



## Islamic Solutions for Behavioral Problems in Economy

Mustafa Ercan Kılıç<sup>a</sup>, Mehmet Çanakçı<sup>b,\*</sup>

a. Department of Economics, Inonu University, Malatya, Turkey

b. Department of Public Finance, Inonu University, Malatya, Turkey

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### Abstract

Since late 19<sup>th</sup> century social sciences have been stuck within the deterministic views of natural sciences. Getting further away from the real nature of human being, social sciences have been explaining the imaginary world of the scientists. In economics, homo economicus plays the leading role in the imaginary world of economists. However, recently this dream world of economists has been greatly distressed with the development of behavioral economics. Behavioral economics has opened the door for real world investigations not only for economics but also for other social science disciplines. So today is the right time to talk about the reality of religion and economics. In fact, for defending an idea, generally the righteousness of the time is more important than the righteousness of the idea itself. This study is prepared in order to make emphasis on the complementary relationship between religion and science in broad terms but specifically between Islam and economics. With a historical point of view, this study bases the main idea on three hypotheses from three books. First book is Frank M. Turner's European Intellectual History. Second hypothesis is depended on the Tomas Sedlacek's Economics of Good and Evil. Last but not least book is the Fukuyama's End of History and the Last Man. At the final part of the study, based on these three hypotheses, there will be suggested Islamic solutions for behavioral problems in economics.

**Keywords:** Islamic Economy, Homo Economicus, Behavioral Economics, Tyhmos, Neoclassical.

**JEL Classification:** A12, A13, D9, E12, E13.

### Introduction

For human beings, science is a tool to understand the universe and to make it better place to live. When people think about science, generally physics, chemistry, math or that sort of disciplines are coming to minds. These disciplines are often characterized as simple, precise, undoubted and objective. Researches in these disciplines are conducted for relatively material or physical things (like molecules, elements and atoms) in the universe. On the other hand, social sciences (as a second type of science) deal with humans (but not physically) which are not trustable creatures in term of scientific investigation as human beings are usually speculative, manipulative, irrational... So social sciences are relatively sophisticated, value-based (subjective) and skeptical.

Economics is a type of social sciences. So it is expected to analyze humans and human relations. Furthermore, it should be qualified as doubtful and complicated; for instance, Adam Smith, in *Wealth of Nations*, classifies the wages of professions according to their moral gaining or loss as well as their physical difficulties. He states that some professions like entertainers or actors earn more money because it is dishonorable, shameful. So the extra money they get is the return for their honor and other moral values. On the other side military professions earn less money as they are honorable, respectable and more (Smith, 1937).

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\*. Corresponding author email: mehmet.canakci@inonu.edu.tr

These explanations are not objective or straightforward. People with different attitude can easily oppose to these and may not accept. However, as the positivism had become popular in science, economists began to formalize the economics like math and physics. Having derived these formulas, unrealistic assumptions had to be made to simplify the complexity of real life. Although making simple models is an essential tool in science and mostly in inductive investigations, scientists should be meticulous while extending the outputs of simple models. So as economists had become more model-based researchers, economics as a discipline had diverged from reality. And as economics had departed from reality, it had lost problem-solving characteristics. Unfortunately, as the years passed and all the efforts and lives were contributed to this area, now it has become extraordinary difficult in the world of economists to confess that most of these work have been unnecessary efforts.

Social sciences are generally good at determining problems but not much successful in generating solutions. Maybe it is about the complex structure of human beings. It is also possible that social sciences evaluate human beings from the wrong perspective. Otherwise humans are incapable of understanding human being. This study suggests that the real problem lies in the scientists' misunderstanding of universe and religion. Most of the scientists believe in evolution and they think this universe, earth and all living creatures come into existence in million and million years by coincidence or nature itself has provided the entire creatures or everything has happened automatically by self-working. So this kind of scientists does not think about the fourth choice that there is one creator with infinite power, knowledge and will who organizes and creates all the things although it is the only reasonable and rational choice. For that reason, they cannot join science and religion in their mind and that's why they think about religion to be nonscientific.

