within us. It is the Divine mercy providing everything for us. Therefore, we should give up arrogance and become truly humble. We should give up complaining and become truly thankful. We should give up serving our desires and ego, and become a true servant of God. The Qur'ān clearly states the purpose behind the creation of human beings: “I have not created the jinn and humankind but to (know and) worship Me (exclusively).” (The Qur'ān, 51:56) As described by Ghazali, the transcendental

⁷ *Tawhīd* is the epistemology of the Oneness of God which becomes the foundation of the unity of knowledge. God is the source and beginning of all knowledge. In other words, “this is to accept the divine roots of knowledge as the primal foundation of all knowledge, hence of all configurations of world-systems.” (Choudhury 2007a, p.24).

⁸ “While from the point of view of the One, the Absolute, there is no ‘otherness’ or ‘separation’. All things are one, not materially and substantially but inwardly and essentially. Again it is a question of realizing the levels of reality and the hierarchy of the different domains of being.” (Nasr 1997, p.30)

achievement would be possible through God-centric life: “The purpose of life is to reach the ‘*Martaba*’ the status of *tawhīd* (oneness of Allah), understand it, inculcate it in his being to follow His dictates to reach the pedestal of the *Akhlaq Alaia* (the grandeur of conduct). It would mean a singular achievement of transcending from the Bashari’at’(Being a human being: fallible) to the ‘*Maqame Haqiqat*’ i.e. the position of verity and the truth sublime.”(Ghazali 2001, p.747)

7. Anthropological Perspective

From the Islamic perspective, knowing self is very more important. As the Prophet says, “he who knows himself knows his Lord.” In other words, knowing self is the key to know God. However, as Ghazali points out, knowing self is not an easy job. Human nature is composed of complex characteristics. It contains animal character in terms of eating, drinking, sleeping, and reproducing. It contains beast character like harming others for his benefits. It contains Satanic and angelic characters. Each of these potential characters is developed through certain nutrition: “Each one of these qualities has its own distinct food that nourishes it, sustains and promotes it’s growth, resulting in the promotion of goodness and the approved behavior.” (Ghazali 2001, p.2) In other words, human conveys propensity to become animal, Satan, and angel. Animal are two kinds, good and bad ones. If a person only pursues animal desires, he would be like a good animal. If he pursues his interests at the cost of others, he will become like beast. The goal is to become like angels “to behold the glory of Allah” and to be “freed from immoral sensual pleasures and arrogant anger on your fellow men.” (Ghazali 2001, p.4) Every person has a potential to become like animal, beast, Satan, or angel.

Inspired largely by the writings of some Muslim scholars such as Al-Ghazali⁹ and Nursi, I recently developed a new theory of human nature: “A Grand Theory of Human Nature (GTHN)”, using the palace and resident metaphors that follow (Aydin 2012a). If we compare the human body to a luxury recreational vehicle

⁹ Here is how Ghazali describes the element of human nature: “The body is like a city. The hand and the feet are like workmen in this city. The desire is its prime-mover. The anger is the city ‘Kotwal’ i.e. it’s police chief. The heart is its king and the reason it’s Wazir the Prime Minister. The king needs all of them to run the government but the lust which is a strong motivating force, is evil and provoking. On the other hand, the Ration which is like the wise Wazir always apposes him, so the funds of the government are not misappropriated or usurped. The anger, like mischief mongering city ‘Kotwat’, the chief of the police is always diversive and reactionary. He tends to be sadistic. Under the circumstances, the king, who is above them all; takes stock of things firmly, consults his ‘Wazir’, and does not allow matters to go out of his hand. It clearly indicates that desire and anger play their respective subversive roles and to nip the evil in the bud becomes the prime duty of the king. That is the position of the heart.” (Ghazali 2001, pp. 9-10)

(RV), the following elements of human nature would be the companions on this vehicle: King, Judge, Wazir, Elephant, Showman, Dog, and, Driver. The King is the spiritual heart that is the source of love and inspirational knowledge. The Judge is the conscience that is the source of positive feelings after performing “good things” and negative feelings experienced after doing “bad things”. The Wazir (prime minister) is the mind. The Elephant is the animal spirit, which is the source of animalistic desires. The Showman is the self-centric ego that pursues power and possession to show its importance to others. The Dog is an inner drive for protection of personal belongings with potential to oppress others for their possessions. The Driver is the deciding self (free will) that drives that the vehicle under the influence of the residents.

7.1. The King: The Spiritual Heart

Metaphorically speaking, the spiritual heart of an individual is like the King in a human vehicle. He has the capacity for love, compassion and inspiration. He also has certain needs and desires for the fulfillment of his potential and he takes actions to acquire what he needs and desires.

