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Searching for Islamic Economics: A Philosophical Inquiry

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Abstract

All science is mirroring a Weltansicht, or worldview–that is, a comprehensive framework through which individuals or cultures interpret and understand the world around them. Worldviews not only provide a broader context for interpreting the data, but also influence research directions, methodological preferences, and final conclusions. Economics is no exception to this phenomenon. This modest essay aims to open up the epistemological foundations of modern economics to closer scrutiny with a view to pinpointing the tacit assumptions, cultural or other biases, and preconceived notions operating beneath the surface of economic theories, models, methods, and approaches. In addition, this essay also explores the controversial idea of Islamic economics which its exponents say recognizes the interdependence between economic outcomes and ethical choices, and take into account the importance of aligning economic activities with universally accepted human values.

Keywords: Islamic Economics; Islamic Economic Thought; Positivism; Empiricism

Introduction

> "We are prisoners caught in the framework of our theories, our expectations, our past experiences, our language. But if we try, we can break out of our framework at any time." – Sir Karl Popper

It can hardly be denied that each field of knowledge has its own subject-matter and aims, scope and limits, specific method and distinctive characteristics. Every science has its own historical background and dynamics which explain its emergence and raison d'etre and influence its development over time, expanding and contracting as it were in response to the prevailing Zeitgeist and societal, legal, and political changes. Consequently, each discipline inevitably reflects the realities, beliefs, needs, tendencies, and interests of the individuals (or groups) who undertake its study and instruction

or try to apply and develop it further.

In other words, each field of knowledge mirrors a certain Weltansicht, or worldview–that is, a comprehensive framework through which individuals or cultures interpret and understand the world around them. In scientific enterprise, worldviews not only provide a broader context for interpreting data, but also influence their research directions, methodological preferences, and final conclusions. Economics is no exception to this phenomenon. This modest essay aims to open up the epistemological foundations of modern economics to closer scrutiny with a view to pinpointing some tacit assumptions, cultural or other biases, and preconceived notions operating beneath the surface of economic models, theories, and methodologies.

Findings and Discussion

Empirical or Non-Empirical Science?

When discussing modern economics, one cannot overlook the fact that it, too, being one of the modern sciences, has imbibed the doctrines of positivism, empiricism, capitalism, utilitarianism, naturalism, and other secular ideologies, to name but a few. Briefly stated, positivism is the view that science has its foundation in facts, and that fact upon fact produces scientific laws. Truth, it asserts, must be based on empirical evidence and experience, rather than abstract thinking or speculation alone. Thus, great emphasis is placed on the supposedly objective and neutral or impartial observation, analysis, and interpretation of data.

In similar vein, empiricism places a strong emphasis on experimentation as a means of acquiring knowledge. Truth must be empirical in the sense of being possible to be verified or disproved by observation or experiment. Scientists should conduct controlled experiments, manipulate all variables to observe the effects, and gather data to test hypotheses and theories. David Hume espouses this empirical method of acquiring knowledge in the following statement:

> *"There can be no demonstrative arguments to prove that those instances of which we have no experience resemble those of which we have had experience."* (Hume, 1964)

That is to say, there is no solid argument to prove that things we have not experienced or encountered are identical to those we have. Therefore, what scientists can do is no more than constructing theories based on available empirical data— a logical process called "induction", wherein general conclusions or theories are derived from specific observations. In other words, the mind moves from particular instances or observations to broader generalizations that are soon labelled as scientific 'theories' or 'laws'. The basic logic behind induction is that if a specific observation or set of observations is consistently true, then it is reasonable to infer that a general pattern or principle is at work. Induction is commonly used in modern science to formulate hypotheses, make predictions, and develop theories.

However, as pointed out by Karl Popper, induction is fundamentally flawed and cannot provide a reliable basis for scientific knowledge. He argued that no number of observations or confirmations can definitively prove a theory to be true, as there is always the possibility of encountering new evidence that contradicts it—a problem that has been known for more than two thousand years. Muslim logicians call it the problem of 'incomplete induction' *(al-istiqrā' al-nāqiṣ)*. Using the famous example of a hypothetical claim that "all swans are white", which is based on the observation of numerous white swans, Popper argued that no matter how many white swans we observe, it does not prove that there are no black swans. The discovery of a single black swan would falsify the generalization that all swans are white.