After all, science has not existed for fun but it exists to solve daily problems and to make the life easier. In fact, the critical question is not whether economics is on the right way or not. The main question is "Is economics capable of solving real life economic problems?" Behavioral economics is supposed to solve these problems but at the end of the day most of the problems continue to exist. In this study the answers to these kinds of questions are intended to be discussed. Besides, religion as an institution is to be suggested to help to solve these problems.

In behavioral economics literature, Islamic studies has been increasing in recent times. Part of these studies deal with contradictory structures of capitalism and Islam. Generally, the target people of these studies are Muslim people (Cowan, 2018; Furqani, 2017; Laeheem; 2018). These studies try to analyze Islamic societies and submit recommendations for individuals and governmental institutions in these societies. However, target of this study is not only Muslim people but also the whole World people whoever concern with behavioral problems in economics.

Following the introduction, in the second part a brief history of economic thought in mainstream economics will be explained. Then in the subsequent part, behavioral problems in a conceptual framework will be described. In the fourth part, behavioral solutions with real world examples will be criticized. After that the general idea of this study will be explained on the account of three hypotheses derived from three books. Finally, Islamic solutions for behavioral problems will be explained in a theoretical framework. In the conclusion, the study will be summarized and criticized.

### **Economics Returns to Its Origins**

In the ancient times of mainstream economics, it is clear that humans had once been at the center of debates. Adam Smith, David Ricardo, John Baptiste Say, John Stuart Mill had mostly talked about human beings as an economic actor. These people are generally called

Classical Economists. In the works of these economists the common perspective is humans are not perfect and make mistakes repeatedly. Moreover, markets are not perfect and there is no perfect knowledge. Also economics is not independent of politics, history, sociology or psychology. Actually all social disciplines once had been called literature. However, in these ancient times almost all scientists had been under the illusion of the “holy physics”. This holiness had affected all other disciplines in terms of developing law-based, model-based mathematical and precise research methods. Especially economists who are called “Neo-classics” like Walras, Pareto, Marshall, Samuelson, Solow had tried to visualize or measure “econs” with a simple graph or formula (Thaler and Ganser, 2015). Finally, the area of “Econometrics” gave rise to this idea producing some more assumptions.

First Keynes and Keynesians struggled with this neoclassical utopia but not succeeded in the long run. Then with the second half of the 20<sup>th</sup> century the neoclassical view is distressed by a new movement called “behavioral economics”. Differed from neoclassical economists, behavioral economists were trying to see humans as humans; irrational (bounded rationality), biased, unpredictable, ignorant. This movement was worked out slowly but deeply. First Herbert Simon, then Kahneman and Tversky and later Thaler and the others appeared one by one. Especially after the 2008 global economic recession this movement got popular among economists and governments.

As Richard Thaler mentioned “Can there be a science of economics that is not behavioral?”. The answer to that question may be it depends. Well, If the necessary assumptions are made, behaviors would not have to be considered. In the world of “econs”, depending on rationality assumption, economic decisions are easy to take, economic choices are easy to make and all these decisions and choices easy to analyze and visualize. Why should economists think about human behaviors in a perfect world? However, in real life there are no assumptions. People do not behave in a predictable path. People are able to behave rationally seldom. Even what is rationality is also a difficult question to answer. So when there are no assumptions what will happen? Without assumptions there are always problems. In the real world people makes systematic errors, wrong estimations, imperfect plans, disproportionate decisions and so on so forth. On the account of these explanations, in the next part some behavioral economics concepts will be defined.