Ghazali describes inner self as the essence of what we are. They can be seen by the eyes of Batin. The heart (or soul) is the core of human existence. Everything else is subservient to the heart who is the king of the human vehicle/city: “The heart is the rider of the body. It’s purpose is for the rider to ride its mount. The horse is for the rider and not the rider for the horse.”(Ghazali 2001, p.44) According to Ghazali, “the heart is in control of the whole body.” This is because of the fact that all desires emerge from the heart. For instance, “when the heart is in anger, the entire body starts perspiring. Similarly, when the heart inspired sexually the relevant organs of the body are stirred and affected. Also when the heart thinks of eating, the agility in the lower portion of tongue is aroused to serve him. Hence, it is evident that the heart has superintendence over the entire body.”(Ghazali 2001, p.29) The key qualities of the heart could be summarized as follows:

First, the King has almost infinite capacity to love. He needs/desires beauty, perfection, and benefits in his lover(s). This is because the fact that nature of love is satisfied by beauty, perfection, and benefit. According to Ghazali, the King finds true satisfaction only with the knowledge, submission, and love of God: “the heart is the knight-rider of the body. The rest of body is official of this force. It’s principal duty is the attainment of the ‘*Marafat* of Allah’ the perception and acquisition of His sublime beneficence due to the inherent characteristics bestowed by Him in the man’s heart to this effect. It throbs in His love. All the time it is

vocal, reciting His praise, that He alone, He alone is worthy of being worshipped. Only He, it is continuously intoning, has the power to grant mercy or levy punishment on His people... Thus, in whole-heartedly striving to possess the ‘*Marafat*’ of Allah is the key to this goal.” (Ghazali 2001, p.4) This is the case because “The ‘*Marafat*’ of Allah is the food of the soul, as meals are taken man are nourishment for his body.” (Ghazali 2001, p.4)

Second, the King has capacity for compassion, which is the source of empathy for the wellbeing of other individuals. For example, compassion for children, the elderly, and the poor comes from the King. Through exercising compassion, he makes us care about those who need help and desires to share our resources with them. He receives pleasure from exercising this compassion and feels pain when not able to exercise compassion.

Third, the King has capacity for inspiration. The King demonstrates curiosity for the life and the world around him. This is the source of learning the arts and sciences. Concentration and contemplation of objects of amazement or novelty inspire the King to gain knowledge. The King seeks the company of people, objects and events that provide inspiration.

According to Ghazali, the heart and its kingdom is provided to reach to the highest of high (*allayi illiyin*). He must consider this world as temporary house and for the Hereafter as permanent residence. He should use all of his forces under the command of the king to reach his final destination. If they all follow the command of the heart, there will be peace and happiness in the life journey. Otherwise, there will be chaos and misery.

7.2. The Judge: The Human Conscience

Conscience, which is defined as the ability to distinguish right from wrong, is like an inner judge in the human vehicle. The Judge makes judgments about an individual’s decisions in life. If we treat someone unfairly, the inner judge causes us to be aware of this injustice and feels guilty for being unfair to others. The Judge is affected by perceived unfairness in his community or broader society. He desires “fairness” in relationships and seeks equitable social arrangements in which the individual trusts and is trusted by other members of society. Feelings of inner peace exist when community norms and social policy reflect values consistent with those of the Judge. In order to make the inner Judge happy, an individual must develop a code of ethical behavior and consider fairness in every action.

7.3 The Wazir: Mind

Mind which consists of intellect, logic, and memory serves as Wazir to the King, the ruler of the human vehicle. If the Elephant described below is in power, the Wazir will serve him by providing guidance on available choices for pleasure. Thoughts that are deemed logical and rational also serve as guidance to the King (heart) and the Judge (conscience). However, if the Wazir is pre-consumed with helping the Elephant, he may not have resources to serve the King and the Judge. The Wazir has the capacity of reasoning and memorization. His fulfillment comes with gaining knowledge by comprehending objects in the environment and through events that he experiences. The Wazir acts to learn, reason, and contemplate the inner and outer universes. He performs the role of making rational decisions for the King and other residents such as the Elephant and Judge. However, he has no power to endorse his decision and may be silenced if the Elephant is too strong. When this analogy is applied to free market capitalism, individuals often exhibit behaviors that are dominated by the Elephant despite attempts at guidance from the Wazir.