Consider also another situation in which two conflicting theories exist, each supported by empirical data. Popper's solution is the hypothetico-deductive method based on the principle of falsifiability. He proposed that a scientific theory should be formulated in a way that allows it to be refuted or proven wrong. Otherwise, the theory is deemed unscientific and falls outside the realm of science. The focus should be on attempting to falsify or disprove it rather than seeking confirmation or verification. Empirical testing plays a crucial role in this regard. To quote his own words:

> *"A theory is tested not merely by applying it, or trying it out, but by applying it to very special cases … those crucial cases in which we should expect the theory to fail if it is not true."* (Popper, 1965)

In Popper's view, scientific progress is driven by conjectures and refutations. Scientists propose hypotheses or theories as conjectures, and then actively seek to test and falsify them through rigorous experimentation and observation. The process of falsification allows for the elimination of incorrect or inadequate theories and the refinement or replacement with more robust and explanatory theories. By espousing falsifiability, according to him, scientific knowledge can advance when scientists discover and eliminate incorrect or inadequate theories, thereby paving the way for the progressive development of more comprehensive and empirically robust explanations.

Empiricism is embraced in economics by experts like Terence Hutchison who in his book, The Significance of Basic Postulates in Economic Theory (1938), argues that economics is an empirical science in which every hypothesis and theory must be tested to determine whether they are true or false. Economic theories must be built upon a set of fundamental assumptions or postulates that serve as starting points or axioms from which economic reasoning and analysis proceed. Hutchison emphasizes, however, that these basic postulates are not empirical facts but rather methodological assumptions that are necessary and deliberately chosen for the purpose of economic inquiry and in order to construct coherent economic models and theories. Nevertheless, according to him, their validity or usefulness should be judged on the basis of their ability to generate meaningful and logically consistent implications and predictions. Economic knowledge should be a posteriori rather than a priori, grounded in experience and reality, facts and empirical data, using testability and falsifiability criteria, and not just conceptualization and theorization. Only then can economics progress. An economist's task is to analyze facts and find what he calls "empirical regularities" that would allow him to predict what is likely (or unlikely) to occur and provide policy makers with knowledge that can better align with the state's strategic plans.(Terence Hutchison, 1978)

Another, slightly different version of empiricist tendency is expressed by Milton Friedman, who wrote an essay On the Methodology of Positive Economics (1953) that sparked extensive debate on the methodology and scope of economic analysis. While he concurs with Hutchison on the importance of empirical testing and falsification in economic analysis, Friedman defends the use of unrealistic or simplified assumptions in economic models, arguing that the validity of economic analysis lies not in the realism of assumptions but in the ability of those assumptions to generate accurate predictions and insights. Assumptions should be judged by their predictive power rather than their conformity to empirical reality. He also disagrees with Hutchison in that he thinks not all economic postulates should be put to test. There is no doubt that theorizing is advantageous and necessary. But according to him, predictions can still be made using the fundamental presumption of perfect competition and profit maximization without the need for prior verification or testing.

The useful measure of an assumption is whether or not it can be used to read what has not happened and will happen–the criteria called 'predictive reliability'. In this sense, it could be seen that there is in Friedman a tendency towards instrumentalism and pragmatism. An economic theory, assumption, or postulate is considered correct if it proves to be applicable, working in the field, and can be used as an instrument by the scientist. In other words, the principle is to judge assumptions by their fruits and not by their roots. However, the problem is that how we choose or determine which one is the most appropriate and correct if there are multiple theories. According to Friedman, we can do so by using the "fit and coherence" criteria–that is, by considering whether a given theory fits or conflicts with other theories regarding the same phenomenon.

Surely, not all economists are passionate about empiricism. Lionel Robbins, a British economist, was one of the few who stoutly opposed it. In his book, The Nature and Significance of Economic Science (1932), he maintains that economics consists of conclusions drawn from a series of postulates whose origins are universal facts of experience that occur in human economic activity (pp. 99-100). Although based upon empirical experience, these postulates need not always be tested empirically through observation, experimentation, and statistics since these postulates are synthetic a priori in the sense that they are clearly related to reality but are also clearly true

logically. Robbins emphasizes the need to distinguish between validity and applicability. For example, the quantity theory of money says that when the money supply increases, the value of money will decrease. According to him, the validity of such a statement need not be questioned since it is derived logically from basic assumptions. However, its applicability may be contested because in certain situations, it will depend on how we define or understand concepts like money. If bank credit, also known as debt, is not considered money, then this statement is untrue. Conversely, if bank credit, which is called debt, is regarded as money, then the opposite is true because in that case, the country's central bank will print new money equal to the amount of bank debt/credit.

