

## **Islamic Economy and Its Relation with Economics**

**Alireza Rahimi Boroujerdi\***

### **Abstract**

The re-evaluation of the scientific method at the 20<sup>th</sup> century marked the inductive method as the scientific reasoning. In the contemporary science, the falsifiability plays an important role. Particularly, the science is considered to be a collection of proposition which describe the observational realities which can be falsify throughout the empirical experiments. Economics as a contemporary science uses the falsification to falsify its own propositions through experiments.

According to contemporary science, the Islamic economy on the other hand, is not categorized as sciences and does not possess scientific features. Furthermore, except for and prediction to study the human behaviour. In fact, economics comparative concepts, it presents a different methodology for the study of its propositions. In Islamic economy, there are fixed and changeable this economy to converse "what it is" to "what it ought to be" This system presents the best economic system according to human nature and divine rules and formulates the new concepts and principles. Comparative concepts of Islamic economy lack scientific qualities and explain the behavioral patterns that are based on premises.

**Keywords:** Islamic economic, economics, contemporary science - methodology of economics- comparative concept of Islamic economic- thesis of falsifiability.

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\*- Associate Professor Faculty of Economics- University of Tehran.

## Definition of Science

In the mid-nineteenth century in the west, the public conception of the philosophy of science included logical reasoning of manifest realities and the generalization of them. Such reasoning was done through induction. In a well-known treatise in 1965, Carl Hempel, and Peter Oppenheim, stated that scientific explanation possesses a general logical basis.<sup>1</sup> They believed that scientific explanation is synonymous with scientific prediction and the only difference between the two was that scientific explanation takes place after an event and scientific prediction before an event. In other words, explanation is prediction written reversely.

The thesis of symmetry has been condemned by many practitioners of economics. And this group believes that prediction does not need to mean explanation and that explanation will not mean prediction. Scientific explanation involves the description of objects and it is incapable of providing answers to 'whys'.<sup>2</sup>

## The Thesis of Refutability Criterion

Popper views the philosophy of science from a falsifiability perspective. He divides human knowledge into two groups: scientific and non-scientific. The 19<sup>th</sup> century scholars separated science from non-science through inductive method, believing that science started from empiricism and gained a general set of rules through observations and experiments by means of an inductive method. The inductive method faces many setbacks and has plagued many philosophers including Hume. One of the primary principles of Popper's scientific methodology rests on this rule that in the world of science, the logic of probation does not exist but the logic of falsifiability exists. Popper believes that science pertains to that part of eclectic premise concerning the real world which can be falsified at least in principle through empirical observations.<sup>3</sup> With this view in mind we can never claim that a certain premise is necessarily correct simply

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1 - Hempel, C.G. and P. Oppenheim, Studies in the logic of explanation, 1965, pp. 245-95.

2 - Blaug, Mark, The Methodology of Economics, 1983, pp. 4-7.

3 - Popper, Karl, The Logic of Scientific Discovery, 1965, pp. 113-115.

because it accepts realities (the probation of the correctness of premise because of realities). This means that we have committed the logical mistake of probation. We have committed a mistake in reasoning. Therefore, accepting the premises of realities does not imply the correctness of premises. It is logically correct to take the premises as proved but it is not logically right to predicate as proved.

From this viewpoint, science is recognised through perpetual falsification and through replacing it with the propositions that challenge falsifiability. Popper also believed that inductive reasoning was invalid and impossible and that induction was a sheer story. We cannot draw general inductions from a set of observations. That is why we have selected a set of observations from among countless observations and are dealing with a viewpoint which is per se a theory although it is impure. By means of inductive reasoning, we look at a set and achieve a single result on the basis of observations. Inductive reasoning is incapable of proving results because we do not have the total details in hand.<sup>1</sup> Some of the western thinkers believe that if we accept Popper's view implying that ((induction is a myth)), we have mistaken scientific methodology and the history of science. The history of science has the duty to explain the development of science regardless of judgment as it truly happened. He who accepts Popper's view he will have to deal with 'what ought to be' instead of 'what it is'. Therefore, Popper's methodology is normative methodology though some have erroneously called him a positivist.<sup>2</sup>

In "the Logic of Scientific Discovery", Popper introduces a set of rules whereby he can discriminate between science and non-science. His methodological rules can be summarised as follows:

- theories which can be thoroughly experimented must be used;
- 1- Rules must be used whereby one can experiment and falsify theories;
- 2- Only issues which are intrinsically testable should be defined in science;
- 3- Only that set of auxiliary hypotheses which may not reduce the degree of rejection or power of experimentation of theories but increase them can be used in theories;

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1- Popper, K. Conjectures and Refutations. The Growth of Scientific Knowledge, 1972b, pp. 257-9.

2- Black, M., Margins of Precision Essays in Logic and Language, 1970, pp. 137-9.



