

CHAPTER ONE

INTRODUCTION

A. BACKGROUND OF STUDY

Islamic Economics is not a newly born science. Islamic Economics has been practiced since the time of the Prophet in the sixth century BC.¹ Prophet has set economic policies such as a *bai' najsy* or praise other people's stuff to be bought by consumers, the prohibition *talaqqi rukban*, purchase merchandise before it gets to market, the prohibition of hoarding treasure, taxpayers for the infidels and others.²

The fact that Islamic economics has begun when the Prophet's time have no concrete evidence. If explored further, the concrete evidence recently discovered at the time of Muslim jurists started eighth century, Abu Yusuf

¹ Adiwarman Azwar Karim, *Sejarah Pemikiran Ekonomi Islam*, (Jakarta: RajaGrafindo Persada, 2006), p. 10.

² Nur Chamid, *Jejak Langkah Sejarah Pemikiran Ekonomi Islam*, (Yogyakarta: Pustaka Pelajar, 2010), p. 26-30.

[731-798],³ Al-Syaibani [750-804],⁴ Abu Ubaid [772-846],⁵ Yahya bin Umar [835-911],⁶ Al-Mawardi [974-1058],⁷ Al-Ghazali [1058-1111],⁸ Ibn Taymiyya [1263-1328],⁹ Al-Syatibi [1388],¹⁰ Ibn Khaldun [1332-1406],¹¹ and Al-Maqrizi [1364-1442].¹²

³ See, for an example, his work kitab “Al-Kharaj” which discuss about taxes.

⁴ See, for an example, his work kitab “Al-Iktisab fii Al-Rizqi Al-Mustahab” talked about renting, buy and sell, etc.

⁵ See, for an example, his work “Al-Amwal” discuss about public economics

⁶ See, for an example, his work kitab “Ahkam Al-Suq” told about *hizbah* and market policy.

⁷ See, for an example, his work kitab “Adab Al-Dunya wa Al-Din” discuss about economic agent and the main livelihood.

⁸ See, for an example, his work kitab “Thya Ulu mu Al-Din” talked about *maslahah*.

⁹ See, for an example, his work kitab “Al-Hizbah fi Al-Islam” discuss about market mechanism and regulations of prices.

¹⁰ See, for an example, his work kitab “Al-Muwafaqat fi Ushul Al-Syari’ah” discuss about maqashid syariah.

¹¹ See, for an example, his work kitab “Al-Muqaddimah” told about production theory.

¹² See, for an example, his work kitab “Ighatsah Al-Ummah bi Kasyf Al-Ghummah” discuss about the causes of the crisis.

Unfortunately, the works of Muslim jurists have always ignored by western historians writers at economic history. For example, Joseph Schumpeter, historians and prominent economist. He stated that the economics started by philosophers of Greece and continued with the thought St. Thomas Aquinas, in 500 years after. In such a long time, western historians merely stated that the non-productive time, so nothing can be explained in it. This vacant time is known as the Great Gap.¹³ Whereas in those years there were many works by Muslim scientists about economics. This is a western trick to erase the traces of Muslim scholarship in the world. That's what causes the loss of Islamic economics.

Diversion history by western historians due to the lack of Science classification of that era. All Muslim jurists tried to bring mankind to reach their welfare in the world and the hereafter. So that the works are written is not specific to one aspect of life but rather a comprehensive, ranging from politics, economics,

¹³ Abbas Mirakhor, Muslim Contribution to Economics, in the book Baqir al-Hasani dan Abbas Mirakhor, Essays on Iqtisad: The Islamic Approach to Economic Problems (USA: Nur Corporation, 1989), p. 82-86.

government, medical, agriculture and others.¹⁴ In addition, western economists in medieval times even imitate lessons from Muslim scholars without telling the name.

