

Can There Be An Economics Based on Religion? The Case of Islamic Economics

Mohamed Aslam Haneef
Associate Professor
Department of Economics
International Islamic University Malaysia

Email: mdaslam@iiu.edu.my or matagbak@yahoo.com

Abstract

In recent decades there has been a renewed pessimism towards the claim of universality of neoclassical economics. Hence, alternative approaches with their own methodological positions have been put forward. The Association of Heterodox Economics has argued for 'pluralism in economics' and the need to be open to 'non-mainstream modes'. But just how open is the call for pluralism? Would the proponents of non-mainstream economics accept an approach to economics that derives its worldview and vision from sources of knowledge that go beyond reason and sense observation?

This paper has two sections. Section 1 presents what we mean by Islamic economics. For this purpose, selected topics in a Foundations of Islamic Economics course taught at the Department of Economics, International Islamic University Malaysia are presented. The focus of the selected topics is in the foundational areas of economics, covering some elements of the worldview and methodology of Islamic economics. Throughout this section selected ideas discussed in non-mainstream literature, especially writings found in various issues of Post Autistic Economics Review (PAER) are used. Section 2 then discusses the possibility of having a religious based economics. The relationship of economics to religion, as presented by two books edited by Brennan/Waterman (1994) and Dean/Waterman (1999) will be used besides other articles found in PAER. It will be clear that Islam and discussions by Muslim scholars do not feature in the existing discussions. We end the paper by putting forward certain queries regarding the scope, method and boundaries of economics and make a case for why pluralism in economics should also consider an economics based on religion.

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Introduction

As an undergraduate student at the International Islamic University Malaysia, my experience in studying economics was quite unique in the sense that while being exposed to mainstream neoclassical economics, there was an explicit mention that economics was to be taught in a ‘comparative’ and ‘critical’ manner. At the same time, due to events of the late 1970s and early 1980s, developing ‘Islamic economics’ was one of the goals in a few Muslims countries, including Malaysia. I discovered that there was also a ‘mainstream school’ among those writing on Islamic economics, modeled along neoclassical lines, working almost within the boundaries of neoclassical theory, with some adjustments to incorporate teachings/norms/values that reflected certain requirements of Islam.

What worried some of us was the almost total neglect of non-mainstream views in the literature and very few serious attempts to identify and address ‘foundational’ issues seriously. Writings in Islamic economics began to be dominated by those in the area of banking and finance, with the almost sole objective being to develop alternative financial instruments and products to be used in the ‘alternative banking and financial system’ that has now become globally known as Islamic Banking and Finance. I could not accept the almost exclusive direction taken by the ‘mainstream’ writings and coming across the Post-Autistic Economics Movement at the turn of the century was almost a ‘revelation’.

Looking through the issues of the PAER, I realized that the writings went to the core of neoclassical economics, attacking its theoretical foundations. It is imperative to address these foundations and to point out their relevance to reality. What we know, how we can know it, and the criteria to evaluate what and how we know are central foundational issues in any approach to economics. If we claim to have an alternative approach to economics, it must necessarily be projected from a worldview or vision that represents that approach. It must also be developed based on knowledge and using the sources of knowledge in a way determined by that approach.

Section 1 of this paper briefly shares the experience at the Department of Economics, International Islamic University Malaysia in introducing a course called Foundations of Islamic Economics (FIE). Section 2 then discusses issues related to the relationship between economics and religion and puts forward arguments why a religious based economics is possible, at least in the case of Islamic economics. The author welcomes comments and constructive criticism, in the hope that religious based economics can be accepted as part of heterodox economics, in-line with calls for pluralism in economics.