Moreover, Robbins also acknowledges the limitations of economics as a science and highlights the importance of recognizing the scope and boundaries of economic analysis. He argues that economics cannot answer questions related to ethics, value judgments, or the ultimate ends pursued by individuals. Robbins asserts that economic analysis can provide insights into the means chosen to achieve those ends, but not the ends themselves. Underlying these critical views is his understanding of economics as the science that studies human behavior as a relationship between ends and scarce means that have alternative uses. Economics is concerned with the allocation of scarce resources to fulfill unlimited human wants.

It is likely that debates about the nature of economics as an empirical or non-empirical science are far from over yet. If Hutchison is believed to represent an ultra-empiricist view, the opposite camps are led by Lionel Robbins and the Austrian Ludwig von Mises who are sometimes dubbed as 'extreme apriorist'. Meanwhile, we find Milton Friedman in between them representing what may be called 'moderate empiricism'. The question we ask now has to be "What is the position of Muslim economists on this issue? Should Islamic economics be an empirical science too?" Without doubt, it must employ various empirical methods, including econometric analysis, statistical modelling, surveys, experiments, and field observations, to gather data and use them to analyze patterns and relationships, mechanisms and trends, and to draw conclusions about economic behavior and outcomes, or make predictions about economic phenomena. However, Islamic economics should not turn a blind eye to the limitations and troubles of empiricism, including the problem of induction in theory building and modelling, the naïve

assumption of theory-free observations, the pretensions of neutrality, objectivity, and rationality, and –last but not least– the second dogma of empiricism as pointed out by Quine: reductionism, which teaches that all meaningful statements can be reduced to and explained by statements about immediate sensory experiences.(Willard V. Quine, 1951, pp. 20–43)

Positive or Normative Science?

Positivism was first formulated by the French thinker August Comte in his work, Cours de la philosophie positive (1830), which received a wide acclaim in his day. The gist of his doctrine has been summed up by John Stuart Mill as follows:

> *"We have no knowledge of anything but phenomena; and our knowledge of phenomena is relative, not absolute. We know not the essence, nor the real mode of production, of any fact but only its relations to other facts in the way of succession or of similitude."* (Mill, 1866)

In the early twentieth century, positivism gained momentum with the emergence of a group of philosophers, scientists, and mathematicians who were active in Vienna, Austria, from the 1920s to the early 1930s, later known as the Vienna Circle. Despite their various backgrounds, the members of this group shared a commitment to the principle of logical positivism, which held that meaningful statements are those that can be empirically verified or confirmed through observation or logical analysis. Their goal was to establish a scientific worldview that relied on empirical evidence and logical analysis while rejecting metaphysical or speculative claims.

According to Rudolph Carnap, one of its members, there are only two types of science, namely 'analytical sciences' such as mathematics and logic, and 'positive sciences' that are synthetic. Scientific theories should be purely descriptive, aimed at describing and explaining phenomena, without trying to go beyond them. The language of science must also be precise and unambiguous; it cannot be figurative or metaphorical. Ideally, science functions logically as a modus tollens (in the form of "if p then q, but not q therefore not p"), attempting to disprove a theory rather than the other way around. This means that a theory's capacity for making predictions is what defines it as a scientific theory.

Among modern economists, positivism was initially widely accepted, sparking a contentious debate whether it belonged to the 'positive science' or 'normative science'. Indeed, this dichotomous division has been around since John Neville Keynes wrote that 'positive science' deals with what it is or das Sein, whereas 'normative science' is concerned with what ought to be or das Sollen.(Keynes, 1891, pp. 34–35) Positive economics seeks to understand and explain economic behavior, relationships, and outcomes using empirical evidence and scientific methods. It aims to provide objective explanations of how economic systems and individuals behave, without making value judgments. Positive economics aims to answer questions like "What is?" or "What will happen if...?" It is concerned with describing and predicting economic phenomena.(Farmer, 2013).