- 4- Auxiliary hypotheses should be applied to minimum in theories;
- 5- Experiments which are performed vis-à-vis counter-experiment can be verified or falsified;
- 7- New theories should include and explain old ones, and
- 8- When one theory is jeopardised one should not resort to conventionalism to save it.<sup>1</sup>

## Views of other Scholars

The aforementioned methodological rules and the thesis of falsifiability imply one premise. Other methodological rules are of importance to western scholars in the present age from among which mention may be made of Kuhn (He divides science into normal science and revolutionary science)<sup>2</sup>, Feyerabend (He concentrates on context of discovery and context of justification)<sup>3</sup>, and Lakatos (To study the methodological scientific premises, he introduces scientific research programs which consists of a set of mixed theories deriving from a common hard core. This hard core is circumvented by means of a protective belt of experimental theories)<sup>4</sup>. One of the most prominent critiques of Popper is Hutchison. At the centre of Hutchison's arguments is the notion that "all economic propositions can be exhaustively classified into either tautological proposition or empirical ones, the former being those that do not forbid any conceivable occurrence of states of the world and the latter those that do forbid at least some conceivable occurrence of those states."<sup>5</sup> "Hutchison's principal target of attack was apriorism in all its varieties, but in assailing the postulates of orthodox economics that were said by Mises and Robbins to be intuitively obvious, he overstated his case and so spoiled what might have been a decisive effort to reorient the methodology of interwar economics."<sup>6</sup> However, with

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1 - Popper, K. (1965), pp. 49-253.

2 - Kuhn, T.S., The structure of Scientific Revolutions, 1970, p. 182.

3- Feyerabend, P.K. Against Method. Outline of an Anarchistic Theory of Knowledge, 1975, Ch. 5 and 14.

4- Lakatos, I., The methodology of Scientific Research Programmes, 1978, pp. 93-4.

5- Hutchison, T. W. The significance and Basic Postulates of Economic Theory; 1965, p. 13.

6- Blaug, M. (1983), p.95.

regard to theories of recent philosophers, the theories of Popper are of paramount importance and his ideas have left a great impact on the works of many scholars in different scientific fields from among which economics is one.

It is noteworthy that there is no single methodology in the study of scientific methodological rules whereby one can study science. It may be no exaggeration saying that there are as many scientific methodologies as the number of philosophers in the present age and that no certain methodology can reach scientific certitude. Doubt in present theories and the falsification of them and the attempt to find and substitute modern theories mark contemporary science. Too, in contemporary science, one cannot find the logic of discovery and justification. In other words, in contemporary science one cannot regard any certain approach to justify, approve, research, falsify and verify. Even empirical knowledge (personal or pertaining to the whole human race) cannot be taken for granted. Contemporary science teaches us that there exists no certain approach to guarantee that the erroneous knowledge we have achieved of the world of realities is a best method in our study cases.<sup>1</sup>

### **Approaches to Natural Sciences and Social Sciences**

Sciences may be generally divided into hard sciences and soft sciences. As natural sciences deal with objects, they are known as hard sciences and as social sciences deal with men with free will, they are known as soft sciences. The borderline between natural sciences and social sciences is not precisely distinct. For instance, does medicine or geography fall into the category of natural sciences or social sciences? Although medicine deals with men, its research method tends towards natural sciences as it studies human behaviours. Geography may fall into any category.

In general, there are two views as to the approaches to scientific methods among natural philosophers. Most philosophers maintain that there is one single approach to all scientific theories and views in natural sciences and social sciences. Thus, they prescribe methodological individualism. According to this view, there is a dominant unity among sciences. Albeit, there is no doubt

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1 - Machlup, F. Methodology of Economics and other Social Sciences. 1978, pp. 315-32.



that the technique social sciences apply to analyse and research; differs from the technique applied in natural sciences. And as natural sciences conduct experiments in the laboratory, social sciences do not conduct experiments in the laboratories; rather they apply other approaches.<sup>1</sup>

In classification of contemporary sciences, natural sciences are called hard sciences and social sciences, soft sciences. Economics comparatively falls into the category of social sciences and is harder than other sciences in this category and softer compared to natural sciences. Therefore, as some part of economics deals with objects, falls into the category of hard sciences and as it studies the economic behaviours of men, falls into the category of social sciences. Economics is indisputably accepted as one of the contemporary sciences and to this effect, it has the characteristics of contemporary sciences. Most practitioners of economics claim that prediction is one of the prime goals and in fact the foundation of modern economics and modern economics does not have the task of explaining economic premises. Falsification of economic theories through repeated experiments and experience plays a dominant part in modern economics.<sup>2</sup>

### **Three Views on Economics**

Economists can be generally divided into three groups. Each group determines a particular view of economics in their own time.

#### ***A- Verificationists***

The first group can be introduced as verificationists of the 19<sup>th</sup> century and economists of modern Austrian school. This group does not question the verity of hypotheses but regard them as true. The methodology of modern Austrians is juxtaposed by scientific monism and methodological monism. Therefore, the views of human attitudes determine all attitudes including economic attitude. The methodological view of the first group rested on this point that economics was a system of pure deduction from a set of theories deriving from internal experiences which cannot be objectively studied and investigated. Frank Knite,

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1 - Popper, K., *The Poverty of Historicism*, 1957, pp. 130, 136.