Sections 1: Background of ECON 1710 Foundations of Islamic Economics (FIE)

The FIE course has been offered as a faculty required course to all students since 1993, with adjustments made in 1995, 1997 and 2003 to the course content. It is meant to provide students with a rationale and an introduction to Islamic economics. The course is presented in a comparative manner and all students would have taken Principles of

Microeconomics and Macroeconomics as pre-requisites.¹ FIE is generally meant to provide a conceptual introduction to economics as stated in the course outline:

This course introduces students to the basic premise that the study of Islamic economics proceeds from the Islamic worldview and has to be developed according to a methodology that is founded upon this worldview. Therefore the 'foundations' that need elaboration are the Islamic worldview, Islamic economic methodology and features of an Islamic economic system. Since economics deals with the production, consumption and distribution activities of man, these areas will be addressed in this course. Other more prominent areas of contemporary Islamic economics such as the prohibition of riba' and issues in Islamic banking are also discussed.

Six main topics are covered in about 14 weeks and include the following:

- Topic 1 : Islam, its Worldview and Islamic Economics
- Topic 2 : Methodology of Islamic Economics
- Topic 3 : The Islamic Economic System
- Topic 4 : Allocation of Resources In An Islamic Economic System
- Topic 5 : Distribution
- Topic 6 : Issues in Islamic Financing : Riba, Contracts and Islamic Banking

For topics 3-6 of the course, articles written by writers (and occasionally critics) of Islamic economics who address the sub-topics and issues discussed are used as references. Most of the topics and sub-topics are known to students as they are topics in economics. For example, topic 3 discusses the characteristics of economic systems used in comparative systems textbooks. An attempt is made to situate the Islamic economic system vis-à-vis capitalism and socialism, while pointing out that all systems have their own underlying philosophical foundations and goals in terms of their meaning and means of achieving them. Topic 4 discusses consumption and production, focusing on the possibilities of different normative frameworks that govern the positive/technical side of decision-making. Topic 5 discusses distributive justice as seen by writers of Islamic economics and elaborates on goals of distribution and measures implemented to achieve distributive justice. Topic 6 very briefly surveys some important issues in Islamic banking and finance and is included in this course more for the business and accounting students who may not take other courses in Islamic economics.

As pointed out in the introductory class, Topics 1 and 2 are in actuality, the main topics of the course since they (and to a lesser extent topic 3) are the 'foundations' of economics. Any attempt of presenting alternatives to standard textbook economics discussions (in Topics 4, 5 and 6) can only be fruitful if these foundations are presented and understood in a meaningful and acceptable way that opens up the minds of students to the possibility of alternatives and to give arguments to support these alternative foundations. Students are encouraged to refer to the PAER as additional references in the course. What follows is a brief elaboration of Topics 1 and 2 in terms of 'what is covered' and 'how it is covered'. In presenting this, I have attempted to connect the discussion to issues found in alternative economics literature, especially in the PAER.

¹ While students are exposed to some 'Islamic perspective' in these two courses, it is very minimal as the emphasis is to provide the standard textbook economics to students. Any comparison and critique is provided in FIE, another course called Issues in Islamic Economics and to a lesser extent in the Intermediate courses in Microeconomics and Macroeconomics.

Islam, its Worldview and Islamic Economics.

Contemporary Islamic economics is presented as a 20th century response of Muslim societies to calls for indigenous solutions to their development problems since political independence beginning after World War II. Although some writers like Kuran² have traced the term Islamic economics to the 1940s, it was only in the 1970s that Islamic economics was officially born. Is there a rational basis for an Islamic economics? Topic 1 tries to present this rationale.

The course is based on the premise that no human endeavor is value-free. Economics in this case, is preceded by what Schumpeter (1954)³ calls a 'vision'. As far as the conceptual framework of economics is concerned, what needs to be done is to derive or "systematize" a certain economic vision within the overall worldview that will involve certain "core" economic related concepts in the overall worldview. This process of deriving an economic vision, made up of selected interrelated concepts, is "ideologically" based in the Schumpeterian sense, since choosing, and later ordering, defining and interpreting these concepts are undertaken within the overall worldview of the person doing it. While Schumpeter still considered this ideological element as something that needed to be "neutralized" through proper, universal methods of analysis, we do not agree that these elements are necessarily "bad" or that they can and should be neutralized. In this sense, we agree with Heilbroner (1988)⁴ who sees ideology as a part of economics since its "motivations are not only powerful, inescapable, but legitimate." Since alternative worldviews/ideologies exist, different economics are not only possible but, one can argue, natural and legitimate as well. In fact according to Heilbroner, without a vision or a "belief system" (ideology) there can be no economic analysis because there will be nothing to analyze. In this sense, economic analysis works within an ideology.