7.4 The Elephant: Animal Spirit

The Elephant is an animal spirit in the human vehicle. In traditional Islamic literature, it is known as Nafs. Al-Ghazzali calls it horse. He argues that if we spend all our time looking after it and feeding it, we would never get anywhere. Instead we should train and give it just enough attention so that it can carry us where we want to go (Ghazali, Winter 1997). I prefer to call it the Elephant because of its similarities to what is described by Jonathan Haidt in his book titled *The Happiness Hypothesis*. Haidt suggests that we have a divided self, which consists of a rider and an Elephant. The rider is the reasoning part of the mind and the Elephant is the part seeking pleasure. To Haidt, “the rider is an advisor, or servant, not a king, president, or charioteer with a firm grip on the reins” (Haidt 2005). The Elephant has the capacity for sensual experience through using the five senses. He needs and/or desires many things such as food, drink, sleep, sex, etc. His fulfillment is determined by the acts of eating, drinking, sleeping, sexual activity and so on. Nursi, (1996c, 1996b, 1996a) wrote extensively on what the Elephant desires and how to train/control him. In his view, the Elephant is addicted to pleasure. The Elephant pursues instant gratification and selects present pleasure over any greater reward that could be achieved through deferment. Blind to the future, he wants to gain pleasure and avoid pain now with no ability to conduct long-term cost and benefit analysis. He is never satisfied with what he has and

always asks for more. Due to the phenomena known as Hedonic Adaptation, he is very adaptable to his current situations. He ceases to appreciate what he has and always look for new sources of pleasures. He resists limits and without external restraint will consume anything and everything that provides instant gratification. He collaborates with the Showman and consumes “positional goods and services”. In Nursi’s view, one of the key purposes of religion is to provide restraint and control of the elephant, guide and train him

7.5. The Showman: The Self-centric Ego

The self-centric ego is like a showman in the human vehicle. He enjoys working for the Elephant because of recognition he receives from the latter’s activities. He is motivated by acts that acquire recognition, identity, fame, etc. and frequently compares his own possessions with those of others. However, if the Showman gains too much power in the vehicle, he will act like a dictator trying to control other people and nature. Indeed, he might even claim to be a sort of God. Relying on his assumed power, he will attempt to oppress others for his interests. He will not accept his imperfection and impotence. In modern consumer society, individuals are in a continuous process of constructing their personal identity through consuming material goods as social and cultural symbols. Cushman said that the “empty self” of a consumer is constantly in need of “filling up” through material consumption.(Cushman P 1990) Companies are quite successful in providing positional goods and services to conspicuous consumers. They do not sell “just” products; they sell brands, prestige, visions, dreams, associations, status, etc. (Klein 2001)

7.6. The Dog: The Oppressive Ego

The Dog is an inner drive for protection of personal belongings with potential to oppress others for their possessions. If unchecked by moral and religious values, he will act like a dictator trying to control other people and nature. Indeed, he might even claim to be a sort of God. Relying on his assumed power, he will attempt to oppress others for his interests. He will not accept the innate impotence and neediness. According to Ghazali, the power of anger (Quvate Ghazab) is “like a hunting dog”. It is given “to suppress the devil in man” in two ways: 1) By remaining in the confines of the code of conduct of the Shariat. 2) By overcoming the savage, the sensual and self-aggrandizing urges.”(Ghazali 2001, p.733) Ghazali elaborates on the outcome of being overtaken by the dog as follow: “then the damaging traits that will develop in you will be those of being rash and unmindful of consequences, impurity, bragging, arrogance, wanton flaunting of your faults,

taunting and torturing others, picking up fights and squabbles with others.” On the other hand, “if you prevail over this dog of destruction, you will acquire the added qualities of patience, suavity, forgiveness, stability, bravery, tranquility and saintliness.”(Ghazali 2001, p.15)

7.7. *The Driver: The Deciding Self*

The observing/deciding self is like a driver in the human vehicle. He is the source of self-awareness and serves as a conduit for relationships with other human beings and the external environment. He is the reference point to know everything including other beings and God (Nursi 1996c, Al-Ghazali 2007). He is in charge of the vehicle. He is aware of his possessions and protects them from intruders. As seen in the diagram below, the Driver pursues self-esteem, awareness, and identity formation.

8. Teleological Perspective

From the Islamic point of view, as everything in the universe is created for certain purposes, human being is also created for certain purposes. The main purpose of human is not to boost the self, turning him to an inner god. The purpose is also not to serve the elephant, as becoming his slave. Rather, the purpose is to understand our nature embedded with infinite impotence and poverty, and act accordingly. It is to disclose our almost infinite potential by relying on the Divine power and mercy through understanding our true nature. In other words, the purpose is to excel spiritually, intellectually, and morally and be “*insan-i kamil* (perfect human) by disclosing our human potentiality as much as we can.

A story told by the 13th century poet Rumi (2004) fits well in explaining what the “Enlightenment” has done to human potential. In his masterpiece *Mathnavi Ma'navi* "Spiritual Couplet", Rumi compares the human to a goose's egg along with many hen's eggs placed under a hen for incubation. Even though the chick from the goose's egg will become a goose, if she imitates her siblings, she can only walk. However, if she becomes aware of her potential, she can walk on the ground, swim in the water, and fly in the air. Similarly, if we truly become aware of the key elements of our nature, we can have many different experiences and reach a higher level of enjoyment in our life.