## Review of the Literature and Conceptual Framework

As mentioned above, economic theories are generally based on the assumption of homo economicus (**HE**). What is homo economicus (**HE**)? HE is a rational man pursuing his interest. What else? HE is consistent, choose more to less. Moreover, HE can measure and maximize his utility. HE has the perfect knowledge for the market and so on. Making choices is a daily routine for HE. This is the world of “econs” as Thaler called. Efficient markets are always reaching equilibrium point in the long run. Invisible hand eliminates all the deficiencies. Perfect distribution of income and everyone in the economy is fully satisfied. So there occurs a perfect market system consisting of perfect people. Under these circumstances it is easy to develop an economic theory or to make a graphical visualization of the market as it works like a machine. However, humans are far from being perfect. Humans are full of limits, controversies, complexities. This is why behavioral economics is important. It concentrates on the real-life economy and economic actors. Behavioral economics aims to discover structural problems in the economy and produce satisfactory and straightforward solutions. Below some faults and imperfections are explained which behavioral economists introduced in recent years:

**Bounded Rationality:** Herbert Simon claims that humans have limits in every aspect. As a normal human being, people have limited capacity and limited knowledge (Simon, 1982).

People generally are inconsistent and cannot calculate personal utility levels. People are looking for personal interest but generally cannot identify the better choice. For these reasons humans are different from economics.

**Bias:** Additional to bounded rationality, humans are not only made up of minds. But people have emotions, feelings too. So this complexity results in volatilities in behaviors. These volatilities make people generally biased from the desired goal. Below there are some types of biases people usually experience;

- *Cognitive bias* occurs because people use the most available information in mind and usually think about representative models(Ariely, 2008),
- *Action bias* occurs because believing in action, people are expected to move instead of being passive (Patt and Zeckhauser, 2000),
- *Status quo bias* occurs because of preferring staying in the same position and not taking responsibility for adverse outcomes (Samuelson and Zeckhauser, 1988),
- *Ratio bias* occurs because people are not successful using math in daily life especially if it is about ratios or proportions(Burson et al., 2009),
- *Projection bias* occurs because people believe in stability of the same position in terms of tastes and preferences (Loewenstein et al., 2003),
- *Confirmation bias* occurs because people tend to collect information which supports self-beliefs and self-attitudes (Nickerson, 1998).

**Dual-system theory:** Kahneman divides the brain system into two parts. Calling them System 1 and System 2, Kahneman specifies System 1 as automatic, intuitive, fast and energy-saving and System 2 as analytic, controlled, slow, and exhausting. So based on these properties people generally tend to use System 1 in daily life. People do not want to use System 2 if it is not an emergency. Because of that characteristic, people usually make the wrong decision in many aspects of life (Kahneman, 2011).

**Choice overload:** Under a free market system as the competition gets tighter, more and more new brands of goods and services are developed and put up for sale. As mentioned above although making a choice is not easy for human beings, this outnumbering types of goods and services turn the situation into a paradox (Schwartz, 2004).

**Loss Aversion:** People affected more from losses than from gaining. In other words, the happiness stems from gaining something that does not compensate for the distress or annoyance caused by losing it. That's why people often are risk-averse if it is about to lose something. On the contrary people behave as risk-seeking if it is about to gain more (Kahneman and Tversky, 1979).

**Hedonic Adaptation:** After reaching some commodity or promotion or any other thing which raises the standard of life, people get used to these things in the long run. That means the satisfaction provided by these things decreases as time passes (Law of diminishing marginal utility). For this reason, people generally undervalue things or opportunities in the long run (Frederick and Loewenstein, 1999).

**Overconfidence:** People tend to overestimate the self-abilities or self-efforts. People generally think about themselves as cleverer, more hardworking or more helpful than the others. Such overconfidence makes people to do a lot of mistakes during lifetime. They somehow become blind to even elementary realities (Moore and Healy, 2008).

**Incentive:** In free-market system one of the most significant issues is the efficiency. Efficiency is important for workers, for entrepreneurs, for government workers, for all society. Money is used generally as an incentive tool to get high efficiency. However, experiments have shown that the money-effect on motivating people is exaggerated. Its effect on efficiency is very short-lived. Money has many negative effects on the performances and morality of people in the long run (Fehr and Falk, 2002).