Hence, the universality of the western experience of economics, dominated by neoclassical economics today, cannot be accepted as a rule of law. This view is supported by J. S. Mill (1836)⁵:

Political economy, therefore, reasons from assumed premises which might be totally without foundation in fact, and which are not pretended to be universally in accordance with it.

Topic 1 tries to discuss the Islamic economic vision and tries to make comparisons to the standard neoclassical economic vision that underlies textbook economics. In this, much of the criticism used by alternative economics can be, and is, given as support for the position that alternative views of religion, man, nature, knowledge, aim in life and their implications for economic pursuits can lead to 'different economics'. For purpose of this paper, we will highlight the discussion on religion.

² Kuran, Timur, Islam and Mammon, Princeton University Press, 2004.

³ Schumpeter, J.A., History of Economic Analysis, 1961 Edition, London: George Allen and Unwin, 1954.

⁴ Heilbroner, Robert, Behind the Veil of Economics, Ontario: W.W. Norton and Company, 1988.

⁵ Mill, John Stuart, Essays on Some Unsettled Questions of Political Economy, 1948 Edition, London: London School of Economics and Political Science, 1836.

Religion and Economics

The very idea that religion can be a major influence in determining economic activities would be dismissed as incoherent, irrational and emotional by the majority of contemporary economists. This is primarily due to the historical experience of Western Europe with Christianity and the result of the secularization process that took place in Western Europe since the 17th century. However, as presented by some writers, this secularization process is very much a western European experience and may not be universally applicable⁶. In the religious perspective of Islam, human beings are asked to address secular pursuits i.e. to deal with the here and now. Hence ‘shunning this world’ was never a religious teaching for Muslims as it may have been to Christian Europe in the Middle ages.

However, the ideology of secularism that underlies much of contemporary science and western society today is more problematic. This ideology, if interpreted to mean that ‘only the here and now’ is relevant and even ‘real’, would not be acceptable to most religions and their adherents. Reference to a life hereafter, to matters that are not strictly observable or comprehensible to pure human reason, are irrelevant for economic decision-making in standard economic reasoning. However, if one believes in the ‘unobservable’, it has tremendous implications on what rational decisions mean. This ‘extended time-horizon’ would certainly affect the choice of individuals and societies in allocating scarce resources.

Religion for Muslims is not accepted as being a “human creation” of, or for, “infantile” man, but is a representation of a “way of life”. The term used to denote “religion” in Islam is *din* and does not limit itself to the personal rituals and faith/dogma as usually understood by the term religion. As mentioned by Watt (1979: 3–4)⁷, the term *din* refers more to a:

. . . whole way of life . . . covers both the private and public/societal lives of man, it permeates the whole fabric of society, and includes theological dogma, forms of worship, political theory and a detailed code of conduct, including even matters which the European would classify as hygiene or etiquette. . .

As far as Islam is concerned, it is argued that the concept of *din* provides an all-encompassing ethos for man, including that of economics. Religion is seen as a source of ethics for economic behavior. This seems to be at odds with the experience of western society. Even attempts at bridging the gap between religion and economics have ended up with more opponents than proponents. Other important elements of a worldview that are discussed in order to justify the possibility of an Islamic economics are the elements of man, nature and aim in life, since these have direct relevance for making comparisons to mainstream neoclassical economics.⁸

⁶ See Mircea Eliade, *Encyclopedia of Religions*, Vol. 12, 1987.

⁷ Watt, William Montgomery, *What is Islam?* (2nd Edition), London: Longman, 1979.