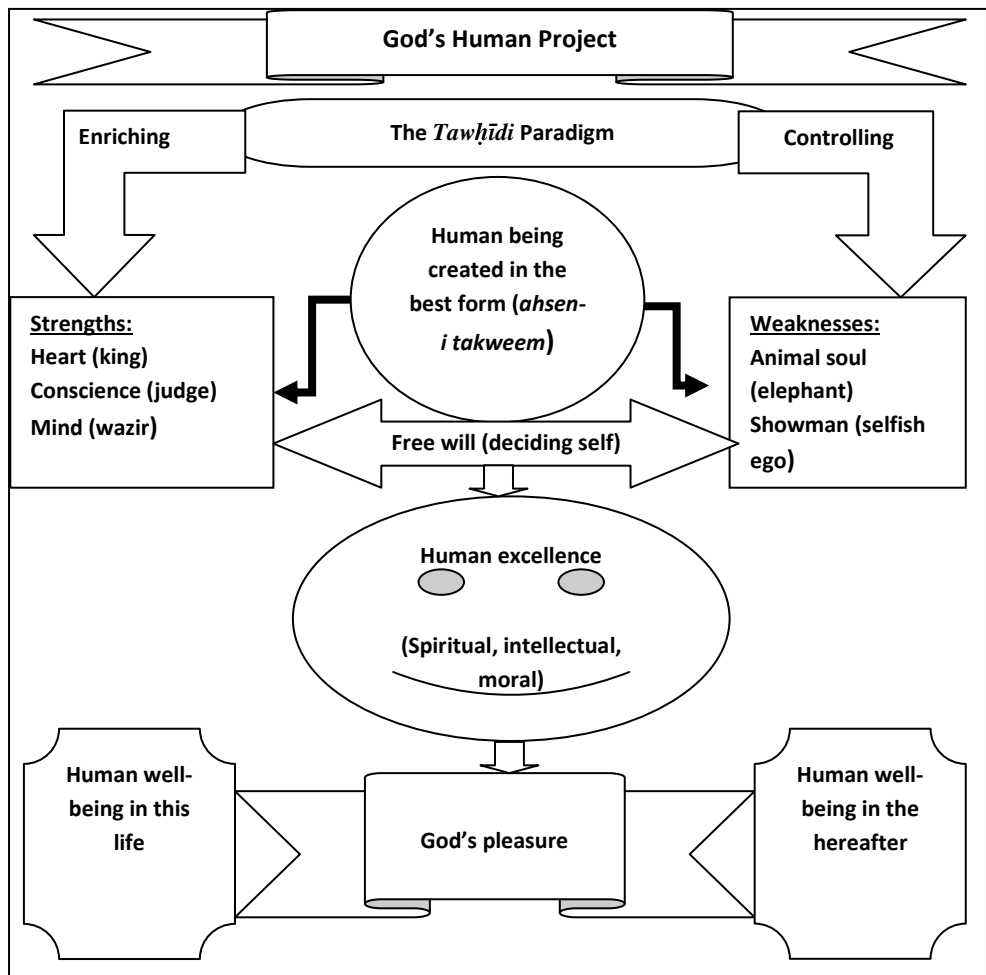
9. God's Human Project

From the Qur'ānic perspective, human being is a (perhaps the) major project of God. The Islamic worldview is built upon this project. The Qur'ān provides detail information about the initiation of the project and its expected outcome. "Remember (when) your Lord said to the angels: "I am setting on the earth a vicegerent. " The angels asked: "Will you set therein one who will cause disorder and corruption on it and shed blood.... He said: "Surely I know what you do not know" (The Qur'ān, 2:30). In another verse, the Qur'ān states that human beings were created in the best form (*ahsan-i taqwim*): "Surely We have created human of the best stature, as the perfect pattern of creation" (95:5). This refers to the potential in human beings. Indeed, the Qur'ān clearly indicates that human beings are potentially superior to all creatures, even angels. Therefore, when Adam was created the angels were asked to "prostrate before Adam! They all prostrated, but Iblis Satan did not; he refused, and grew arrogant, and displayed himself as an unbeliever." (The Qur'ān, 2:34) The superiority of Adam was not coming from wealth, pleasure, fame etc. It was coming from his ability of learning the truth about God in comprehensive manner. "(Having brought him into existence,) God taught Adam the names, all of them. Then (in order to clarify the supremacy of humankind and the wisdom in their being created and made vicegerent on the earth), He presented them (the things and beings, whose names had been taught to Adam, with their names) to the angels, and said, "Now tell Me the names of these, if you are truthful (in your praising, worshipping, and sanctifying Me as My being God and Lord deserves)." (The Qur'ān, 2:31) The angels acknowledged that they could not gain knowledge as much as human could. The Qur'ān (95:5) also warns about the failure of not using the great potential given to human being by saying that he will be "reduced him to the lowest of the low." The only way out from such failure is be among "those who believe and do good, righteous deeds" (The Qur'ān, 95:6).