2 - Blaug, M. (1983). P. 52.

an economist of this group, held that many economic issues are derived from internal experiences which cannot be experimented. According to Knite, facts in economics differ from the facts in natural sciences and economic issues cannot be studied and investigated through experience and experiments.<sup>1</sup> The 19<sup>th</sup> century verificationists held that economic issues derive from internal experiences and as was noted, hypotheses have verity before any experiments. It must be briefly stated that the methodology of this group is verification not falsification and in modern economics it had been accorded scant attention and many recent economists have been criticised.<sup>2</sup>

### ***B- Ultra-impressionists***

The second group of economists holds that in order to accept the verity of hypotheses one should experiment them. Therefore, their views are in contradiction with those of the first group who believed that the verity of hypotheses is primarily accepted. Percy and Hutchison are the proponents of this group. In "The Significance and Basic Postulates of Economic Theory", Hutchison divides the economic propositions into tautological and empirical. As we already stated above, he believes that tautological propositions do not falsify any of the conceivably objective propositions while empirical propositions reject some of these propositions. According to him, economic propositions are of tautological nature and economic propositions should be empirically experimentable. By virtue of this reason, some consider him a proponent of ultra-impressionism. Hutchison employs the theory of Popper's falsifiability criterion in his economical theories.<sup>3</sup>

### ***C-The Views of Friedman and his Colleagues***

Although the third group including Friedman, Samuelson, and Machlup believe that economic propositions have no prime verity, they have taken on a

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1- Knight, F., "The significance and Basic postulates of Economic Theory", Journal of Political Economy , 49, 1941, pp.7-12.

2 - Dolan, E.G., The Foundation of Modern Austrian Economics, 1976, pp. 5-8, 19-51.

3- Hutchison, T. W., The significance and Basic Postulates of Economic Theory; 1938, 1965, pp. 10-19, 26-7, 126, 156.

defensive measure towards economics. The views of Friedman, an outstanding figure in this group can be summarised as follows:

- 1- Propositions do not make theories look valid. There is no need for the oppositions to have any verity but if they lack truth, it would be a positive advantage;
- 2- Theories include the simplification of reality;
- 3- Standardized theories have a brilliant background in prediction, and
- 4- Competition dynamics is regarded as one of the important factors of prediction

It should be pointed out that one can reach through deduction from assumptions to hypotheses. And by aid of experiments, one can prove hypotheses and change to theory. Friedman believes that what is of importance is that a hypothesis may be descriptively wrong in its assumption. Therefore, the belief in the lack of a proposition is not a reason for a theory to be wrong and what is of great significance is that a theory can deal with prediction. Briefly, Friedman believes that economics has no other task but prediction. On the other hand, when a hypothesis is constantly used, and is long accepted and no better alternative has been proposed for it, it's an indirect evidence for the validity of that proposition.<sup>1</sup>

The methodology of Friedman has been accepted by many modern economists but it should be kept in mind that the economists of this group do not thoroughly agree with each other on that score and have different views on different issues. For instance, Friedman and Machlup are not of the same opinion on the empirical experiments of theories.<sup>2</sup>

What has been mentioned above is a short synopsis of the methodology of economics. From the emergence of economics in the west, two types of economics have been considered by the economists: Positive economics and normative economics which view economics from two different angles and each one of them has succeeded in obtaining advocates. We shall continue with each one of the approaches towards economical issues.

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1 - Friedman, M., *Essays in positive Economics*, 1953, pp. 8-9, 13-16.

2 - Machlup, (1978), p. 145.



## Positive Economics

On the one hand, economics studies facts and seeks to discover and predict objective realities and on the other hand, it attempts to establish an economical system and offer practical advice. In other words, economics in practice studies facts through scientific tools and in value judgments; it deals with the dos and don'ts. Positive economics seeks to discover and predict the facts of the objective world. In plain language, the issues of positive economics are materially right or wrong and seek to explain something outside the objective world how it is and on what mechanism it has come into existence. For instance, positive economics seeks to say if a demand for a goods changes, how the price, use and production of it will be.<sup>1</sup>

The issues of positive economics are not generally influenced by personal tastes and feelings and only seek to elucidate the relationship between phenomena in nature and the cause-effect relationship. It should be pointed out that natural phenomena are not solely objects and in this classification involve human behaviors as well. It may have been this reason why Robbins defines economics this way, "Economics involves a science which studies human behaviors like the relationship between terminal factors which have alternative uses."<sup>2</sup>

In 1953, Friedman in his famous essay entitled the "Methodology of Positive Economics" writes; Positive economics is basically independent of any ethical position or normative judgment. As Keynes says, Positive economics deals with "what is" not with "what should be". It seeks to provide a general system in order to be used for proper prediction concerning the results of any kind of change in states. Positive economics is briefly an objective reality or it can be so. According to him, the ultimate goal of positive economics is to expand and develop a theory or proposition which can deal with the prediction of what has not already existed. Therefore, as the natural sciences seek to discover and predict, positive economics has the same function and it not only

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1 - Nagel, E., The Structure of Science. Problems in the Logic of Scientific Explanation, 1961, pp. 492-5.

2 - Robbins, L., An Essay on the Nature and Significance of Economic Science, 1935. p.7.

explains facts but it should also be able to discover them and deal with the prediction of them.<sup>1</sup>

According to this view, positive economics though welcomed by some economists has been criticized by others as well. In his famous article “the Rhetoric of Economics”, Donald McClosky rejects Friedman’s views and holds that the thesis of falsifiability criterion is not convincing and in economics, prediction is impossible. According to him, the methodology of contemporary science (already touched upon) is an undesirable method for science and economics and holds that economics is metaphorical.<sup>2</sup> In general, prediction and explanation are the two goals of economics and to achieve this goal, empirical analysis is a necessity. Although to attain this goal in economics, a mix of theory analysis and empirical research is used, they are essentially one and the same. Theoretical analysis draws on deductive reasoning by virtue of which results are achieved from a set of prime assumptions while empirical studies draw on inductive method. According to economists, these two methods complement each other because they are theories that guide empirical studies and empirical studies can provide theoretical hypotheses and results whereby a practitioner of economics will be enabled to discover and predict new economic findings.