⁸ See Mohamed Aslam Haneef, ‘Islam, Its Worldview and Islamic Economics’, *IIUM Journal of Economics and Management*, Volume 5 No.1, 1997.

Man who is at once the vicegerent on earth and servant of God has to play the role of a trustee, utilizing nature for the benefit of humankind. Both these roles have to be lived simultaneously and any neglect of either one would not enable man to function as his true self. In fact as stated by Nasr (1990)⁹:

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

While these views are shared by other religious teachings, they have huge implications for ethical behavior. Motivation is both extrinsic and intrinsic¹⁰. Man is at once endowed with physical, intellectual and spiritual potentialities that must all be nurtured and developed. This acceptance of the spiritual aspect of man is of fundamental importance in the Islamic economic vision (and in other religious traditions) and has far reaching implications for the epistemology and methodology of Islamic economics and on human welfare and needs.

Nature is not seen as something that must be “overcome” or “conquered” in man’s pursuit for development in this world. It is, rather, a bounty from God that must be utilized in the “best way possible” for all. This “best way” could be interpreted differently by different scholars at different times and places while still being within the parameters set by the Islamic worldview and more specifically, the economic vision. This view of vicegerency, shares many commonalities with the Christian view of stewardship and even with some social economics views discussed in the PAER.

The primary aim of life for humans as described by Islam is to achieve happiness or *falah* (ultimate success). Man is urged to use the resources in this world to achieve success not only in this world, but in the next world as well. In the mould of Aristotelian ethics, one of the most prominent scholars in Islamic scholarship, Al-Ghazali (d. 1111), mentions four means to achieve this ultimate success: goods of the soul, goods of the body, external goods and divine grace. Material pursuits (wealth) would be considered external goods that are part of the provisions to achieve success provided it does not contradict the other categories especially the goods of the soul (faith and good character or knowledge and right action). The ethical imperatives of this requirement are again very profound. Justice is the observing of moderation in all things. All virtuous qualities of the soul are thought to stem from temperance and justice while selfishness/greed is not seen as a virtue.¹¹

⁹ Nasr, Seyyed Hossein, ‘Islam and the Environmental Crisis’, MAAS Journal of Islamic Science, No. 2, 1990.

¹⁰ See Goodwin, Neva/Nelson, Julie A./Ackerman, Frank/Weisskopf, Thomas, ‘A Post Autistic Introduction to Economic Behavior’, PAER Issue no. 28.

¹¹ There is an important distinction to be drawn between self-interest as defined by Adam Smith and selfishness that seems to be used synonymously today. The former may be considered a virtue. See Lux, Kenneth, Adam’s Smith’s Mistake- How a Moral Philosopher Invented Economics and Ended Morality, Boston: Shambala Publications, 1990.

Methodology of Economics: Is There Only One Scientific Method?

Topic 2 on methodology is probably the most difficult to teach as well as to receive (on the part of students). In Malaysian universities, this may be due to the type of secondary education system that focuses primarily on 'exams' and on the expectation that economics must deal with 'practical matters'. The author welcomes feedback from participants on whether similar problems are faced in other programmes and how they have been overcome.

First and foremost, it must be stressed that in Islam, knowledge is possible and that certainty, at the human level, is attainable. The central point of departure of Islamic epistemology from that of post 17th century Western Europe is in the prominence and centrality of revelation in the pursuit of economic knowledge. It is revelation that provides the foundation upon which the senses and intellect function. Thus in Islamic epistemology and I believe in other religious traditions, there is a higher authority than the senses and human reason that provides the stable "vertical axis" (the transcendent) to which the "horizontal axis" (efforts of humans) can refer to as a point of reference. This paradigm of knowledge sees human reason aided or rather *guided*, by revelation. As stated by Al-Ghazali, "prudence alone does not guarantee restraint and moderation and requires the aid of revelation." This proposition is at present considered "unscientific" in neoclassical economics. **Would it be accepted by those who promote 'pluralism' in approaches to studying economic phenomena?**

Islamic tradition accepts varying methods of scientific inquiry in accordance with the nature of the subject in question and modes of understanding that subject.