Islamic Economics as if lost because fictional history, so that the western economics spread to all corners of the world. Human economic activity in a way that is usury and is not in accordance with sharia, making the whole world is destroyed slowly, usury strangling, twisting debt, inflation that never ended. If only, the whole human being obey what God commanded, must be received grace and ease. As God has promised on the eve of the Prophet's death in the Al-Maidah 3.

"This day have I perfected your religion for you, and completed My favour unto you, and have chosen for you as religion Al-Islam"¹⁵

The verse shows that all sorts of aspects of life can be solved by Islam. Such as, economics, health, consumer

¹⁴ Nur Chamid, *op.cit.*, p. 3.

¹⁵ الْيَوْمَ أَكْمَلْتُ لَكُمْ دِينَكُمْ وَأَتَمَمْتُ عَلَيْكُمْ نِعْمَتِي وَرَضِيتُ لَكُمُ الْإِسْلَامَ دِينًا

(المائدة: ٣)

and others. If only all mankind obey and believe in Islam, surely the world will be peaceful and prosperous.

To obey the commands of Allah in the above verse, Muslim scholars bring humanity back to the Islamic economics by creating specialized disciplines of Islamic economics free from conventional concepts in accordance with the Quran and Sunnah. Islamic economics disciplines made more systematic and follow the development of modern economic. The modern scholars are Khursyid Ahmad, Nejatullah Siddiqi, Umar Chapra, Afzalurrahman, Mohammad Abdul Mannan, Akram Khan, Monzer Kahf and etc.¹⁶

Each modern Muslim scholars express their opinions about what is the discipline of Islamic economics. Mannan argued that Islamic economics is a social science that studies the problems of the economy with the values of Islam.¹⁷ Then Chapra said that Islamic economics is a branch of science to help the man responsible for the

¹⁶ Euis Amalia, *Sejarah Pemikiran Ekonomi Islam*, (Depok: Gramata, 2010), p. 71.

¹⁷ M.A. Mannan, *Islamic economics: Theory and practice*. (Cambridge: Islamic Academy. 1992), p. 18.

allocation and distribution of resources in accordance with the teachings of Islam without curb an individual and the community.¹⁸ Meanwhile, according to Akram Khan, Islamic economics is a science that aims on happiness of human life (Falah), achieved by organizing natural resources. It can be concluded that the definition of an Islamic economic crisis there is no concrete definition and universally recognized all people in the world.

If it is explored further, the definition of Islamic economics over conflicting with each other. According to Chapra and Mannan, Islamic economics is a science that is integrated between the normative and positive, it can be said that their opinion that Islamic economics is a science that comes from the Qur'an and Sunnah and keep up with what happens on the field. But according to Akram Khan and Monzer Kahf, Islamic Economics is a positive science, namely social science that is run according to what happens on the field. This difference of opinion is not only encountered by the four scholars, there are still many more that are in conflict with each other.

¹⁸ Umer Chapra, *What is Islamic economics?* (Jeddah: Islamic Research and Training Institute, Islamic Development Bank, 2001), p. 33.

Therefore, the author will discuss the definition of Islamic economics from various sources and compare them with each other and provide an idea of the true definition of Islamic economics, with the title of **Islamic Economics as Integrated Social Sciences, A Critical Survey.**

B. PROBLEM FORMULATION

1. What is the classification of Islamic economics?
2. What, Why, How muslim economist argue whether Islamic economics is normative, positive, or integrated?

C. PURPOSE OF STUDY

1. To classify muslim economist into their ideas about definition of Islamic economics.
2. To know what, why, how the muslim economist argue whether Islamic economics is normative, positive or integrated.

D. THE SIGNIFICANCE OF STUDY

The significance of study in this thesis is divided into both theoretical and practical aspect.

1. Theoretical Significance

- a. To contribute the study of Islamic economic especially about the definition of Islamic Economics.
- b. To give a broad view to the moslem society in case of the definition of Islamic Econmics, in both arguments, as integrated science or positive science.
- c. To give the more idea to whom concerning in islamization of Islamic economic.