**Honesty:** For a sustainable social life honesty is a sine qua non. People can live together

as long as they can trust each other. This trust level can vary among societies but in every society there is an essential minimum trust level that enables people to live together. Just behind politics, the economy is one of the most problematic area that people can easily lie to each other or cheat others. Generally, problems occur due to the different business life from private life. For instance, there are quite enough people who are as straight as a pin in private life but turns into a monster in business and can say ten lies in one sentence. Also, as social norms continue to lose significance at this rate, people will lie or cheat more easily in the very future (Mazar and Ariely, 2006).

**Economic Bubbles:** As it is well-known that the free-market system, from the beginning has experienced a lot of economic crises. Most depressive of these crises have resulted from economic bubbles. Among these bubbles, The Dutch Tulip Mania(17<sup>th</sup> century), The South Sea Bubble(18<sup>th</sup> century), The British "Railway Mania" Bubble (19<sup>th</sup> century), Great Depression(20<sup>th</sup> century) are the most influential and widespread ones. As a last but not the least, 2008 global recession is a kind of real estate bubble. Above mentioned behavioral fallacies and some others are getting together like snowballs generate an avalanche and constitute an economic bubble which causes great economic recessions or depressions (Fisher, 2014; Shiller, 2015).

Apart from these there are many other determining problems like decision fatigue (Vohs et al., 2008), decoy effect (Bateman, 2008), halo effect (Nisbett and Wilson, 1977; Chandon and Wansink, 2007), IKEA effect (Kruger et al., 2004; Norton et al. 2012; Sarstedt et al., 2017; Marsh et al., 2018), information avoidance (Golman et al. , 2017), the pain of paying (Zellermayer, 1996; Prelec and Loewenstein, 1998), ratio bias (Kirkpatrick and Epstein, 1992; Burson et al., 2009), take-the-best (Gigerenzer and Goldstein, 1996; Gigerenzer and Gaissmaier, 2011; Graefe and Armstrong, 2012; Pachur and Marinello, 2013). However, this will extend the general objective of this paper. For this reason, just the most popular problems have been explained.

In this part up to this point some of the important findings of behavioral economics are explained. But there is one important missing part. In medicine it is said that the correct diagnosis is the half part of the treatment, but only if the right treatment is known. So although behavioral economics discovered so many structural malfunctioning issues in the economy, these issues still wait to be fixed up. Can behavioral economics sufficient enough to find out the ways to overcome these problems? Can “nudging” people will be enough for this repair? Or should economists seek for the help in some other areas? In the following parts first the past behavioral trials will be explained and then possible Islamic solutions will be emphasized.

### **Solutions of Behavioral Economists: NUDGE**

As mentioned in the introduction part the main goal of the science is to make the world a better place to live. Behavioral economics has opened a path to the reality but there is still a long distance to the ultimate goal. The question is “How can people prevent or minimize these behavioral problems?”. With the beginning of 21<sup>st</sup> century, first in the UK the need for an institution (to work on behavioral problems and to develop measures to prevent malfunctioning of the economy) was mentioned seriously. Then in 2010, in the UK the first Nudge Unit in the world, called The Behavioral Insights Team (BIT), was founded. The aim of this unit generating behavioral insights to inform the government in developing policy, to improve public services and to improve public welfare. After the success of UK, this kind of units has been founded in many countries (<https://www.bi.team/>).

In the book “Nudge” (2008), Thaler and Sunstein tell about the policies which were designed by Nudge Units and applied by governments in solving behavioral problems in