Muslim scientists, in their cultivation and development of the various sciences, have relied upon every avenue of knowledge open to man, from ratiocination and interpretation of sacred scriptures to observation and experimentation (Bakar, 1991: 15)¹²

Definitions, logical clarity and semantic analysis were some of the early disciplines that developed from this religious based scientific spirit. However, as stated by Bakar (1991),

(logic) was used extensively from the 11th century but did not lead to the kind of secular rationalism experienced in the west during the enlightenment and renaissance. Similarly, the empirical studies employed by Muslim scholars did not lead to the kind of empiricism in the west beginning with Roger Bacon. This was because reason was always linked to revelation and sense perception was never made the source and verification of all knowledge.

Outlines of an Islamic Economic Methodology

Methodology discusses the process of building models, developing theories, testing hypotheses, as well as establishing and using criteria to evaluate our process. It deals with theory appraisal, with standards and benchmarks that determine the authority of our 'scientific' statements. Islamic economics or any other religious based economics, just like

¹² Bakar, Osman, Tawhid and Science, Kuala Lumpur: Secretariat for Islamic Philosophy and Science/Nurin Enterprise, 1991. This view is also shared by some western scholars with their view of 'adequatio', i.e. different levels of being/knowledge require different modes or channels of knowing. See for example Maritain, J., The Degrees of Knowledge, London: G.Bles/The Centenary Press, 1937 and Schumacher, E.F., A Guide for the Perplexed, London: Jonathan Cape Ltd., 1977.

any other disciplines of study requires proper methodology to develop theories which then can be ‘verified’ or at least ‘not falsified yet’, by practice.

In Islamic economics (religious based economics), we have the central position of revelation (the Quran or the other holy books) as the ultimate authority. The challenge that is faced is how to use revelation, including reason and observation to develop Islamic economics. The Quran is not an economics textbook but it does provide guidelines and general principles to guide human beings in their economic life. This entails a process of ‘deriving’ the answers based on the sources and as agreed by all scholars, most of the economic applications will have to be derived, and is hence an intellectual effort.

From an epistemological perspective, Islamic economics was broadly defined as:
an approach to interpreting and solving man’s economic problems based on the values, norms, laws and institutions found in, and derived from all sources of knowledge.

These sources of knowledge include revelation, reason and the universe (observation) and must be used “appropriately.” Judging from the writings of contemporary writers on Islamic economics, there is no unanimously agreed upon formula as to how the sources will be interpreted and followed, especially in all details. It is a very scarcely written area. Priorities differ among schools and scholars, hence different economic views and policy prescriptions are potentially possible. Both deduction and induction are accepted methods of analysis in Islamic economics and this has never posed a methodological problem for Muslim scholars in the past. In this sense, pluralism has always been a part of Islamic scholarship.

Model/Theory Building

In building models/theory, the stages involved are as follows:

1. Establishing assumptions, relevant variables and their tentative relationship

- understand worldview
- Establish economic vision

This stage may happen ‘naturally’ as everyone has a worldview, even if they do not realize they have one. Also in today’s world, most starting points are not from zero but rather from past, accumulated work of previous scholars. In conventional economics, many scholars also accept the fact that all economic analysis has to start with a ‘vision’. The issue is what this vision is, its sources and how it is formed.

Revelation, being a legitimate source of knowledge, will certainly be a source of this vision and of modifying the vision. What revelation has to say about economic behavior and concepts including those related to man, nature, man’s relationship to nature and other humans, as well as those relating to consumption, production, distribution, finance etc. will form a preliminary conceptual framework of Islamic economics. This framework will have to be ‘systematized’ into principles, postulates, hypotheses, precepts and assumptions that will be investigated and validated or otherwise. As mentioned earlier, pluralism is natural since the interpretation of revelation

and the systematization process can still vary within the parameters set in Islamic scholarship.