From Islamic perspective, the ultimate purpose of life is to excel in virtuous and sincere deeds in order to fulfill his mission of vicegerent and earn God's pleasure. This means that human beings should be guided in terms of how to live a good life and fulfill his Divine mission. However, the guidance does not come from the secular mind; it comes from the mind enlightened by the Divine revelation. As seen in the chart below, the God's human project will succeed if we enrich our heart, conscience, and mind, and control our weaknesses namely animal soul, selfish and oppressive ego through the teaching of *Tawhīdi* paradigm. Nursi defines the *Tawhīdi* paradigm on five pillars: *tawhīd* (oneness of God), *nubuvvah* (prophethood), hereafter (*ākhirah*), *ādālah* (justice) and obedience to God

(*ibādah*). The last one is not just praying, it is living whole according to the Divine guidance. God’s human project is built upon these pillars. They help human beings to control their negative sides and disclose their positive sides to fulfill their missions as vicegerent and to reach to the highest of high going even beyond angels. If we fulfill our mission by following our nature, we will excel and reach to the highest of high. If we fail to do so, we will fall to the lowest of low. For that reason, the Qur’ān praises the Prophet Muhammed in terms of his character: “You are surely of a sublime character, and do act by a sublime pattern of conduct.” (The Qur’ān, 68:4)

Chart-2
God’s Human Project



The success of the project is not measured by material outcome. It is majored by spiritual, moral, and intellectual outcome. Ghazali outlines the outcome of good and bad life as follows: “Beware that your acts and deeds will create in you’re a corresponding trend of character which will make you or mar you. Indeed nothing but the good emerges out of the good. Vice versa, if you are obedient to the swine of desire, you will have similar habits of profanity, shamelessness, avarice, flattery, dirtiness and that of being happy over the wickedness of the others. However if you succeed in suppressing the swine; getting the better of him, you will be crowned with the qualities of contentment, grace, wisdom, piety and selflessness etc.”(Ghazali 2001, p.14)

Ghazali gives the example of a person who aims to go to *Kabah* by camel. Of course, the person has to take care of the camel to certain extent in order to complete his journey successfully. However, if he acts as if he is main job is to serve the camel, he will perish on his way without reaching the destination. The relationship between body and soul is like that of a rider and camel. The rider aims to go to *Kabah* (Ghazali 2001, p.78). He will take care of his camel to realize his goal. If he spends all of his time serving the camel, but making no progress, he would be considered foolish. In other place, Ghazali again refers to kingdom metaphor to explain the purpose of life: “Allah thus gave man the heart and its kingdom to reign over. He provide him with the army--- the force to do so, also the wherewithal to ride, in order to make him rise to the higher grounds of grandeur.”(Ghazali 2001, p.9)

For that matter life is not fun even though there is room for fun in life. Rather, life is a test. “We have surely made whatever is on the earth as an ornament for it (appealing to humanity), so that We may try them (by demonstrating it to themselves) which of them is best in conduct. Yet, We surely reduce whatever is on it to a barren dust-heap (and will do so when the term of trial ends). ” (Qur’ān, 18:7-8) Therefore, material possessions cannot be the goal in life; they can only be a means of accomplishing the ultimate goal of disclosing our potential. For a believer “the present, worldly life is nothing but a play and pastime, and better is the abode of the Hereafter for those who keep from disobedience to God in reverence for Him and piety...” (Qur’ān, 6:32) The purpose of life is to pursue God’s pleasure by fulfilling our mission as desired and designed rather than pursuing self-pleasure. However, from the Islamic perspective, well-being in this life and in the hereafter will be realized as byproduct of God’s pleasure. Ghazali points out the hapless pursuit of happiness in sensual pleasure as follows: “some people think that they have been made to eat, drink and fulfill their urge for the

other sex. People of this kind whither away all their life in such hapless pursuits.” (Ghazali 2001, p.17)

10. Redefining Islamic Economics

Islamic economics has been a key subject matter among diverse pool of Muslim scholars such as commentators of the Qur’ān, jurists, historians, and social, political, and moral philosophers. In last few decades, discussions on Islamic economics have intensified. Muslim economists have been discussing the need for Islamic economics as a new discipline. Even though there is a great consensus among scholars that Islamic worldview differs from its secular counterpart, “the debate on ‘nature’ of and ‘need’ for Islamic economics and finance as an alternative paradigm is not settled yet”. (Iqbal, Syed Ali & Muljawan 2007, p.4) Despite significant progress in the discussion, there is still argument even on the very definition of Islamic economics.