2. Practical Significance

- a. To give a brief guidance to whom concerning in Islamic Economics.
- b. To reinforce the way of islamization of economic in the real aspect.

E. RESEARCH METHOD

The writer will uses some approach in establishing the method of study, those are:

1. Kind of Research

This research is a library research. Library research is defined as a systematic study and investigation of several aspects of library and information where conclusions are based on data analysis collected in accordance with established research design and methodology.¹⁹

2. Data Sources

In order to write this research, the writer needs some data sources which are classified into two parts:

- a. Primary data sources which are taken from the books and papers authorized by Umer Chapra, Monzer Kahf, Muhammad Arif, Anas Zarqa, Akram Khan, Muhammad Abdul Mannan, Muhammed Shahid Ebrahim, Timur Kuran, etc. related with the topic of definition of Islamic Economics.

¹⁹ Sugiono, metode penelitian kuantitatif, kualitatif dan R & D, (bandung: alfabeta, 2014), p.240

b. Secondary data sources which are collected from the books, papers, magazines, newspaper, website etc written by another person besides the persons mentioned above whereas discussed a related topic to definition of Islamic Economics.

3. The Method of Collecting Data

To collect the data from the sources, the writer shall use at least a primary method, it is:

a. Documentation Method

Documentation method is a method to look for any data from expert writings, transcripts, decisions, newspaper, magazines etc. This method used for collecting the ideas and the thought of Islamic economist to be a fundamental of this research.

4. Method of Data Analysis

To support the writer in writing this thesis, the writer uses a number of analysis method, they are:

a. Inductive Method

This method based at special principles and arranged in general formulation²⁰. The writer uses this method to explain about the definition of Islamic Economics.

b. Deductive Method

This method is done by a thinking process from the main declaration to special declaration²¹, or in another word, thus particular instances are deduced from general inferences²². The writer uses this method to descript the definitions of Islamic Economics in Islamic economist thought.

c. Analysis Descriptive Comparative Method

This method is to solve the gathered essence of research, and to look for the scientific research which follows the role of writing and analyzing it with the comparison between two

²⁰ Sutrisno Hadi. *Metodologi Riset*. (Yogyakarta: Yayasan Penelitian Fakultas Psikologi UGM, 1987), p. 42

²¹ Sartono Kardiharjo. *Pengantar Penelitian Ilmiah*. (Bandung: Tarsito, 1990), p. 24

²² Jill Hussey and Roger Hussey, *Business Research*. (New York: Palgrave, 1997), p. 13

opinions or more²³. The writer uses this method to compare and know the type of Islamic economist thought in case of definitions of Islamic Economics.

F. LITERATURE REVIEW

In this research, the writer reviews and shows some researches concerning the title which is studying. The aims of this review are to clarify the researcher's position in this research, which it will be clear after this review.

Some of Islamic Economist stated IE as integrated social sciences. Integrated social it means that IE is not only study of reality include teaching to economy according to Islam. It supported by Mannan in his paper entitled **Islamic Economics as a Social Science: Some Methodological Issues**, which told that normative and positive science is related in IE and IE can't be separated from Quran and Sunnah.²⁴ The opinion upheld by Umer Chapra in his book entitled by **What is Islamic**

²³ Sartono Kardiharjo, *op.cit.*, p.64

²⁴ M.A. Mannan, "Islamic Economics as a Social Science: Some Methodological Issues", *J. Res.Islamic Econ., Vol. 1, No. 1, (1403/1983)*, p. 41-50

economics? Told that Islamic economics may be defined as that branch of knowledge which helps realize human well-being through an allocation and distribution of resources that is in conformity with Islamic teachings without unduly curbing individual freedom or creating continued macroeconomic and ecological imbalances.²⁵

However, some Muslim economist argued that IE is purely positive science without any interference from the normative. One of them is Monzer Kahf, in his paper entitled **Relevance Definition and Methodology of Islamic Economics**, he told that Islamic Economics is the study of human behavior with regard to acquiring and using resources for the satisfaction of necessities, needs and other desires.²⁶ Besides, Akram Khan also had a similar opinion. He told at **the First World Congress on Integration and Islamization of Acquired Human Knowledge**, that IE is a social science that integrates human understanding of divine sources of knowledge into

²⁵ Umer Chapra, *What is Islamic economics?* (Jeddah: Islamic Research and Training Institute, Islamic Development Bank, 2001), p. 3.