For example, the prohibition of *riba*' in Islam has been interpreted in the mainstream to mean the prohibition of interest while others have seen it as the prohibition of "unearned gain," while others see this as the prohibition of "exploitation." If differences occur at the conceptual level, then certainly they would have significant implications at the policy level.¹³ Here again, one could easily see parallels in the spectrum of views in economics as propounded by alternative schools. It is quite clear from this example that while juristic interpretations are fundamental in developing Islamic economic thought and policy prescriptions, moral and ethical issues relating to "different possible interpretations" can and do vary within the spectrum of Islamic economic thought.

Works of past and present scholars would be referred to and the economic vision adequately modified. This stage is similar to how accumulated knowledge and 'authority' is dealt with in economics. Since no human being is infallible, all views of past and present scholars are subject to critical evaluation. Since in the last 400 years, Muslim scholars have generally not played a leading role in developing economics/science, critical interaction with modern economics, *with the full spectrum of views from both orthodox and heterodox schools* is called for. Just as the post autistic economics movement calls for a critical view of standard economics, so too would Islamic economics. It would be totally naive and unrealistic to believe that an Islamic perspective would have a unique view on every matter and issue from the whole range of western economics. *Selective assimilation* cannot be ruled out as a valid ingredient in economic theory building in Islam.

2. Establish principles, laws, assumptions, hypothesis, models i.e. the tentative theory (what should be: normative)

This step is found also in standard economic model/theory building. Based on the assumptions founded on the Islamic economic vision and after the vision is revised and modified, empirical studies would naturally constitute part of the process of developing an acceptable body of economic thought.

3. Test hypothesis and models i.e. empirical studies (what is: positive)

¹³ While the first interpretation would call for the abolition of interest rates as a fundamental requirement in an Islamic economic system, the second and third may neither consider it fully necessary, and definitely not sufficient, and would also require some form of structural reforms such as those involving land reforms and redistribution. While the first group may not disagree on structural reforms, they do not see it as proceeding from the verses on the prohibition of *riba*..

- If empirical tests verify (or do not falsify yet) the hypothesis, they are accepted and if repeatedly observed, they become ultimately the building blocs for theory. From an Islamic perspective, this step would also be acceptable.
- If empirical tests do not support the hypothesis, all aspects of steps 1-2 including the technical aspects of the survey etc, are rechecked. This would also be acceptable in Islamic economics. There would be a need to ensure that our assumptions, variables and their ‘intuitive’ relationships correctly reflect the economic vision. Since there should not be a contradiction between the position of revelation and that of sense-observation, this double-checking would be very important. If this review manages to solve the divergence, then the problem is solved.
- If after this review, there is still a divergence between the tentative theory and the practice observed, conventional economics moves to change theory to suit practice since ‘practice determines theory’.

For religious based economics’, sense experience does not provide the absolute proof for “truth.” In Islamic methodology, facts must be distinguished from truth. While “proofs” from sense experience have certain authority, in Islamic epistemology, secondary sources cannot escape the criteria and proofs from revelation. ‘Reality’ will include revelation. If ‘correct’ interpretation of “revelation” is established, i.e. the economic vision is correct (something that is prone to debate and difference of opinion), it could be equally possible that it should be the what is that undergoes change (via policy).

Section 2: Can There Be A Religious Based Economics?

From the preceding paragraphs, an affirmative answer has been put forward giving Islamic economics as a case study. Many may not agree with this and see it as unacceptable primarily from ontological and epistemological perspectives. This is very much due to the western European experience from which sciences that we know today have been developed and classified. The same may not be true in many parts of Latin America, Asia and Africa where religion is still a very important determinant of not only individual life but social/public life as well. If the 17th century witnessed the advent of the secularization process, the last quarter of the 20th century has seen events that have been termed the ‘unsecularization of the world’¹⁴. Even as far as the ‘Western’ world is concerned, the World Values Survey has shown the USA as not following strictly to the expected modernization/secularization model of development.

