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Since morality is built into human hearts, it is not observable. For this reason, Logical Positivists excluded this from the realm of knowledge. They argued that only positive descriptions of reality could be knowledge, while normative ideals which describe what should be, are excluded from scientific knowledge. However, as Hausman and MacPherson (2006) clearly demonstrate, economic theory is inherently normative. Because of adherence to positivist principles, economists are forced to hide the normative implications of economic theories, and present moral judgments as if they were objective facts. For a detailed example, see Zaman (2012, 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 positivist 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. See Zaman (2014) for an Islamic approach which takes both into account.

## 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. The foundations of such an approach are described in Zaman (2014)

## 7 CONCLUSIONS

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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?

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