In contrast, normative economics deals with questions of value, desirability, and what ought to be. It involves making judgments and recommendations about how economic systems and policies should be structured and how resources should be allocated based on ethical considerations, social goals, and individual values. Normative economics addresses questions like "What should be?" or "What is the best course of action?" To sum up, while positive economics aims to provide objective explanations and predictions based on empirical evidence, focusing on the objective analysis and explanation of economic phenomena, normative economics is concerned with value judgments and formulation of policy recommendations based on some ethical or moral considerations and societal goals.

Now, if economics is taken to be a positive science, is it the same as the natural sciences which are methodologically more descriptive than prescriptive?(Warren J. Samuels, 2003) Given that empirical confirmation in economics usually comes after a priori hypotheses and mathematical formulations, economics cannot be equated with natural sciences such as physics which are experimental in nature, where hypotheses are made based on observation of phenomena, followed by trials and concluded with generalizations or induction. (Farmer, 2013, pp. 85–377)

A well-known proponent of positivist economics is Milton Friedman, a professor at the University of Chicago and recipient of the Nobel Prize in economics. As a positive science, he insists, economics is essentially value-free and unconcerned about ethical norms or moral considerations. It is therefore an objective science:

> *"Positive economics is in principle independent of any ethical position or normative judgements, and it is or at least ought to be, an objective science".(Friedman, 1953, p. 2)*

The economist's responsibility is to make hypotheses and predictions, according to the usual procedure recommended by Popper. What Friedman may not be aware of is the impossibility of achieving objectivity because economists as scientists are human beings who can never get rid of their subjectivity, and may be held hostage to prejudices and biases, predilection or personal interest. This is acknowledged even by Karl Popper who writes: "… observation is always selective. A point of view for the scientist [is provided] by his theoretical interests, the special problem under investigation, his conjectures and anticipations, and the theories which he accepts as a kind of background: his frame of reference, his 'horizon of expectations'." (Popper, 1965)

Indeed, closer scrutiny reveals that the question–whether economics is a positive or normative science– forces upon us a false dilemma that reduces complex situation to binary opposites or two simplistic alternatives without exploring them in depth or considering other reasonable options, thereby excluding, for example, a third possibility of combining the two or preserving the balance between both horns of the dilemma. Indeed, the truth is that economics does and should incorporate elements of both positive and normative science, since it not only draws upon empirical evidence and acknowledges the need to understand how economic systems work, but also cannot ignore the importance of moral values and ethical considerations in decision-making and policy formulation.

Economics or *Sickonomics?*

The pretensions of positivist economists ultimately bore a bitter fruit in the recent financial crisis that unfolded in the United States following the housing market crash. Upon careful examination of this event, economic Professor Richard Robb brings forth a noteworthy observation that all the actors involved—bankers, regulators, investors, and rating agencies—thought they made a rational decision, while the market participants were apparently aware of the risks of bank credits. According to Robb, however, a fresh look at the data suggested that they were ignorant of this fact, and that they only acted rationally or at least reasonably in light of what they

thought that they knew.

They seemed oblivious to the impending collapse of the debt market.(Robb, 2013) And yet, from their point of view, their conduct was considered rational, reasonable, and responsible. Only proponents of Platonist epistemology would attribute this grave error to elements such as poor incentives or the inclination to follow the herd mentality, assuming they were cognizant of the immense risks awaiting them in the future. Our question is, if none of those involved were aware beforehand, then who should have known or at least been able to predict the arrival of the crisis? Did economists also not know and were unable to forecast it? According to Robb, ignorance is the main culprit. But is that truly the case?

Geoffrey M. Hodgson offers an intriguing answer to this question. According to him, the financial crisis of 2008 had been foreseen by several economists, including Nouriel Roubini, David Blanchflower, Richard Dale, and Hyman Minsky. However, the arrogance of professionals and the misguided policies of the United States government seemed to overshadow these warnings. Hodgson suggests a few crucial points. Firstly, the crisis was closely intertwined with the ideology of free markets and monetarism, which limited government control and gave rise to a proliferation of commercial banks and similar entities during a period of economic prosperity. Secondly, the crisis served as a wake-up call, exposing the inherent fragility of the modern financial system, which operated with minimal regulation and was saturated with speculative activities. This was facilitated by banking deregulation and economic liberalization, enabling the creation of derivative markets for various forms of debt products such as loans, bonds, and securities.

