

The Philosophy of Islamic Economics

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So, What is Science?

- the intellectual and practical activity encompassing the systematic study of the structure and behavior of the physical and natural world through observation and experiment.
 - "the world of science and technology"
- synonyms: branch of knowledge, body of knowledge/information, area of study, discipline, field
 - "the science of criminology, physics, chemistry, biology; physical sciences, life sciences"
 - "he teaches science at the high school"

How Science Come Up to the World?

- Rene Descartes (1596 – 1650)
 - France Renaissance → Je Pense donc Je Suis
- David Hume (1711- 1776)
 - (British) Radical Empiricism
- GWF. Hegel (1770 - 1831)
 - Dialectic Idealism
- Immanuel Kant (1724 - 1804)
 - German Aufklarung → Aude Sapere

Individual kind of man

1. European Industrial Revolution

2. The Shaping of the **Modern** world: effective, efficient, and progressive civilization

3. Discursive formation of science through Journals, Seminars, conferences, etc

Scientific Knowledge

- Criteria of truth: Empiric and Rational
- Procedural truth (intentional research) :
 1. Observation
 2. Problem Statement
 3. Hypothesis
 4. Experiment
 5. Theory
 6. Law

Impact of Modern Science

- Nature →
 - Chemistry
 - Biology
 - Agriculture
 - Geography
 - Physics
 - Etc.

- Human →
 - Medicine
 - Psychology
 - Criminology → • Define What Human is.
 - Sociology
 - Economy
 - Etc.

Economics (Conventional)

- Self interest → Profit maximization and tend to be exploitative
- Rational man → Worldly trade off
- Scarcity of resources → Capital accumulation
- Positivistic → rejecting the role of revelation

Islamic Economics

- What is the translation of science in Arabic or in Bahasa Indonesia?
 - We wont find it.
 - We can force it to use Ilmu or Ilmu pengetahuan.
 - But, by definition, ilmu as well as ilmu pengetahuan is not equal to science

Conventional Economics ideologically not neutral → atheistic ideology

Islamic Economics Methodology

1. Type I: Usul al-Fiqh as the methodology of Islamic economics
 - *Usul al-fiqh* or the methodology in deriving rules (*ahkam*) is used in the discussion of Islamic economics to develop Islamic economics. This comes from the understanding that the nature of Islamic economics is similar to *fiqh al-mu'amalah*.
2. Type II: Methodological pluralism in Islamic economics
 - For Islamic economists, the call for methodological plurality comes from the fact that Islamic epistemology recognizes multiple sources of knowledge from where theories can be appraised.
3. Type III: Islamization of Economics (IOE) methodology
 - The third approach is the methodology in the Islamization of economics project when the scholars attempt to interact and integrate the mainstream economics with Islamic principles/heritage in economics and vice versa.

Future of Islamic Economics Methodology

- Each methodology poses certain methodological shortcomings that should be addressed thoroughly by its proponents, if not the scientific community who commit to develop Islamic economics.
- Effort should be put to develop a methodology of Islamic economics that has a solid structure and foundation where the science of Islamic economics will flourish.
- That methodology would not only recognize and able to derive knowledge/theories from Islamic legitimate sources of knowledge (revelation, intellectual reasoning and facts/experience), but would also reflect the Islamic epistemological principles and purposes in theory of knowledge.

Basic tenets of Islamic Economics

(Dr. Muhammad Sharif Chaudhry)

- Objectives

1. Achievement of Falah
2. Fair and Equitable Distribution
3. Provision of Basic Human Needs
4. Establishment of Social Justice
5. Promotion of Brotherhood and Unity
6. Achievement of Moral and Material Development
7. Circulation of Wealth
8. Elimination of Exploitation

- Principles

1. Allah determines Right and Wrong
2. Principle of Use
3. Principle of Moderation
4. Economic Freedom
5. Principle of Justice