Four groups of people write on Islamic economics. First group of scholars are those who attempt to present Islamic economic system as an alternative system to capitalism and/or socialism. They are in favor of radical changes rather gradual modification of the existing system. The second group acknowledges that Islamic economics should be distinct system, but they do not think that Muslim scholars are ready to present such comprehensive alternative system. Therefore, they are in favor of gradual reformation of the conventional economics. Hasan argues that Islamic economists make mistakes by comparing the ideals of Islamic system with the realities of capitalist system, not its ideals (Hasan 2011). Therefore, he considers their writings being a sort of apple-orange comparisons. He calls for a step-by-step approach to Islamizing economics rather than comprehensive approach (Hasan 1998).

The third group does not see any difference between Islamic and capitalist economic system. They think that “the revealed word of God in the Qur’ān itself embodies rational economic principles that are quite in line with the modern assumptions of neoclassical economic theory. As a form of universally applicable theory about human beings’ economic behavior, economic theory necessarily is in accord with and confirms the source of universal knowledge, the Qur’ān: homo-Islamicus and homo-economicus are one and the same.”¹⁰ For instance, Zubair Hasan (1992) claims that the basis features of the capitalistic system were evolving during the era of Muslim Spain in Europe before even it emerged in England. In

¹⁰ Maurer, Bill (2005), *Mutual Life, Limited, Islamic Banking, Alternative Currencies, Lateral Reason*, Princeton University Press, p.36

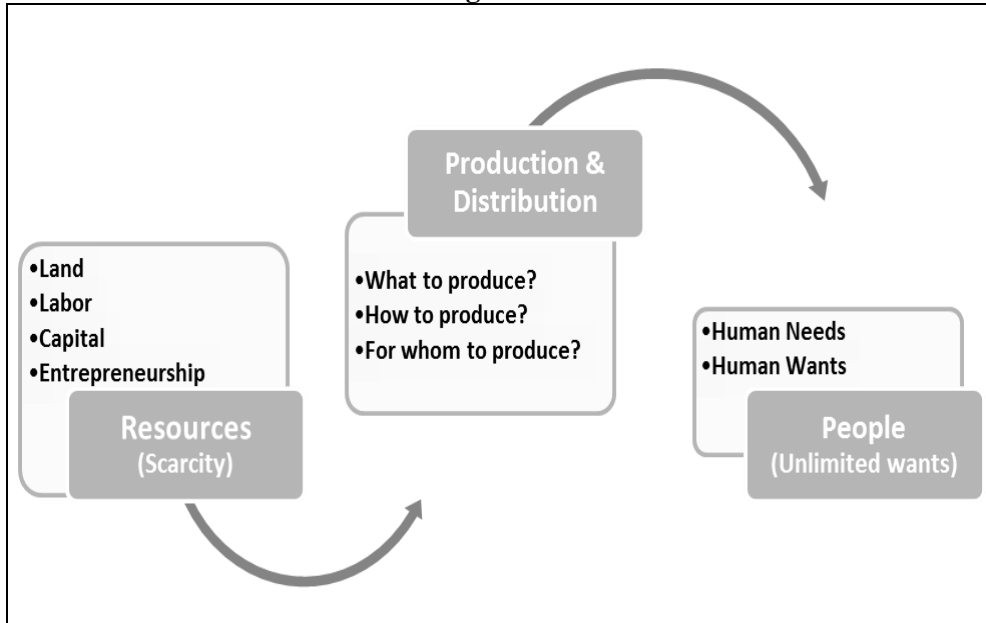
my view, this judgment is due to equating free market system with capitalism. Indeed, it is possible to claim that the Prophet of Islam himself was functioning within a capitalist economic system if we see private property and free enterprise as the defining features of capitalism.

The fourth group consists of critics of Islamic economics who do not see any potential for Islamic economics to be a distinct model. For instance, Timur argues that Islamic economics is not a genuine answer to the world's economic problem, but invented device to "Islamic civilization against foreign cultural influences" (Kuran 1995, p.156). In my view, Timur and other skeptics of Islamic economics do not understand the distinctive features of Islamic worldview. They see the efforts for Islamic economics as capitalism minus interest plus *zakāh* or socialism minus state control plus God. They do not think Islamic economics could be defined as something unique. In this section, I would like to discuss the definitions of Islamic economics suggested by leading scholars of the first two groups mentioned above. Then, I will present my own definition based on the Islamic worldview outlined in this paper.