Thirdly, the crisis also served as evidence of the existing gap between theory and practice, between science and reality, between models and facts. According to Hodgson, modern economics has become overly engrossed in modeling and quantification, prioritizing techniques over substance, emphasizing mathematical formulas and metrics over content, while disregarding actual realities, underestimating the importance of history, and adopting narrow views due to disciplinary specialization. There are very few – if any – economics students today who are willing to be instructed to read the works of past thinkers such as Keynes, Marx, and others. "Existing economics is a theoretical system which floats in the air, and which bears little relation to what happens in the real world",

he wrote quoting the words of Ronald Coase, Nobel laureate in economics. (Hodgson, 2009)

Moral Economics as Alternative?

The global financial crisis that unfolded not long ago presents us with further lessons to ponder. A growing number of economists now realize the pressing need to break free from the confines of positivist paradigms. It is high time for the field of economics to move beyond the notion of the 'homo economicus'—a morally indifferent, value-free entity solely focused on self-interest. In fact, Putnam and Walsh go as far as declaring the idea of a value-free economics as inherently untenable (Putnam & Walsh, 2011). Or, as Ben Fine puts it, almost useless (Fine, 2013). Furthermore, there is a rising recognition of the profound implications when economics remains fixated on propositions and models without incorporating them into the realms of politics, culture, and values. It is gradually becoming evident that the assumptions of neoclassical economics, such as the homo economicus, emerge from the ideology of capitalism, which has shifted economic transactions from personal interactions to impersonal exchanges. This has cultivated an environment where the primary concern of economic agents is not what is morally right and virtuous, but rather what can be commodified and marketable. "*Virtues give way to subjective preferences,"* said A. Sayer (Sayer, 2000).

Economists should not be concerned that considerations of values or morals would diminish the scientific value or scholarly status of their field. Euclid Tsakalotos presents six theses complete with arguments to dispel such concerns. He asserts that: (i) moral values hold a central position in economic theories, (ii) avoiding value analysis can lead to unacknowledged biases. (iii) Values emerge from societal institutions themselves. (iv) Both economic actors and economic policies strive to transform those values. (v) All values are inevitably subject to debate. (vi) There is no superior value compared to others. (Tsakalotos, 2005) These six theses support Benton's viewpoint that if alternative economics truly aims to replace the neoclassical paradigm, it should emanate from a metaphysical system or worldview that encompasses clear concepts about the nature of humans, society, nature, and so forth (Jr. & Benton, 1982).

As a matter of fact, contemporary economics is not devoid of moral values. Since the seventeenth century, Western-developed economics has been influenced by values stemming from the philosophy of utilitarianism. According to Amartya Sen, there are three defining characteristics of this outlook: (i) consequentialism or the belief that proper behavior should be measured by its impact on the common good; (ii) welfarism or the idea that the common good should be assessed based on the total well-being of everyone; and (iii) sum-ranking, which is the notion that the well-being of an individual should be evaluated in relation to the overall well-being of society; that is to say, the welfare of a person is at least as good as another if and only if it has at least as large a sum total. No wonder, in utilitarian calculus, when faced with two alternative actions, one should choose the course of action that maximizes the overall benefits for the collective, regardless of which individuals are directly benefited.(Sen, 1984, p. 278) It is precisely for this reason that utilitarianism has been charged with promoting inequality and injustice, specifically distributional inequities.(Silva, 2011, p. 825)

In a utilitarian environment it will be a commonplace that the wealthy receive assistance while the poor are left behind in the name of national interests. In response, several economic thinkers have proposed some alternatives to address this issue of distribution. Vilfredo Pareto introduced the notion of 'optimality', aiming for outcomes that are both morally right and beneficial without causing harm to others, while Karl Marx put forth his concept of egalitarianism, advocating for greater economic equality. Larry Temkin suggested 'prioritarianism', emphasizing the prioritization of those who are in the most disadvantaged positions. These various perspectives create room and opportunities for us to contemplate and formulate alternative economics that are rooted in moral values and guided by divine wisdom.