According to positive economics, there is one methodological monism and Friedman believes as Popper does that, the methodology of social sciences – positive economics and natural sciences- is one and the same. Secondly, according to this view, theories with power of prediction should be put to judgment and only real observations can demonstrate that a certain theory has been verified or falsified. Real observations cannot seek to prove a theory and are incapable of rejecting or falsifying a theory. If the prediction for a theory is contradicted, they say that the theory is rejected and according to Friedman, the only touchstone for a proposition is comparing its prediction with its empiricism.<sup>3</sup>

Senior was one of the economists who divided economics into positive and normative. According to him, positive economics which is purely scientific

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1- Friedman, M., Essays in positive Economics, 1953, p. 57

2- McClosky, D., “The Rhetoric of Economics”, Journals of Economics Lit, 21, 1983, p.12.

3 - Friedman, M., Essays in positive Economics, 1953. pp. 8-9.



relies on some general rules deriving from human observations and consciousness and everyone can accept that they have been familiar with them. Pure scientific quality of positive economics has been accepted by many economists such as Mill, Keynes, and a little minority claim that economics does not tend towards positive economics but views it from a normative perspective.<sup>1</sup> It must be pointed out that normative economics is intimately associated with positive economics and the methodology of both is one and the same.

### **Normative Economics**

Normative economics deals with the values of objective world and studies 'what ought to be and what ought not to be'. Normative economist seeks to confirm, refute, praise or blaspheme the economic methods and issues and in general, clarifies the policy of economic system and makes plans for it. Normative economics had been studied from different angles and everyone has studied it from his own point of view.<sup>2</sup> David Hume held that we cannot possibly deduct 'what ought to be' from 'what it is'. In other words, descriptive and real issues cannot possibly prescribe the principles of ethical issues and systematic methods. Hume's conception of positive and normative was that in contemporary science, there is a logical distance between the area of realities and the realm of values whereas values in contemporary science are not independent of realities and both have a single method and that normative science is closely associated to positive science.<sup>3</sup> Although the technique of positive science and normative science differs from each other, the issues of positive science are resolved by external evidence and observations and issues of normative science are made manifest through mental activities and feelings. However, it must be born in mind that both sciences have one root and rely on one single opinion.

In contemporary science, 'what ought to be', 'and what ought not to be' systematic methods and ethical instructions are considered political when they are determined by the legislators and social experts. And these differ from divine

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1 - Blaug, M. (1983), p.129.

2 - Black, M., *Margins of Precision Essays in Logic and Language*, 1970, p.24.

3 - Ibid.



laws and religious commands. 'what ought to be' and what ought not to be' are fabricated by human mind and are formulated based on a set of social rules and conventions which in most cases contradict with religious commands. And they are formulated with the sole purpose of satisfying the human desires and material needs. And any time he wants he can change them and substitute human laws. Thus, with the change of positive science and the refutation of scientific theories and substituting them with new scientific theories, normative science undergoes change and as Black puts it in *Margins of Precision*, he influences 'what ought to be' extremely and the opinions that we have depend on a set of real opinions. For example, a value judgment generally relies on constant sanction of execution but if there is any certain evidence that is considered an impediment for the potential criminal, will you be of your first opinion? He concludes that value judgments are inseparably associated with sciences and as a rule, sciences; social sciences in particular should not be separated from value judgments.<sup>1</sup>

Value judgments are manifest in economics. For instance, market economics claims that people are completely free in their expenditure and revenues. Or the government should reduce to minimum its interferences in economic affairs or suffer greater inflation to reduce unemployment and all these are a set of value judgments which are in one way or another associated with positive economics. Friedman states, "Normative economics cannot be independent of positive economics and the outcome of any economic manner necessarily depends on the prediction of the selection of the best alternative which relies on positive economics. Therefore, normative economics is not separate from economics and although positive economics is not the outcome of normative economics, normative economics is definitely derived from positive economics.

In that sense we can argue that Islamic economics is not normative economics. The classification of economics in contemporary science relies on the continuation of a view that human beings obtained of contemporary science. Basically, in the study of positive or normative sciences there is no place for religious values and whatever has not derived from the human mind has not

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1 - Ibid.

validity or originality. It is true that normative economics speaks of values and passes judgment on values but it should be born in mind that the values of normative economics are human values and their value judgments rely on humanism and they cannot be paralleled with divine values and cannot suffice to the common classification of Islamic economics.

## **What is the Relationship between Economics and Islamic Economics?**

Considering the previous arguments, the answer to this question becomes easier and clearer.

1- Apart from *((comparative concepts))* which will be studied later, Islamic economy lacks the characteristics of economics; therefore, it is not scientific in the modern sense of the word. Sometimes in the language and works of Islamic scholars and jurists, the term economics is seen in Islam, perhaps their conception of science is the body of knowledge and general information concerning economy in Islam rather than what modern scholars interpret of contemporary science. Like economics, Islamic economy has not the quality of falsifiability criterion and if it is not supposedly materialized under particular circumstances, those circumstances should be obliterated and conditions as prescribed by Islam should be provided; otherwise the Islamic *((constant concepts and principles))* can never be changed or refuted.