multiple areas. For instance, Personal Pension System (PPS) was not very popular in most of the societies. After some investigation it is realized that the problem is more about procedures. In the previous attempts government had been asking whether you wanted to enroll in PPS or not. Then if you wanted to enroll, you had to carry out some procedures or you did nothing if you do not want. However, it is understood now that people do not take actions against default options as they are lazy and uncertain (At this point abovementioned concepts can be reviewed like Status quo bias, Confirmation bias or Dual-system theory). So by changing default options (choice architecture) the problem was solved partly (Samson, 2014). Now the government registers everyone to PPS and says if a person wants to get out of the system he/she has to fulfill the necessary instructions. After this little change in default options, the proportion of people in PPS has increased significantly. This is called NUDGE<sup>1</sup> which shortly means without taking the freedom of choice from people and just making little changes, desirable results can be reached. In the book there are more examples of organ donation, savings, traffic rules and so on. But these nudging applications are generally macro policies and mostly procedural. In other words, governments do not nudge people in micro dimension and they do not affect the individual thoughts and beliefs. So the effect of these nudges usually contemporary and still distant from the targeted levels. Besides, these policies related to only a small number of people's lives. So there is still a big gap for people to make a lot of behavioral mistakes. How can governments fill this gap? Can any government find a solution to each behavioral problem?

## Religious Approach for Behavioral Problems

### *Three Books, Three Hypotheses*

In this part, three researchers will be evaluated in terms of their books. Each book has progressed a unique perspective that supports the general idea of this study. From each perspective, a new hypothesis is generated to develop the basis for religious approach.

**Hypothesis-1:** Science does not contradict with religion. On the contrary there is a strong relation between two institutions.

Frank M. Turner, in his book of European Intellectual History, is trying to explain turning points in the world of science on the account of famous historical figures. He, in many parts of the book, emphasize on the thoughts of Jean-Jacques Rousseau. Turner tells Rousseau had claimed that modernity should build up a modern religion in order to sustain social harmony. In other words, Rousseau had said that any society can live in peace without religious background. According to Turner, Rousseau had not opposed the existence of religion but only the misbehaving of priests and the church. That's why Rousseau had supported a secular religion in which people can live by their free will. Here the important point is not the structure of Rousseau's dream for secular religion but the unavoidable need for religion at least from the perspective of Rousseau. Turner claims that Rousseau is the most influential thinkers of the Enlightenment period of Europe. Many philosophers, who had been influenced by Rousseau like Hegel, Marks, Weber tried to develop a "secular religion" for the people of future. So a general idea from Turner's inferences can be derived that science or scientists do not conflict with religion but they just try to develop a religion of science.

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1. The expansion of NUDGE is:

- iNcentives
- Understand mappings
- Defaults
- Give feedback
- Expect error
- Structure complex choices (Thaler and Sunstein, 2008)

**Hypothesis-2:** Economics do not contradict with religion. On the contrary there is a strong relation between two institutions.

Thomas Sedlacek, in his book of Economics of Good and Evil, is paraphrasing the history of economics with an unusual story. From the beginning till the end of the book he put emphasis on the point that the development of economics had always been related with definition of good and evil. For instance, at the ancient Greek times earning money had generally been regarded as an inferior and a disgusting job which should be done by slaves or by ordinary people. On the other hand, at the times of Adam Smith entrepreneurship was regarded as a respectful or a skillful job which can be done by talented, brave people. Second example can be given from personal interest. In most of the times in history, selfishness had always been accepted as an evil behavior and ostracized from society. However, many Enlightenment philosophers like Mandeville supported selfishness (even some other more disgusting behaviors) for the supposed contribution on self-motivation. So Sedlacek argues that capitalism towered over the new definition of good and evil. Sedlacek also claim that religions are the original resources for the classification of good and evil. For Sedlacek, posterior philosophical approaches have been the renewal interpretations of religious norms and values. For this reason, today's economic system is not only inherited from the studies of economists but also from religions. At the final part of the book, Sedlacek complaining about mathematical evolution of the science of economics in recent times because math does not explain which is good and which is evil. So in conclusion the book suggests that economics cannot find the right path without the guidance of religions.

**Hypothesis-3:** Solving problem needs a strong will and a strong motivation. Individuals can become strong-willed and self-motivated persons by the help of religion.