Therefore, trying to propose a religious-based economics as part of an alternative economics movement like the AHE needs more discussion/debate between economists and religious scholars. Some efforts in the past have been attempted.

¹⁴ Quote from Weigel in Huntington, Samuel, ‘Clash of Civilizations’, *Foreign Affairs*, no. 72, 1993. Also scholars like Peter Berger discuss this phenomena.

Brennan/Waterman (1994)¹⁵ report of a meeting between liberation theologians and economists with a few of the latter group known to have religious beliefs. They report that the meeting was one of ‘no engagement’ where members of the two groups were almost talking on ‘different wavelengths’. They conclude that ‘a useful distinction between economics and religion is possible- and indeed necessary, since economics was ‘freed from religion’ and had its own ‘rules’ since as far back as the late 19th Century¹⁶. In the second volume of the series, Dean/Waterman (1999)¹⁷ also viewed economics as ‘autonomous’ with regard to theology and saw as futile to talk of a ‘Christian’, ‘Islamic’ or ‘Atheist’ economics.

However, by no means was there unanimity in this view. Some like Dow¹⁸ argued that since economics dealt with human beings and human behavior, religion had a role to play in understanding the subject concerned. In fact, looking through the PAER and other alternative economics literature, many proponents of social economics (formerly described as Catholic economic thought by some) see the possibility of a religious based economics, albeit cautiously. Based on the overall evaluation of the limited references on the relationship between economics and religion (at least as far as the West is concerned), there seems to a preference to maintain separation. Rather, it seems to be easier to talk of ‘ethical economics’ rather than religious based economics in the West. Many like Charles Wilber¹⁹ state that since economists and economic actors have values and social institutions and society in general add ethical dimensions to supplement economic evaluations in society, ethics has to be part of economics.

This is certainly a possible way of finding common ground since proponents of religious based economics would cite religion as the source of ethics. Earlier writers like Sen (1987) had also pointed out while economics had two ‘origins’ i.e. ethics and ‘engineering’ (meaning the technical side), it has been the latter that has dominated. He argues, like many in PAER that economics had become impoverished due to this distance between ethics and economics. Again he suggests that economics can actually be ‘more productive’ by paying greater and more explicit attention to the ethical considerations that shape human behaviour and judgement.

In relation to the numerous petitions of students and academics calling for ‘reform’ in economics education, all call for pluralism. Could this pluralism include a religious based economics?

¹⁵ Brennan, H.Geoffrey/Waterman, A.M.C. (eds.), Economics and Religion: Are They Distinct?, AH Dordrecht: Kluwer Academic Publishers, 1994.

¹⁶ This liberation is even seen by some to go back to Adam Smith. For example Minowitz, Peter (1993), Profits, Priests and Princes- Adam Smith’s Emancipation of Economics from Politics and Religion, Stanford University Press.

¹⁷ Dean, James M./Waterman, A.M.C. (eds), Religion and Economics: Normative Social Theory, AH Dordrecht, Kluwer Academic Publishers, 1999.

¹⁸ See Brennan/Waterman above.

¹⁹ PAER, Issue no. 21.

Looking through the PAER, there seems to be divided opinions on the matter. Most proponents of alternative economics would agree with King (PAER, Issue no. 23) that there is not one, single and correct alternative to neoclassical economics. Many reasons are put forward. Human beings are complex, economics is complex, economic theories are time-specific or context based etc. However, it can also be agreed as stated by Hodgson (quoted in King, PAER issue no. 23) that being a proponent of pluralism does not mean support for ‘unqualified relativism’ and logical incoherence. There is indeed a need to ensure ‘logic, coherence and consistency’ in arguments.²⁰ Dow’s categorization of modified pluralism (King, PAER issue no. 23) is probably a good basis on which to proceed with our discourse on a religious based economics.

Worldview and theory of knowledge cannot be eradicated; yet recognition of differences at this level allows for reasoned debate over appraisal criteria and analysis of different methodologies (Dow, 1996: 45-46).