Islamic Economics

While it is agreed that Islamic economics aims to build a "moral economy," many would take issue with the views of certain Western scholars such as Joel Beinin, Thomas Philipp, or Charles Tripp, who argue that Islamic economics is a reaction to the modern capitalist economic system (Beinin, 1987) (Philipp, 1990). Certainly, such opinions imply that Islamic economics emerged solely as a response

to capitalism, suggesting that it would not have developed without the presence of capitalism. This viewpoint subtly restricts the scope of Islamic economics to only those issues and matters commonly discussed within the discourse of capitalism. Another implication is the claim that Islam itself lacks clear and distinctive teachings on economics.

The root of the misconception that most people have in this matter lies in the failure to draw a clear distinction between Islamic economics as a term or nomenclature and Islamic economics as a concept and thought. As a term, it is true that there was no specific term for Islamic economics during the time of the Prophet. However, it is difficult to argue that Prophet Muhammad—peace be upon him, who was himself a merchant and lived in Makkah, one of the commercial centers of that time, did not possess any economic thought. The holy Qur'an, which was revealed to him, contains numerous economic terms such as tijārah (trade), ishtarā (buying), bayʿ (selling), tsamanan qalīlan (a small price), to mention but a few. (Torrey, 1892, pp. 125–136)

This indicates that economic principles and concepts were indeed present in the teachings of Islam from the early days, even if the term "Islamic economics" as we know it today may not have been used at that time. However, that does not mean that Prophet Muhammad—peace be upon him– and the Muslims in the early centuries used statistics and other similar tools as the people in England during the time of the Prophet (7th century CE) were still 'plebeian' and did not know about econometrics and so on, even though at that time they might have exchanged goods.

Those who ridicule or reject the idea of Islamic economics often put forth several reasons. Thomas Philipp argues that the capitalist system, which was materialistic, amoral, exploitative, wild, savage, evil, and greedy, existed during the 18th and 19th centuries. However, he suggests that the system has significantly changed since then. Therefore, he views the arguments supporting Islamic economics that criticize capitalism as akin to creating strawmen to be beaten without the ability to defend themselves.: *a capitalist strawman has to be set up, in order to knock him down* (p.124). Philipp's perspective is somewhat clouded as he tends to view capitalism as the ultimate economic system. It is worth noting that his viewpoint was formulated prior to the occurrence of the financial crisis, which exposed the inherent shortcomings of the capitalist economic model

he advocated. Additionally, Philipp criticizes authors of books and articles on Islamic economics, including Nejatullah Siddiqi, Ahmed Irshad, Raguibuz Zaman, Masudul Alam Choudhury, and others. He presents the following arguments to support his critique:

> *"... Not one of the authors asks a critical or analytical question from history. The past is what it is asserted to be. This is true for the general approach to the construction of the theory of Islamic economics. The point of departure is not the investigation of actual economic behavior in an existing Muslim society or the historical evidence for such a behavior in the past. Rather, the Muslim conomist treats an ideal order projected into the past as a historical fact and then draws from legitimization for his own theoretical endeavors."*

This statement is quite intriguing and deserves careful consideration. First of all, Philipp claims that writers on Islamic economics often fail to examine history critically and analytically, citing as evidence their unsuccessful attempts to construct Islamic economic theories. Philipp further notes that these scholars of Islamic economics do not thoroughly investigate the actual economic behaviors of Muslims in the present or the past. Instead, he claims, they are mostly preoccupied with ideal concepts of an Islamic economic order or system, which they imagine as historical facts, and then use them to validate their own theories. While this argument may initially appear persuasive, it is based on presuppositions that may not be entirely true and assumptions that have not been proven. Firstly, we must acknowledge the inevitable contradiction between the Muslims' vis-à-vis non-Muslims' position that underlie the above argument:

Non-Muslim scholars' claims:	Muslim scholars' views:
Islam has no economic doctrines	Islam has economic teachings
There is no Islamic economic order	There is Islamic economic system
There is no Islamic economics	There is Islamic economics

Having imbibed too much of the spirit of irreligion and skepticism, Philipp has no qualm about making unsubstantiated claim, which he firmly embraces that anyone who had something in the past must still possess it in the present. Therefore, if Muslims indeed had an economic system in the past, they should still have it today. But we know that all Islamic countries today adopt the Western secular economic system. Therefore, Philipp concludes that the Islamic economic system had never existed. A modus tollens argument, the premises of his argument could be analyzed as follows:

Everyone who had something in the past still has it now > *unproven assumption.*

If Muslims had an economic order in the past, they must have it now. But they don't have it now.