Francis Fukuyama's *The End of History and the Last Man* is regarded one of the most respected book that has been written in social sciences in the last quarter. Fukuyama as a political scientist is trying to find an answer for the question of whether liberal democracy is the best system for societies or not. While clarifying the events, ideas and interrelations among these, one of the main influences of Fukuyama is the thoughts of Hegel. Fukuyama counts Hegel as one of the earliest systematic historian. He refers to Hegel for using "Thymos" as a standard for human activities throughout the history. Thymos as a concept originated by Plato of Ancient Greek. The concept "Thymos" means the desire for recognition or acceptance. "Thymos" here refers to the whole spiritual wants and needs. Hegel claims (As Fukuyama says) that thymos is the most powerful motivation that lies behind the (almost whole) activities of humanity. For this reason, Hegel tries to interpret historical events in this framework. Fukuyama also believes that thymos is an important factor to explain human behaviors. Fukuyama, in his book, supports the idea that liberal democracy is the best political system for humanity. However, he also justifies that in this best system humans are far from being satisfied. Although people in liberal democracy owns many human rights, enjoy freedom and consume as much as they can, they do not seem to be pleased or grateful in general. For Fukuyama, this controversial situation is related with thymos. Fukuyama hold the view that people can only show enthusiasm or eagerness when they work on behalf of thymos. But in liberal democracy thymos is useless because of freedom and equality. People cannot impose their thoughts of beliefs on others. So at this point it can be inferred that humanity who live in liberal democracy do have only one choice: being satisfied under the shadow of religion. Specially in Islam people can intentionally do anything on behalf of thymos. Faith in God keep all the dissatisfactions away in terms of thymos because God sees everything in a timeless and a placeless way. So everything a person does have compensation both at the moment and in the future. In addition, everything an individual does have a reflection for acceptance of God. All these explanations are important in terms of solving behavioral problems. As abovementioned, although nudging

people is an efficient tool in many aspects, it is not sufficient enough to maintain the motivation and extend the affection to the society.

### *Islamic Solutions*

In this part of the study some Islamic norms and values will be matched up with behavioral problems which are specified in the literature, but before going into details it is necessary to revisit three hypotheses explained previously. So, first hypothesis discredits the prejudices of science world against religion. Second hypothesis claims to reshape the thoughts of economists about the relationship between religion and economics. Third hypothesis tries to enlighten problematic areas in economy by analyzing the structure of human beings.

A creature cannot know himself better than the Creator or a computer cannot know itself better than the inventor. For this reason, religions are most valuable guides for humanity. Furthermore, Islam is differed from other divine religions in terms of comprehensiveness. For instance, in Christianity only general rules are defined like importance of being honest or merciful to other people. However, in Islam rules in every aspects of life are well defined and right and wrong are clearly departed from each other. In addition, there is no guarantee for any Muslim to go to heaven. So there is an eternal risk in making choices.

Islam has many sources of guidance in making right choice. Firstly, the holy book Qur'an divides goods and services as Halal (permissible) and Haram (forbidden). So this division lowers the list of choices and prevents the paradox of choice due to choice overload, at least for some level. Then the Qur'an advises the optimal way of behaving in every aspect of life but also in economy. For instance, "eat the halal, the good and the pure among the things Allah send (Maide 5/88)", "eat and drink but not waste (A'raf 7/31)", "when they spend they don't bias to extravagancy or meanness. Their spending would be balanced between the two (Furkan 25/67)". Then a person with a bounded rationality does not have to make huge estimations to maximize utility because it is not just about material things.

Additionally, Prophet Muhammad (peace be upon him) is a role model for Muslims. The Sunnah of Muhammad (peace be upon him) consists of the states, behaviors and phrases in his whole life. So making a choice is easy for Muslim in daily life if he follows the Sunnah. As Sunnah is full of the most optimal behaviors, a Muslim can avoid all the biases. Furthermore, hadiths (phrases of The Prophet) warns Muslims against extreme states and behaviors. As extreme economic behaviors result in economic bubbles, guidance of the Prophet will protect economies from bubbles. Under these circumstances for a person using System 1 will not be a problem as his thoughts and beliefs are guided by Qur'an and The Sunnah.