2- As Islamic economy is not a science, one cannot consider the dichotomy of positive or normative economics for it. Islamic economy as interpreted by contemporary science, is not normative economics or the economy of 'what ought to be' or 'what ought not to be'. As was mentioned before, the methodology of positive economics and normative economics or the economics of 'what ought to be' is one and the same. And the latter is closely associated with the former. The method of Islamic economy differs from the methodology of positive and normative economics and as interpreted by contemporary science, it has no scientific basis, lacks scientific characteristics and thus does not fall into one category.

3- Like other Islamic issues, Islamic economy enjoys a set of:

*a: ((unchangeable principles and concepts))*. Unchangeable principles involve principles elucidated in the holy Koran, hadiths and Islamic laws. And with the passage of time and the changing of environment and conditions they



do not change. In other words, “what is halal for Muhammad (pbu) will be halal unto doomsday and what haram (what is proscribed by Islam) is for Muhammad (pbu) will be haram until doomsday. Therefore, unchangeable principles and laws such as usury and its sanction, tax and paying Islamic taxes, commerce and satisfaction in commerce can be directly derived and understood from the Islamic laws. Another group, are those:

**((b: changeable laws and principles))** which cannot be directly understood from the Islamic laws and principles. And the Islamic researchers can discover them through Islamic principles and laws. For example, while zakat is an unchangeable Islamic law, its boundaries are not clearly clear. And the Islamic legislator has the duty of determining it through Islamic principles. In this respect the researcher should not let his personal feelings and tastes influence in legislation and should not accord attention to the ill-founded ideas which are not accepted by religion. Rather, he should strive to formulate laws and principles in accordance with Islamic laws and principles (ijtehad). The last group pertains the:

**((c: comparative concepts))** of Islamic economy. The reason for this is that the concepts belonging to previous group and deriving from Islamic ijtehad, is that one should believe that while researchers may make different interpretations of the Islamic laws, there are laws and principles of reach of their conduct in the Islamic shariah and jurisprudence and the researcher may formulate his principles by taking recourse to those law and principles. In that context, the laws and principles which are derived from the holy Koran are fixed and two researchers on one single issue by taking recourse to two or more Islamic sources, they can make their final interpretation. For example, in the above-mentioned instance, to determine zakat dynamically or statically is derived from two groups of traditions and religious proofs. And each group can take recourse to a set of traditions and hadiths to drawn conclusions. In general, through the concepts belonging to previous group (**changeable laws and principles**), the researcher can indirectly introduce the Islamic economic system through the present Islamic laws whereas the **comparative concepts** lack such qualities and to determine or formulate them, one can hardly take recourse to religious evidence. On the basis of Islamic laws, it is said that, the law in commerce is truth unless the corruption of that dealing may come to light. Thus the Islamic researcher can study those laws and principles which are unpredicted in the



Islamic shariah and jurisprudence however, due to temporal position and human needs, and making the wheels of economy go round the need for them is felt. ***Therefore, the dealings which are not proposed in Islamic jurisprudence if they correspond to the general Islamic laws; and do not terminate in corruption and in general do not contradict the spirit of Islamic laws they should be formulated so effectively that they may answer the temporal needs of mankind.*** In other words, the researcher can strive to explain the economic paradigms in accordance with the Islamic laws. This is one of the important issues which have been accorded scant attention by the Islamic ulama and Muslim experts. Considering the rich cultural background and the present Islamic economical laws which have mingled with the soul of Islam and rely on the strong ethical rules, and the developing economics, the Muslim economists will be able to build the strongest economic paradigm and thus, render themselves needless of the foreign economic systems which contradict the Islamic teachings.

4- Muslim ulama interpret science differently from modern scholars. In defining science, the Muslim scholars have stated, "science is a form which derives from reason out of an object". And concerning the scientific issue they state, "Each science involves that which science speaks of innate accidents. Islam regards the acquisition of it as a religious obligation", and "the acquisition of science is incumbent upon every Muslim." Here, the implication is not that science is studied from an Islamic point of view and this point is only taken into granted that the interpretation of the Muslim scholars of science differs from the interpretation of the modern scholars of science; Islamic sciences -including Islamic economy-lack the characteristics of contemporary sciences.

In introducing the ***comparative concepts*** I was stated that economics can be used as a means in the hands of Muslim scholar and the issues not touched upon in juristic books should be studied and investigated. At this point, a relationship crops up between Islamic economy and economics. And this is only in the comparative concepts. If one can design the comparative concepts of Islamic economy in a way that they may possess scientific qualities and the Muslim researcher can annul them through considering Islamic shariah and discover newer concepts, he has not only opened a new chapter in Islamic economy which is accepted by Islamic shariah but also the dynamism and constancy of

Islamic economy and its movement along time will be preserved. This point is an issue which needs to be taken into minute and precise consideration.