Therefore, Muslims did not have an economic order in the past.

Symbolically: $p \rightarrow q$

$\sim q$

———

$\therefore \sim p$

Notwithstanding its formal validity, the problem of the argument lies in the very proposition that serves as its major premise. As we all know, in any valid syllogism, the truth of the conclusion is determined by, or contingent upon, the truth its premises. But the statement that everyone who had something in the past still has, or must have it now is neither always nor necessarily true. For there are in fact people who no longer have what they used to, just as they are people who now have what they never had before. Since this universal affirmative proposition is not true, the major premise that uses it is also invalidated, and with it the conclusion is nullified.

Another outspoken opponent of Islamic economics is Timur Kuran who has launched a number of criticisms in his writings (Kuran, 1995, pp. 155–173). Kuran argues, among others, that Islamic economics is doomed to fail because, as currently understood and practiced, it lacks flexibility and adaptability to changing needs, trends and circumstances. In his opinion, the rigid adherence to specific Islamic economic principles and practices could hinder economic development and progress, as well as limit the scope of Islamic economics to the ethical issues and distributive aspects of economic activity, thereby neglecting other critical dimensions such as entrepreneurship, innovation, and market dynamics.

Kuran therefore suggests that Islamic economics take a broader perspective which integrates economic efficiency, market forces, and incentives necessary for a comprehensive understanding of Islamic economic development. Specifically, he expresses his concerns about the effectiveness of some Islamic financial instruments, such as Islamic banking and bonds (*sukuk*). He argues that these instruments, which are designed to comply with Islamic principles such as the prohibition of interest (*riba*), can be complex and cumbersome, leading to higher transaction costs and lower efficiency compared to conventional financial systems. Kuran also points to historical and institutional factors that have constrained the development of Islamic economics, arguing that the historical suppression of Islamic economic thought during the colonial period and subsequent decades has limited its evolution and practical application. This historical inertia, according to Kuran, has impeded the exploration of alternative economic models and frameworks.

It is worth noting that while Kuran raises these bold criticisms, he also acknowledges the potential for Islamic economic principles to contribute to economic development and social justice. He suggests that Islamic economic thought can benefit from engaging with mainstream economic theories and incorporating elements of flexibility, adaptability, and innovation. Indeed, it is important to point out that Kuran's views represent only one perspective among many within the broader discourse on Islamic economics—a rapidly expanding field that encompasses diverse viewpoints, and ongoing discussions and debates that aim to address these criticisms and refine the understanding and practice of Islamic economics.

Conclusion and Recommendation

The growing realization of interdependence of human societies and the recognition of the constant interplay between the religious and the secular only means that one cannot ignore the fact that religion has a significant impact on economic thought and behavior, just as secular ideas and agents have so much influence on the religious actors and institutions. Moreover, the emergence of Sharia-compliant finance and its exorbitant growth in recent years only serves to underscore the urgent need for Islamic economics that not only studies and applies Islamic principles and values to economic theory and practice, but also seeks to develop an economic system

that aligns with Islamic teachings and promotes social justice, ethical conduct, and the well-being of individuals and society.

Apart from being rigorous, Islamic economics will provide guidance on various economic activities, including commercial and financial transactions, assets management and business practices.

Islamic economics should promote the fair distribution of wealth, social welfare and the reduction of economic disparities. It must provide policy makers with strategic plan to put an end to economic injustice, inequality, and poverty. Islamic economics must teach and encourage individuals to engage in lawful and productive work to contribute to society's well-being, and prevent them from unethical activities, such as fraud, deception, and exploitation.

In a nutshell, Islamic economics recognizes the interdependence between economic outcomes and ethical choices, and the importance of aligning economic activities with universally accepted human values. Only by following this ideal can Islamic economics be one of the courses open to humanity after the shipwreck of the secular economics.

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