In the light of the Qur'an and The Sunnah, Muslims know that the religion is social ethics. Moreover, being honest is comes at the beginning of social ethics. Also a Muslim knows that Allah commands people to thank for every beauty, food and drink. So a thankful Muslim will not fall into hedonic adaptation trap as he knows that he/she does not deserve anything but Allah who is the Rich and the Generous donates all the thing he has.

A Muslim believes that Allah is the real owner of everything in the universe. So he will not get stressed because of a loss of any material thing but only loss of his belief. On the account of this view loss aversion is not valid for a Muslim. Or The Qur'an and The Sunnah tell Muslims that a human being is full of weakness, poverty and failure. So overconfidence is nothing but foolishness for a Muslim.

These are some examples of the extensiveness of Islam. One another important point to mention is that for a true believer Allah sees everything he does and from birth till death every second of a person's life is recorded. If he chooses the right option, he will be rewarded in eternal life or if vice versa he will be punished. This belief constitutes a strong motivation in daily life and no other incentive is needed to motivate a Muslim.



Islam sees this world as a contemporary place that is built up for the examination of people. This examination has two possible results for the afterlife; Infinite Happiness or Infinite Regret. So this belief affects a person deeply and this affection continues for all his lifetime. Then this is the most important difference between religious affection and government policy. Government policies are macro dimensional and has limited and temporary effects on people. On the other hand, religion, especially Islam, is micro dimensional and has deep and continuous effects on people.

Islam can help solving behavioral problems at least for Muslims. Islam tells that this world is created for examination to diversify good and bad from each other. So making a choice in daily life is much more serious for a Muslim than for any other individual.

The economy is one of the most controversial areas in human history. So why don't governments implement Islamic understanding in daily life? Is this idea against science? Science is nothing but the discovery of the laws by which Allah creates, organizes this world.

## Conclusion

For a long, long time society has been complaining about the economic system and economic behaviors. In the macro dimension, the economic system is characterized as manipulative, speculative, aggressive and unstable. So people are generally worried about the future of the system. Similarly, in the micro dimension people are suffering from cheating, inconsistencies, lack of self-control, unpredictable behaviors. However, in mainstream economics, both in the micro and macro dimensions, the system works accurately and efficiently. At least it is assumed to be in this way. Only some externalities are accepted as minor problems. For this reason, the reality of the economy continues to be problematic in variety of issues. As people get used to the situation nobody talks about problems. This situation is only realized at the time crises or recessions. Behavioral economics was able to break down this dramatic situation. Undermining the old and unrealistic assumptions and proving the deficiencies of the system and economic actors, behavioral economics now tries to develop solutions for predictable problems. However, as time passed, it has become clear that behavioral economics cannot accommodate with the solution part of the situation but only partial and temporary corrections. So, at this point behavioral economics need complementary and supporting mechanisms to succeed.

The authors of this study suggest that religion is the necessary institution to organize behavioral remedies. So to convince economists, three hypotheses from three books are formed. With first hypothesis, the aim is to destroy prejudices of scientists against religion. Second hypothesis enables to show the historical transactions between religion and economics. Third hypothesis enables to show the necessity of religion for human beings in order to sustain interior stability. So from outer layer to interior this study tries to widen the interaction path from religion to science, specifically to economics and particularly to behavioral economics. In society some people mostly believe in science and some people mostly believe in religion. So altogether (science and religion) they can build a great atmosphere to live in by working out behavioral problems.

The second point is that if Islam has these solutions for economies one can ask why Muslim countries are at the bottom of the list of significant economies. One reason can be the divergence of Muslims from Islam. The other reason can be the materialism which affected the entire world but also Muslims. Today Muslims mostly have lost the sincerity and spirit for Islam.

Last but not least is the failure of this study. In this study, the relation between religion and economics is taken theoretically. But in the age of positivism there should be some empirical results that support the general idea of the study. So maybe in the following works some quantitative proofs may be added to strengthen the general idea of this study.

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