Shahid Bagher Sadr regards a scientific-scholastic dichotomy for Islamic economy. In defining economic schools and Islamic economy, he states, "economic school involves the method of solving of scientific-economic problems which are somehow followed somewhere." And "economics is a science which interprets economic phenomena and explains their relationship with each other." And the difference between these two involves the idea that an economic school involves laws and regulations which are associated with social justice and a science involves any idea or view which interprets a reality from economic life regardless of its relation with pre-thought ideals or justice-seeking ideals.<sup>1</sup>

In this respect, Dr Kazem Sadr shows in his studies, "The school of Islamic economy" is discovered from the study of views and fatwas of fuqaha and other Islamic sources. And the Islamic economy is created from the use of scientific method for studying economic phenomena in an Islamic community provided that the questions under study are derived from scientific views used in Islamic economy.<sup>2</sup> At any rate, the value and intellectual backdrop of the Islamic economy is its school. The issue of Islamic economy school becomes manifest from what they say of its science and involves the presentation of issues under study for the Islamic economy. *This article believes that changeable and unchangeable principles of Islamic economy lack scientific quality and by virtue of this reason, we said that Islamic economy is not science. However, comparative concepts of Islamic economy which rely on the postulates (these postulates are in their own way non-refutable and become evident through the school of Islamic economy and through the issuing of fatwas) can possess scientific characteristics.* The task of the economist is to devise behaviorist paradigms of the comparative concepts of Islamic economy. These paradigms have the quality of falsifiability criterion and if they do not correspond with the objective conditions of a society, the economist can devise his own new

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1 - Sadr, M.B., Islam and School of Economics, 1980.

2 - Sadr, K., Research Methods in Islamic Economy., 1990



paradigm by cutting off some of the paradigm variables and the increasing of new variables.

5- In view of *((changeable))*, *((unchangeable)) principles and ((comparative)) concepts*, Islamic economy is associated with ethics. The ethical bond determines man's attitude towards property and wealth, production, distribution, use and commerce. From an Islamic point of view, wealth and properties are but trial and man can increase his righteous works through the proper use of them and provide for him the food for resurrection day. Allah states, "The wealth and children are but a trial, and with Allah is a mighty wage. (The Sura of Taghabon, verse 15) Wealth and children are the ornament of this present life. But the things that last and good deeds, are better with your Lord in reward and hope." (The Sura of Kahf, verse 46) To the group who misuse their property Allah states, "Those who disbelieve spend their wealth to bar (others) from the Path of Allah. They will spend it; but it will become regret for them, then they will be overcome. The unbelievers shall be gathered in Gehenna". (The Sura of Anfal, verse 36).

In the story of Koran, Allah states the question of property and wealth, "Korah was one of Moses' nations. But he was insolent to them, for we had given him such treasures that their very keys were too heavy a burden for even the strong. His people said to him: 'Do not exult; Allah does not love the boastful. But seek, in that which Allah has given you to attain the Everlasting residence. Do not forget your share in this world. Do well, as Allah has been good to you, and do not corrupt in the land, Allah does not love those who corrupt. But he replied: 'What was given me is only because of the knowledge I possess.' Did he not know that from the generations before him Allah had destroyed a mightier and more numerous in multitudes? The sinners shall not be questioned about their sins. So he went out in all his finery among his nation, those who desired this life said: 'Would that we had the like of that Koran has been given! He has indeed a mighty fortune.' But those to whom knowledge had been given said: 'Alas for you! Better is the reward of Allah for him who believes and does good works; but none shall receive it except the patient.' We caused the earth to swallow him, together with his dwelling, and there was no host to help him, other than Allah; and he was not amongst the victorious. And in the morning those who had wished to be in his place the previous evening said: 'Indeed, Allah outspreads to whom He will among His worshipers, and He



restrains. Had He not shown us favour, He could have caused the earth to swallow us. Indeed, the unbelievers shall never prosper.” In the sura of Tawbah, Allah talks about those whose sole goal is to store up wealth and property, “.... who in falsehood defraud people of their possessions and bar people from the Path of Allah. Give glad tidings of a painful punishment to those who treasure gold and silver and do not spend it in the Way of Allah. On that Day they (the treasures) will be heated in the fire of Gehenna (Hell), and their foreheads, sides, and backs will be branded with them, and told: ‘These are the things which you have treasured. Taste then that which you were treasuring!’

Imam Sadegh states, “he who in practice does not desire to accumulate legitimate wealth to satisfy his desires, will mete out a mighty punishment” The holy Prophet says, “Material contentment is a suitable opportunity for virtue. Lord, increase our bread and let there be no gap between us and bread because when there is not bread, we will not pray, fast and observe other obligations.’ Someone said to Imam Sadegh, “I swear by God that we crave for the world and would like to attain it.” Imam answered, “What do you want to do?” He said, “I want myself and my family to live in comfort, and go on hajj.” Imam said, “What you said is not craving for the world. These are cravings for the hereafter.” Imam Bagher said, “The world is a good opportunity to go to hereafter.” The holy prophet said, ‘gold and jewels put you in the vortex of fall whereas the people before you went into it.” Imam Sadegh said, “The remotest time between the servant and his Lord is when he is attentive to his passion and appetite.” From all these verses and traditions, it is concluded:

1- The accumulation of wealth and the use of legitimate blessings should be paid attention to by the Muslims. However, they should know that the accumulation of wealth is not the goal but a means to come closer to God to serving people.

2- Properties are but the trial of people. And if someone becomes arrogant by it and treads on the path of tyranny the Lord will burn him in the fire provide the properties and wealth he has accumulated.

3- Therefore, material needlessness is the only opportunity which the Lord grants the virtuous people. And while he satisfies the needs of himself and his family, he helps the needy and performs the tasks placed upon his shoulders as best as possible and pays attention to the service of people. Thus, it is observed that the Islamic school encourages people to accumulate wealth and at the same

time pay attention to ethical principles and use them to develop human values. The ethical bond between Islamic economy and wealth and property enables man to build an ideal system corresponding to his human nature and on the basis of divine laws and use all material to achieve this goal.