²⁶ Monzer Kahf, *Relevance Definition and Methodology of Islamic Economics*, at http://monzerkahf.com/papers/english/methodology_malaysia.pdf

the study of economic problem.²⁷ In their opinion, IE is pure the study of human behavior without Islamic teachings.

To examine the opinions of the Muslim economist, exists some research. Such as paper entitled **Islamic economics: still in search of an identity** by Abdulkader Cassim Mahomed, in which he stated that the proponents of Islamic economics have had little success in shaping a distinctive paradigm for their discipline.²⁸ It is later suggested by Siddiqui through his writing **Defining economics and Islamic economics** that Islamic economics has different opinions in definition, scope and methodology. So that it should be treated as a heterodox economics. It means that IE has some aspects of orthodox economics, such as capitalist economics and socialist

²⁷ Muhammad Akram Khan, *Reconstruction of Economics Based on the Paradigm of Tawhid: Present Challenges and Future Prospects*, Keynote address for the First World Congress on Integration and Islamicisation of Acquired Human Knowledge, August 23-25, IIUM, Malaysia.

²⁸ Abdulkader Cassim Mahomed, "Islamic economics: still in search of an identity", *International Journal of Social Economics* Vol. 40 No. 6, 2013, p. 556-578

economics.²⁹ From those articles, it is clear that IE has some issues in their identity and then it must be addressed carefully.

The position of researchers here to collect the Islamic economic definitions of various Muslim economists, then grouped by type, positive and integrated and then analyze critically between each other.

G. THEORETICAL FRAMEWORK

In this research, the researcher used ideational approach³⁰ which used to select the Islamic economists writing related to definition of Islamic Economics and analyze it. This approach is bene fit to find the idea of Islamic economists on the definition of Islamic

²⁹ Shamim Ahmad Siddiqui, “Defining economics and Islamic economics”, *International Association For Islamic Economics, Review of Islamic Economics, Vol. 15, No. 2, 2011*, p. 113 – 142.

³⁰ This approach is used by Dr. Fauzan Saleh for writing his doctoral thesis in McGill University Canada entitled “Modern Trends in Islamic Theological Discourse in Twentieth Century Indonesia: A Critical Survey”, which is published in Indonesia entitled *Teologi Pembaruan, Pergeseran Wacana Islam Sunni di Indonesia abad XX*. (Jakarta: Serambi, 2001).

Economics, even if their thought on it are explicit and then analyze and criticize it.

However, the researcher will use the economic theories as her theoretical framework. The theories are:

1. Positive Social Science

Positive science is defined as the unbiased, objective facts of the world, untainted by value judgments of an ethical, political, or aesthetic sort.³¹ The words positive, positivism, positive science, and positive science have many different meanings to various people. In the context of French social thought, the words positive science were first used by Madame de Stael³² who was enthusiastic about the role that scientific method could play in advancing human progress toward the goals of spiritual and material perfection. It later lead to modern sociology, that is, with Henri Saint Simon (1760-1825) and his disciple,

³¹ International Encyclopedia of the Social Sciences, 2nd Edition, (USA: Macmillan Reference USA, 2007), p. 387

³² Madame de Stael was a French woman of letters of Swiss origin whose lifetime overlapped with the events of the French revolution and the Napoleonic era, sourced from https://en.m.wikipedia.org/wiki/Germaine_de_Stael