11. Conventional Economics

Marshall, in his famous book *Principles of Economics* published in 1890, defines economics as follows: "Political Economy or Economics is a study of mankind in the ordinary business of life; it examines that part of individual and social action which is most closely connected with the attainment and with the use of the material requisites of wellbeing. Thus it is on the one side a study of wealth; and on the other, and more important side, a part of the study of man." It means that the main subject matter of economics, irrespective of whether it is capitalist or Islamic, is the allocation of scarce resources to produce and distribute goods and services in order to fulfill the needs and wants of human beings. Thus, need and want fulfillment of human beings are at the final end of economic activities. However, the challenge arises from the scarcity of resources versus unlimited wants of human beings. Economists are supposed to help finding the answers to three core questions: what, how and for whom to produce? Even conventional economics is divided over how to answer the questions above. The positive economics deals with those questions without taking any norms into consideration while the normative economics tries to find out universally desired answers. In other words, the positive economics aims efficiency in production and distribution while the normative economics consider value judgments above efficiency.

Chart-3
Defining Economics



Due to the scarcity of resources and unlimited nature of human wants, the core questions are same for every kind of economics, capitalist, socialist or Islamic. However, the answers to those questions depend on worldviews. In general, we could talk about two main worldviews: 1) materialist and secular 2) spiritual and religious. The materialist and secular worldview rejects the spiritual realm of human being and the universe. There is nothing beyond material world. The life is strictly limited to this world. There is no room for belief in the hereafter. For that matter, the primary concern of materialist people are the acquisition of material goods and the enjoyment of physical satisfactions, and as a consequent rejection of or indifference to the spiritual, aesthetic, or ethical things (Stuart 1989, p.19). This is same for socialist economic system as well. Despite disagreement between the two, in reality capitalist and socialist systems are two twins who prefer different means to the same ends. In other words, both capitalism and socialism see human pleasure as the final ends. The disagreement is about how to produce goods and services for human pleasure and who to please among human beings. The well-being is defined in a purely materialist and hedonist sense. While free market capitalism envisions the fulfillment of social interests within the free pursuit of self interests, socialism gives priority to social interests. Both capitalism and socialism

aim for “worldly paradise” through material well-being of people. The disagreement is in the tools they suggest for the final end.

12. Islamic Economics

Even though Islamic economics overlaps with conventional economics in terms of dealing with scarce resources in order to fulfill the needs and wants of human beings, it differs significantly in the way it answers to the core economic questions and define human needs and well-being. While conventional economics which emerged within the materialist worldview is solely based on human reason, Islamic economics is based on human reason and the Divine guidance (Khan 1989).

Islam recognizes spiritual, moral, and social needs of human beings in addition to material needs. In Islamic economics, human well-being is not defined from hedonic perspective; it is rather defined from a spiritual, moral, and social perspective. Even though Islamic economics is for free market in general, it does provide certain filters to avoid the madness and unfairness of the market. Thus, the answer to “what to produce” is determined by the comprehensive understanding of human nature and needs, not by self-interest. Self-pleasure is not the final end, it is the byproduct of God’s pleasure. Since the Islamic economic system relies on different moral, social, and spiritual principles which determine the answers to the core economic questions, it could be defined as distinct economic paradigm.¹¹

There are many competing definitions of Islamic economics. I would like to discuss several of them here. Hasannuzzaman is one of the first person who attempts to come up with a comprehensive definition: “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.” (emphasis added) (Hasanuzzaman 1984, p.52) This definition is quite vague. It does not specify which rules and knowledge are relevant to Islamic economics. Islamic economics is defined mainly on the concept of justice. It is not clear whether the author would consider capitalism or socialism as acceptable economic system if they are modified to prevent injustice.

¹¹ Asutay (2007) argues that Islamic economics needs to differ from conventional economics in the following aspects in order to be a distinct economic system: “Framework paradigm (with ontological and epistemological sources) in terms of point of reference; Value system; Foundational axioms; Operational principles/mechanism; Specific Methodology; Functional institutions.”

For Mannan, the defining feature of Islamic economics is its values: “Islamic economics is a social science which studies the economic problems of a people imbued with the values of Islam.” (Mannan 1987, p.18). However, he does not elaborate on the relevant values and how their involvement will create Islamic economics as a distinct field. For Khurshid Ahmad, Islamic economics is “a systematic effort to try to understand the economic problem and man’s behavior in relation to that problem from an Islamic perspective.” (emphasis added) (Ahmad 1992, p.19). Again, the definition does not provide any hint on how Islamic perspective requires Islamic economics to be distinct. Likewise, the following definitions portray Islamic economics as something shaped by Muslim scholars within Islamic perspective, but do not say how it differs in terms of answering the core questions: “the Muslim thinkers’ response to the economic challenges of their times. In this endeavor they were aided by the Qur’ān and the *Sunnah* as well as by reason and experience.” (emphasis added) ((Siddiqi 1992, p.69). “Islamic economics is the representative Muslim’s behavior in a typical Muslim society”. (emphasis added) (Naqvi 1994, p.176).