### **The Relationship of Ethics with Fixed principles, Concepts and Comparative Concepts**

The inseparable bond of ethics with principles and unchangeable concepts and comparative concepts in the Islamic economy, is of paramount importance and in formulating comparative concepts or interpreting the unchangeable principles the Muslim economists should not justify that set of social realities which stand in contradiction with the spirit of Islam and defend them in the form of terms, words or expressions. For instance, usury, an exorbitant amount of money in excess of the legal money is variable which plays an important part in economic transactions. And in fact, it is the vital vein of economy of investment. In economics, usury has a positive relation with income and saving but a negative relation with demand for money and in controlling inflation and unemployment it can have a vital role. At all events, Islam regards usury as haram (illegitimate) and states that it is a war against Allah and his messenger (Sura of Baghara, verse 279) because it believes that usury disturbs the social balance and causes the increase of poverty and the emergence of mental and physical diseases among the usurers and those who accept usury; they are like those who have been led astray by the devil.

### **The Relationship of Islamic Economy with “what is’ and “what ought to be”**

Some believe that economics speaks concerning what it is and Islamic economy discusses concerning what ought to be. Regarding what was said in previous parts, we are of the opinion that Islamic economy has the capacity to discuss concerning what it is and what it should be but it keeps close many theories and concepts and constantly strives to discover issues that have not been discussed in jurisprudence and shariah and the discovery of them can contribute greatly to the economic system of Islam. However, in this search Islamic economy uses its particular method to formulate comparative concepts and



rejects that set of variables which contradict the spirit of Islam and links those that correspond with the shariah of Islam through an ethical bond.

Here, it may be asked about this Koranic verse, "This day I have perfected your religion for you and completed My favour to you. I have approved Islam to be your religion." And the holy prophet states, "whatever draws you near paradise and keeps aloof from Gehenna I have commanded and whatever draws you to the fire of hell and keeps aloof from paradise I have enjoined. Even the scratch made by someone in another body I have proclaimed the decree."

*Comparative concepts* as interpreted in this article are redundant and if they prove essential to Islam and Islamic economy, it would have been suggested by Islam as the decree for scratch made into someone's body has been made clear. As a rule, Islam has talked about any act. To solve this problem, one can say:

1-This concept does not address those fixed principles which exist in the Islamic shariah and can be derived directly or indirectly by means of ijtehad through understanding the principles from the holy Koran and hadiths but those real and scientific concepts which do not exist in Islamic discussions but can be applied by the Islamic economic system.<sup>1</sup> It does not naturally discuss scientific refutable concepts and theories but can include within its value system those scientific concepts which do not contradict the spirit of Islam and can formulate rules for them by aid of fixed and changeable principles.

When Ma'az ibn Jabal goes to Yemen represented by the holy prophet, the holy prophet says, "what evidence do you use when you want to judge?" he answers, 'Koranic verses'. He asks, 'what if you won't obtain any verses concerning the judgment you want to pass?' he answers, 'I judge by those hadiths I have heard from you.' He asks, 'what if you haven't heard a hadith relevant to that matter?' he answers, 'I use ijtehad, namely I derive the decree through the Koranic hadiths and those I have heard from you.'

The holy prophet (S.A) became elated and said, "thanks be to Allah who has guided the messenger of the prophet to a path satisfactory to him."

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1- If one says, 'Islam is not a scientific school, the idea is that the conditions and principles (including falsifiability theorem) which govern sciences (characteristics of modern science and their comparison with the Islamic economy in previous pages), they do not govern shariah. For example, the interest rate may be tested via falsifiability theorem; however, usury is always condemned in the Islamic shariah.



The following hadith though about ijtehad and changeable concepts, one can use it as a basis for comparative concepts in the way that comparative concepts of Islamic economy should not be such to contradict hadiths as there is a saying from the innocent imams, "we shall elucidate the principles and rules for you so that you may derive other principles and decrees from them". Ibn Rushd states, 'what happens among people is unlimited while the actions and words of the holy prophet are limited and it is impossible to answer the finite with the infinite.' In this regard Ahmad Mustafa Mutanahi states, 'the principles and words in the holy book are finite and also what happens is finite. So in order to derive the principles concerning new events and transactions in Islamic fiqh there is no way but to use ijtehad. Islam offers principles for all concepts which exist in the Islamic value system or that set of rules which are within the realm of science. Thus, there is no problem or issue which Islam fails to resolve. ***Therefore, we label these concepts as comparative concepts.***

Islamic economy can offer principles for those principles which have not been clearly in Islamic sources and include them in its economic system. Therefore, the ijtehad done here on the part of the Muslim practitioner of economy should correspond with Koranic principles and hadiths and should not contradict the Islamic shariah. It should also be based on deduction.