Auguste Comte (1798-1857). Thus the linguistic turn from positive science to positive social science.³³

2. Normative Social Science

Normative social science is about what ought to be.³⁴ Unlike positive science, normative social science admits to bias, subjectivity and the moral taint. The word normative descends from the Latin *norma*, meaning a carpenter's T-square, a rule, or a prescription.³⁵ In ordinary English, a norm is what is expected, what is customary, what is habitual. In mathematics, the norm is a standard unit. In economic discourse, ever since John Neville Keynes (1852-1949)³⁶ published his influential *On the Scope and Method of Political Economy* (1891), normative conflates the Latin *norma* and the ordinary English *norm*, yielding something like, as Keynes put it, a "regulative science... a body of systematized knowledge discussing criteria of

³³ *Ibid*

³⁴ *Ibid*, p. 534

³⁵ *Ibid*, p. 534-535

³⁶ John Neville Maynard was a British economist and father of John Maynard Keynes, sourced from https://en.m.wikipedia.org/wiki/John_Neville_Keynes

what ought to be.”³⁷ Like his muse, David Hume (1711-1776), Keynes (father of the great economist John Maynard Keynes [1883-1946]) believed that “confusion between [positive and normative] has been the source of many mischievous errors” and urged “a distinct positive science of political economy” (Keynes 1891, quoted in Friedman 1953, p. 3).³⁸

3. Islamic Economics

There were many definitions of Islamic Economics by various economist. Abu Al Makarim- the science which deals with wealth and its relation to man from the point of view of the realization of justice in all forms of economic activities.³⁹ Muhammad Arif - the study of Muslim behavior which organizes the resources, which are a trust, to achieve falah.⁴⁰ Hasanuzzaman’s Islamic economics is the knowledge

³⁷ *Ibid*

³⁸ *Ibid*

³⁹ Monzer Kahf, *Islamic Economics: Notes on Definition and Methodology*, Review of Islamic Economics, 2003, p. 41.

⁴⁰ Muhammad Arif, *Toward a Definition of Islamic Economics: Some Scientific Considerations*, *J. Res. Islamic Econ.*, Vol. 2, No. 2, pp. 79-93 (1405/1985), p. 88

and application of injunctions and rules of the Shariah that prevent injustice in the acquisition and disposal of material resources in order to provide satisfaction to human beings and enable them to perform their obligations to Allah and the Society.⁴¹ The interesting fact was coming from Akram Khan. At first he stated that IE is study of human falah achieved by organizing the resources of earth on the basis of cooperation and participation.⁴² But later he changed his argument that IE is a social science that integrates human understanding of divine sources of knowledge into the study of economic problem. It means that Khan changed his opinion from IE as normative science into IE as positive science.

To complete these definitions, the idea of IE from Muhammad Abdul Mannan is considered important to be included in this theoretical framework. According to him, IE is an integrated social science in which positive

⁴¹ S.M. Hasanuzzaman, "Defining Islamic Economics", *Journal of Islamic Banking and Finance*, Vol. 14, Issue 1, Jan-Mar 1997, p. 85

⁴² Muhammad Akram Khan, *An Introduction to Islamic Economics*, (Islamabad: the International Institute of Islamic Thought, and Institute of Policy Studies, 1994), p. 33

and normative aspect of it must be integrated and not be separated.

H. SYSTEM OF STUDY

This research is divided into four chapters, they are as follow:

Chapter one gives introduction to research, by outlining the background of study, problem formulation, purpose of study, significance of study, literature review, research method and system of study.

Chapter two gives the general view of positive science, normative science and Islamic Economics.

Chapter three is the essential of study. It will explain about Islamic Economics as positive science, Islamic Economics as normative science, and how Islamic Economics can be integrated social science according to Muslim Scholars.

Chapter four is closing, which consist of the conclusion of the research and then suggestion for the next researches in order to make this research more complete and perfect than before.