- **1. Achievement of Falah:** The first and the foremost aim and objective of Islam is falah or well-being of the mankind in this world and in the next world. That is why al-Qur'an, the revealed book of Islam, admires those who pray to God :
“Our Lord ! Give unto us in the world that which is good and in the Hereafter that which is good, and guard us from the doom of fire.....” (2 : 201)
- **2. Fair and Equitable Distribution:** The second most important objective of the economic system of Islam is to make distribution of economic resources, wealth and income fair and equitable. Islam discourages concentration of wealth in few hands and ensures its circulation among all the sections of society. Al-Qur'an, the revealed book of Islam, says: “That which Allah giveth as spoil unto His messenger from the people of the townships, it is for Allah and His messenger and for the near of kin and the orphans and the needy and the wayfarer, that it become not a commodity between the rich among you.” (Al-Hashr 59:7)

- **3. Provision of Basic Human Needs:** It is also an important purpose and objective of the Islamic economic system that basic necessities of life like food, clothing and shelter should be provided to all the citizens of the Islamic state. The Prophet of Islam has beautifully defined the barest necessities of life in his famous Hadith which says: “The son of Adam has no better right than that he would have a house wherein he may live, and a piece of cloth whereby he may hide his nakedness, and a piece of bread and some water.” (Tirmizi). Thus, in this Hadith the basic needs of an individual have been defined to include a house to live in, clothing to hide one’s body and food for survival and maintenance of health.

- **4. Establishment of Social Justice:** One of the major objectives of the Islamic economic system is to establish socio-economic justice among all the members of the nation. Islam meets this challenge of disproportionate division of wealth by making it obligatory on the rich to surrender a part of their wealth for helping the poor and unfortunate members of the community. Al-Quran says: “Establish worship, pay Zakat and bow your heads with those who bow (in worship)”- (2 : 43). The Holy Book again says “Ye will not attain unto piety until ye spend of that which ye love. And whatsoever ye spend, Allah is aware thereof.”(3:92). It further pronounces: “And in whose wealth there is a right acknowledged, for the beggar and the destitute” (70 : 24-25).

- **5. Promotion of Brotherhood and Unity:** Another objective of the Islamic economic system is to establish brotherhood and unity among the Muslims.
- The Holy Quran says: “It is not righteousness that ye turn your faces to the East and the West; but righteous is he who believeth in Allah and the Last Day and the Angels and the Scripture and the Prophets; and giveth his wealth, for love of Him, to kinsfolk and to orphans and the needy and the wayfarer and to those who ask, and to set slaves free; and observeth proper worship and payeth Zakat” (2 : 177).

- **6. Achievement of Moral and Material Development:** The economic system of Islam aims at material as well as moral development of the Muslim community. It achieves this objective through its system of taxation and fiscal management particularly through Zakat.
- Zakat discourages hoarding of wealth and encourages its circulation. Those persons who possess hoarded wealth know that if they keep it like that, it would be consumed by Zakat. So they would not keep it lying idle, rather they would per force bring it into circulation by investing or spending it. Thus the consumption and investment would have multiplier effect on the growth of the national income

- **7. Circulation of Wealth:** Another important objective of economic system of Islam is to discourage hoarding and ensure the constant circulation of wealth. About hoarding of wealth the Quran says: “They who hoard up gold and silver and spend it not in the way of Allah, unto them give tidings of a painful doom. On the day when it will (all) be heated in the fire of hell and their foreheads and their flanks and their backs will be branded therewith (and it will be said unto them). Here is that which ye hoarded for yourselves. Now taste of what ye used to hoard:” (At-Taubah-9 : 34-35). So the Quran not only discourages hoarding of wealth but also threatens persons responsible for this heinous crime with the dire consequences.

- **8. Elimination of Exploitation:** The last, but the most important, objective of Islamic economic system is elimination of exploitation of one human by another. To achieve this end Islam has taken many effective measures. First such measure is the abolition of interest or usury which is and has been perhaps the worst instrument of human exploitation. The Qur'an calls it riba and declares it a heinous crime which amounts to war against God and God's messenger. The Qur'an says : "O ye who believe ! Observe your duty to Allah, and give up what remaineth (due to you) from usury, if ye are (in truth) believers. And if ye do not, then be warned of war (against you) from Allah and His messenger. And if ye repent then ye have your principal (without interest). Wrong not and ye shall not be wronged. -(2 : 278-279)"

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