The correspondence of scientific concepts with Islamic rules and generals can enrich Islamic fiqh; render it dynamic, living and progressing. One of the masters quite from Avicenna, 'what happens to human beings is infinite and the principles of Islam are finite. The principles of Islam are not changeable according to Islam nor are they realities which are among the principles of human life and sets up a true plan. That is why ijtehad is a necessity in fiqh. Here, we do not mean to strike Islam with science but we intend to say that applying science to Islamic principles and ethics can resolve many human problems and if science is not used with the aforementioned conditions, can increase human problems. **Therefore, the researcher can plan and lay down appropriate patterns for the economy of his country on the basis of postulates or the perfect recognition of social, cultural, and political variables.**

In 'Brief Survey of the Principles of Islamic Economy' Shahid Mutahari quotes from the late Seyyed Kazem Yazdi and others, 'is it necessary that any transaction should be in one of books on fiqh and at the same time may not be in

any of the books on fiqh?' the answer is that we do not see any reasons that any transaction should be in one of the books on fiqh. We do not have any right to monopoly but fiqhi principles contain the most common ones. We have a general set of rules or information and any transaction conducted on this basis is correct unless in particular cases.<sup>1</sup> Thus, the principle in any transaction is correctness of the transaction. This idea is sometimes elucidated this way, 'the principle in transactions is correctness unless the corruption of the transaction is proved.' The holy Koran sheds light on this principle, 'O believers, conduct transactions based on principles.' Considering the above statement, the significance of comparative concepts is once again reinforced.

Some believe that the principles of Islamic economy rely on economics. In this respect, Shahid Musa Sadr states in his book entitled 'Economics and the Islamic School', "Although economics is nowadays considered a most important science in social science, it is a completely newly-fledged science the principles of which have been formulated during the past five or six centuries ago. Therefore, when we talk of Islamic economy, we mean those principles and rules which rest on the most reliable principles of this science without any mention of this science in this holy religion." If the master intends to say that some of principles of Islamic economy rely on economics which we have named comparative concepts, then he has spoken for us. However, one can hardly admit that all principles of Islamic economy rest on economics because these two are of two different issues and we have elucidated the difference between economics and Islamic economy in previous parts.

In corresponding scientific principles with the Islamic value systems, there are different viewpoints. In 'Brief Survey of the Principles of Islamic Economy' Shahid Mutahari states concerning formulating a proper economic system, "Economic relations are of two types: one set of natural rules and principles governing human relations which derive from the causality of objects and similar to rules governing nature of which empirical sciences speak (positive economics) another type of economic relations is the conventional relation whence the laws pertaining to rights and personal or common possessiveness ,

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1 - Mutahari, M., A Brief Survey of the Principles of Islamic Economy, 1982.



justice and exploitation are spoken about (normative economics) the economic system proposed for a society should always correspond to any of these types. Of the primary conditions of a proper economic system, is the correspondence of it to the principles of positive economics which guarantee the economic health of the society. The principles of normative economics cannot and should not contradict the primary principles of positive economics because the death and decline of economy will be inevitable in the society.”<sup>1</sup>

We have talked about positive and normative economics before. In this part we just suffice to say the correspondence of positive concepts or scientific theories with the normative principles or school values are of paramount importance. And a healthy economic system should not ignore this fact. Comparative concepts are of subtle importance in Islamic economy and the researcher should not only have a powerful scientific background but should be able to derive his personal understanding of the principles of the Koran and hadiths and should have recourse to the opinions of the experts in ijtehad so that he may not fall into pitfalls and may not wrongly interpret his surroundings and realities which are contrary to Islam.

## Summary

This paper may be summarised as follows: Until the mid-nineteenth century, the western scholars formulated scientific theories through deductive method; however, this method was re-evaluated in the early twentieth century and the ‘hypothesis of inductive method based on scientific reasoning’ was taken into consideration.

The hypothesis of falsifiability criterion plays an important role in contemporary science and on the basis of this hypothesis; science applies to that part of eclectic issue about the real world which can basically be refuted through empirical observations. In other words, the theories lacking quality of falsifiability criterion are not to be considered scientific.

The hypothesis of methodological monism applies to logical monism in sciences which scientific theories, natural or social, apply to refute or prove

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1 - Ibid.

them. In other words, natural and social sciences possess a scientific monism and utilise a single methodology to study their own theories.

Economics, as one of contemporary sciences, deals with men and objects and possess the features of contemporary science. The hypothesis of falsifiability criterion and predictability performs a vital role in economics. Economics tends to refute its own theories through recurrent experiments and empiricism.

Economics strives to study 'what is' and discover and predict the realities of objective world on the one hand (positive economics) and on the other, it follows an economic policy in order to establish an economic system and present practical descriptions (normative economics). Normative economics is derived from positive economics.

As interpreted by contemporary science, Islamic economy is not scientific and but in comparative concepts, it lacks scientific features and presents a different methodology for the study of its principles. ***In Islamic economy, there are three types of concepts: 1- fixed concepts and principles; 2- Changeable concepts and principles, and 3- Comparative concepts.***

on the basis of this principle 'principle is true in transactions unless the corruption of a transaction becomes manifest', **economic concepts which do not exist in fiqhi books but are essential to the society, are formulated according to hypothesis of comparative concepts and thus applied in Islamic economy.**

The main task of Muslim university instructors is to accord attention to these concepts.

The ethical bond of Islam with fixed concepts and principles and comparative economic concepts fortify the pillars of the Islamic society and gives strength to economic system of Islam, bars tyranny and rebellion, dries up the roots of exploitation and gives each individual his dues.

with the acceptance of the hypothesis of comparative concepts, Islamic economy is enabled to debate concerning 'what it is' and 'what it ought to be', to present the best economic system in accordance with human nature and divine commands and to formulate new concepts and theories and/or to switch them to its use or make them correspond with Islamic generals and ethics. Corresponding scientific concepts with Islamic rules by the Muslim economist can enrich fiqh and render it vital, dynamic and progressive and move it simultaneous with time. Thus, it can direct changeable human needs into the proper channel.



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