It would seem, at least in the western experience, that economics and theology/religion, speak different languages, have different goals and have different criteria to judge outcomes (Dean/Waterman, 1999). These differences can be acknowledged as indeed has been clear from much of the literature. However, for there to be any ‘reasoned debate’ by proponents of the two sides as proposed by Dow, there is a ‘need to have some common ground for differences’ (Brennan/Waterman, 1994, p.4). This may be a more difficult area to get agreement as seen by the views expressed in the two volumes mentioned earlier. This point is expressed in a different context by Davidson (PAER, Issue no. 24) who argues that there must be ‘one’ benchmark (Keynesian economics according to him) that acts as the foundation of all other alternative models.

The present writer does not see the problem of religious based economics being argued ‘rationally’. However, the criteria to judge this rationality may pose a problem for Davidson and others who have certain set views on this. The view that somehow a religious based economics (and its theories of human behavior) would be able to claim absolute authority is rejected in our view since theories are also a product of the human intellect as they have to undergo a process of theory/model building. Many of the natural constraints quoted by proponents of alternative economics would also be valid for religious based economics. As stated very clearly in Section 1 of the paper, Islamic economics can and has been presented as a ‘spectrum’ rather than a monolithic body of knowledge.²¹

Finally, proponents of alternative economics have consistently argued that neoclassical economics is all about a mythical creature called rational economic man. Numerous articles in the PAER have taken to task neoclassical economics for being oblivious to reality, i.e. to the practice of economics and to more

²⁰ See for example Cole, Ken/Cameron, John and Edwards, Chris, Why Economists Disagree: The Political Economy of Economics (2nd Edition), London: Longman, 1991.

²¹ See Mohamed Aslam Haneef, Contemporary Islamic Economic Thought: A Selective Comparative Analysis, Kuala Lumpur: Iqraq/S.A Majeed Publishers, 1995.

'holistic' explanations of human behaviour. If we accept this call to look at reality, to see economic behaviour and the way people in different societies perceive economic life and explain the factors that effect economic decision making, then certainly there is a case to accept the possibility of a religious based economics.

In many parts of Asia and Africa, religion is still seen as an important part of individual and social life of communities. This is certainly true for Muslim countries as diverse and pluralistic as Malaysia and Indonesia in Southeast Asia as well in the more central regions of the Muslim world. As stated by Stauth (1998)²², Islam seems to have entered a new position of 'relative centrality' that has become the motor of an 'Islamic' modernity. Alternative economics proponents must be aware of this fact.

Conclusion

This paper has attempted to put forward a case for religious based economics as part of the call for pluralism in the teaching and development of alternative economics. In many parts of the world, religion is still an important part of public life. Trying to understand and explain human economic behavior then must take into consideration this fact. While it is accepted that the economics that we inherit today is an economics that has been molded on the experiences of mainly Western European society, the vast spectrum of views found in economics can certainly be open to the possibility of a religious based economics. If the economics discipline, inclusive of all its diverse schools of thought, can break free from the constraints of seeing economics as a product of the 'European project of modernity' and if the proponents of pluralism can connect to the various alternative responses to the 'universality of western knowledge' thesis, heterodox economics could certainly accommodate a religious based economics. Referring to religion does not have to be seen as 'irrational' or backward. While we in no way are supporters of an unlimited 'anything goes' view, it must be equally unacceptable to insist that only certain views are within the ambit of 'economics', while more than two thirds of humanity may have a 'religious' orientation *and want to see this orientation in their way of understanding and practicing economics*. While we hope that this paper has tried to show that there can be a religious based economics, whether or not there *should be* a religious based economics is another, potentially more sensitive question that I leave to another occasion.

MAH
29 June 2005.

²² Stauth, Georg (Ed.), *Islam-Motoror Challenge of Modernity*, New Jersey: Transaction Publishers, Rutgers University, 1998, pp. 8-9.