

Understanding the difference between right and wrong is central to understanding human behavior, since this knowledge is built into the human soul. Nonetheless, modern economics completely ignores this difference, pretend to be value-free and objective, while incorporating values which are un-Islamic. The most fundamental and central difference between conventional economics and Third Generation Islamic Economics lies in the vastly different specification of the purpose of our lives. Conventional economics confidently asserts that all rational human beings live for the sole purpose of maximizing the utility they derive from lifetime consumption. The Quran (79:38-40) teaches us the opposite lesson:

(For him who) preferred the life of this world, blazing fire will truly be the goal! -- But unto him who shall have stood in fear of his Lord's Presence, and held back his inner self from base desires, paradise will truly be the goal!

There is a clear opposition between those who fear their Lord, and abstain from pursuing the vain desires, and the economists, who counsel the opposite course of action. The Quran also describes the behavior of human beings who ignore the guidance from Allah, compete with each other for an illusory success (Quran 57:20).

Know that the life of this world is but amusement and diversion and adornment and boasting to one another and competition in increase of wealth and children ... And what is the worldly life except the enjoyment of delusion.

The human heart is a battleground between good and evil, and economics and Islam are on opposite ends of the spectrum in this battle. While Islam counsels us to see the life of this world as the enjoyment of a delusion, so that we should abstain from our base desires, and pursue higher goals, economics tell us that rational behavior involves attempting to fulfill all our desires, regardless of their origin. For instance, Samuelson and Nordhaus (1989, p. 26) state that economists "must reckon with consumer wants and needs whether they are genuine or contrived". Similarly, Stigler and Becker (1977) state that "Tastes are the unchallengeable axioms of a man's behavior". This is obviously un-acceptable from an Islamic point of view, which differentiates between our genuine needs and vain desires, and encourages the fulfillment of one but discourages wasteful, excessive and extravagant consumption on the other.

6 RADICAL METHODOLOGICAL DIFFERENCES

We have already addressed some of the methodological differences between Islamic approach and the standard conventional economic methodology. Standard Western methodology in economics is grounded in the mis-understanding of science created by logical positivism; for a detailed explanation of this, see my paper on "Logical Positivism and Islamic Economics". Briefly, for our present purposes, economic methodology is based on consideration only of the observables, and ignores unobservable. Since norms are ideals for which we strive, they are not manifest as observations. As a result, economists believe that normative statements are not scientific, and cannot be part of economic theory.

6.1 REJECTING THE NORMATIVE/POSITIVE DISTINCTION

This is major misconception about the nature of science, and also about the nature of economic theory, which is inherently normative, and cannot avoid the utilization of normative principles in the

formulation of theories. As a result of the contradiction between the declared principles of avoiding normative statements, and the practical necessity of utilizing norms, economists are forced to hide the normative implications of economic theories, and present moral judgments as if they were objective facts. For a detailed discussion, see my paper on “The Normative Foundations of Scarcity”, which explains how three different normative judgments have been hidden in the framework, which presents scarcity as an objective and fundamental principle of economics.

In any social science, instead of looking only at observables as per Western methodology, we must look both at the unobservable normative principles which men utilize as ideals, and also the actual behaviors which are observable, and may not be in line with the stated ideals and purposes. This simultaneous consideration of the normative and the positive must be central to an Islamic methodology for the humanities. Observable Human action is guided by unobservable ideals, even though it may not be able to achieve them. We cannot understand human behavior without taking both the ideals and the reality of the observed behavior into consideration.

6.2 THE TRANSFORMATIVE STRUGGLE FOR THE GOOD

The normative/positive distinction may have some relevance for physical and inanimate objects, but it fails completely when it comes to the study of human beings and society. Life consists of the effort to transform our behavior (the positive) towards the ideals (the normative) prescribed by Islam. This struggle for change is what creates knowledge

Those who strive in our paths, we will surely give them guidance.

This struggle to create a transformation, to cleanse and purify our hearts of the evil tendencies, and to strive for excellence in conduct, is radically different from Western methodology. Islam does not allow us to be neutral and detached observers in the war between good and evil that takes place both within our souls and in the external world. Instead, if we see evil either within ourselves or externally, we must struggle to change it, or to voice our support for the good, or at least to feel concern in our hearts, which is the weakest level of faith. When we observe economic conditions of the world around us, as Muslims we are not allowed to remain neutral and detached observers of injustice, oppression, and inequality.

Economic theory takes human behavior as exogenous and fixed, while the central concern of Islam is to change this behavior. The transformation created in the behavior of the early Muslims is witnessed by the Quran. Quran (3:103) describes the dramatic changes which led divided and perpetually warring clans and tribes to unite in love:

remember with gratitude Allah's favor on you; for ye were enemies and He joined your hearts in love, so that by His Grace, ye became brethren; and ye were on the brink of the pit of Fire, and He saved you from it.

The idea of creating change, of teaching selfish and competitive people generosity and cooperation, is not within the ambit of conventional economic theory, but central to a genuine third generation treatment of the subject.

7 CONCLUSIONS

Conventional economic methodology is supposed to be neutral, detached, and objective description of the laws governing our economic affairs. In opposition to this, Islam takes a strongly interventionist approach, describing both the good and the evil and asking us to command the good and abstain from the evil. Islam is the attempt to achieve spiritual goals by material means. Since men and jinn were created only for worship, all our actions must be directed towards this goal (Quran 6:162):

Say, "Indeed, my prayer, my sacrifice, my living and my dying are for Allah, Lord of the worlds"

In our dealing with the material world, the central question is, how we can turn our getting and spending of wealth into worship? This is done by earning using halal means and spending for halal purposes. The one who earns to feed his family is fulfilling his Islamic responsibility, and hence performing an act of worship. Whereas economic theory teaches us that pleasure acquired from consumption is the goal of life for all humans, Islam teaches us to turn acts of consumption into worship. This can be done by feeling gratitude towards Allah for being given material wealth, instead feeling that we have earned it and we deserve it, like Qaroon did.

Modern economic theory is exactly the theory of Qaroon, and diametrically opposed to Islamic principles for organization of our economic affairs. It focuses on acquisition and consumption as the sole purpose of human lives. It justifies inequality and argues that wealth accrues to those who are productive – the marginal product of labor. The first generation of Islamic Economists recognized the radical differences, but the second generation attempted to find a compromise. This attempt has failed. It is now time for the Third Generation to build a new discipline founded purely on Islamic principles based on the Quran and the Sunnah.

Allah T'aala informs us that the real competition is not for the worldly goods but for the good deeds: (Quran 67:2)

(Allah T'aala) created death and life that He may try you-- which of you is best in deeds

Instead of making acquisition of wealth and material consumption the purpose of life, as per economic theory, our engagement with the material world is a means of spiritual progress. This is achieved when we feed the poor, for the sake of the love of Allah, and we urge the feeding of the poor. We must abandon the pursuit of wasteful and extravagant luxuries, and choose simple and modest lifestyles for ourselves. By following and implementing the orders of Allah in our personal and collective lives, we can create models which are desperately needed by the whole humanity today. This is the challenge which faces the Ummah: how to translate the teachings contained in our books and in our past experience into a living reality?