For Khan, the distinctive feature of Islamic economics is well-being through cooperation and participation; however, he does not elaborate the implication of his definition the nature of Islamic economic system: “Islamic economics aims at the study of human *falāḥ* [well-being] achieved by organizing the resources of the earth on the basis of cooperation and participation.” (emphasis added) (Khan 1994, p.33). Although Hasan expands the preceding definition by highlighting the multiplicity of wants and scarcity of resources, he does not go further enough to outline the distinctive nature of Islamic economic system: “Islamic economics is the subject that studies human behavior in relation to multiplicity of wants and scarcity of resources with alternative uses so as to maximize *falāḥ* that is the well-being both in the present world and the hereafter. (emphasis added)” (Hasan 2011, p.21).

Umar Chapra comes with the most comprehensive definition: “The primary function of Islamic economics, like that of any other body of knowledge, should be the realization of human well-being through the actualization of the *maqāṣid*. Within this perspective Islamic economics may be defined as that branch of knowledge which helps realize human well-being through an allocation and distribution of scarce resources that is in conformity with Islamic teachings without unduly curbing individual freedom or creating continued macroeconomic and ecological imbalances.” (emphasis added) (Chapra 1996, p.30)

To me the distinctive features of Islamic economics come from the Islamic worldview, particularly its ontological, epistemological, and teleological differences from the materialist worldview. Therefore, it is important to highlight multi-dimensional well-being goals and morally guided market mechanism in definition: “Islamic economics foresees an economic system based on the Islamic worldview aiming to realize spiritual, moral, intellectual, social, and material well-beings of individuals in this life and the hereafter through allocation and distribution of scarce resources in a morally guided market system.” Thus, the answers to the core questions could be as follows: what to produce? Produce goods and services which help human beings to excel spiritually, intellectually, morally, and socially. What to produce? Produce the basic goods and services for everyone, but others for those who could afford. Accumulate spiritual, moral, and social capital in addition to physical and financial capital. How to produce? Produce through efficient and fair market mechanism.

13. Concluding Remarks

The paper attempts to make a strong case for Islamic economics as an alternative paradigm to deal with the crises of capitalism. It draws the western worldview in which free market capitalism emerged and flourished. Then, it redefines Islamic economics based on distinctive worldview of Islam particularly from anthropological, epistemological, and teleological perspectives.

Even though free market capitalism has been very successful in the use of scarce resources, the paper strongly argues that the ultimate outcome of capitalism is not progress toward human excellence, rather it is regress toward animality. This is why the system has failed to bring authentic happiness. Indeed, the more progress it makes, the more it takes us away from such happiness. This reminds us the Seneca’s opening words in *De Vita Beata*:

“To live happily, my brother Gallio, is the desire of all men, but their minds are blinded to a clear vision of just what it is that makes life happy; and so far from its being easy to attain the happy life, the more eagerly a man strives to reach it, the farther he recedes from it if he has made a mistake on the road; for when it leads in the opposite direction, his very speed will increase the distance that separates him.”

It is important to note that despite few decade works, we are still at the beginning of a long path to go in order to present Islamic economics as a viable paradigm. There are many tasks ahead. First, we need to go beyond the existing paradigm and create our own concepts and models whenever it is necessary.

Second, we need to begin from microeconomics. As Yalcintas(1986, p.38) pointed out over two decades ago “construction of microeconomic theory under the Islamic constraints might be the most challenging task for Islamic economics.” We need to establish “a separate theory of consumer behavior and a separate theory of firm in the context of Islamic economics.”(Ahmad 1986) This should not be just the relabeling the existing microeconomics literature. As Chapra suggests, it should reflect “the radical differences in the worldviews of Islamic and conventional economics.”(Chapra 1996, p.50) Third, we need examine the existing empirical and theoretical studies to gather evidence for new concepts and models of Islamic economics. Fourth, we need conduct experimental and empirical studies to gather data and test economic assumptions and models from Islamic perspective. Most of existing papers on Islamic studies do not offer any scientifically acceptable evidence for their arguments. Therefore, they are more rhetorical, rather than scientific. The famous motto attributed to Lord Kelvin puts measurement as the yardstick for scientific knowledge: “When you can measure what you are speaking about, and express it in numbers, you know something about it; but when you cannot measure it, when you cannot express it in numbers, your knowledge is of a meager and unsatisfactory kind; it may be the beginning of knowledge, but you have scarcely in your thoughts advanced to the state of Science, whatever the matter may be.”¹² We now have more measurement tools to gather qualitative data in order to test concepts, assumptions, and models from the Islamic economics.

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¹² The shorter version of this motto is posted on the wall of the Social Science Research Building at the University of Chicago.

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