

Methodology in Economics: An Assessment of Islamic Economics versus Mainstream Economics

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Abstract

The aim of this study is to discuss the methodology of Islamic economics broadly and to show in what ways mainstream economics differs from its methodology. With the development of economic relations in the last century and the science of economics gaining more importance, Islamic economics has also become a branch of science that is curious, studied and compared with other economic doctrines. One of the most fundamental topics of discussion in the scientific field today is that there are various constraints and deficiencies in methods and methodology in all branches of science and the problems caused by them. Economics methodology is a field of study that covers the questioning of concepts, theories and basic thought principles related to economics. In this context, the economics methodology, which we can consider as the application of philosophy of science to economics, includes an interdisciplinary inquiry that requires the understanding of the structure and scope of economic thought with the help of philosophy of science. In this direction, there are two questions whose answers are sought in this study. First, why do we discuss the methodology of economics? Second, why do we need a methodology in Islamic economics?

Key Words: Methodology, Islamic Economics, Mainstream Economics, Hard Core, Inductive, Deductive

1. Introduction

The idea that Islamic economy, which inspires from Qur'an and Sunna and is away from system containing high risk and ambiguity, can be a remedy for financial crises remains fresh. The aim of this study is to respond to the issue whether or not Islamic economic is different from traditional economy from methodological point of view, if there is a need for a new discipline in economics.

Discussions about the concept "methodology" date to time immemorial. The term "methodology" is used in two different meanings in economics. In narrow meaning, methodology includes the meanings such as method, procedure, technique approach. In broader meaning, it is a study area including evaluation process of theories, claimed that they

are scholarly. Methodology of economics is divided into two categories as positive and normative (İşler, 2010; Kutlu, 2010).

The relationship between economics and methodology is the same as the relationship between Fiqh and Usul-ul-Fiqh. While assessing performance of economy, its methodology is both complementary and normative discipline. It explains what economists do and how do it and, considering a priori targets, suggests what them to do (Addas, 2006).

Islamic economy which exhibits an exemplified economic and social life, giving economic and social message five century ago, is a domain incorporating idiosyncratic norms and moral values. For Islamic economy, economic system is quite important. In Bakara (2\282) –also known as the verse of Müdayene-, which the longest verse taking place in Qur’an, the issues of commercial system, fundamentals of loaning, and recording take place in detail. In general, the basic principle of Islam, known as based on interest free system, consist of the subjects such as enabling monetary circulation in market for preventing from collecting money in hands of certain sector, becoming widespread partnership and interest free loaning, fair income distribution, and preventing wastage. In this context, Islamic economics takes both maintaining equalitarian order and organizing social dimension as a mission with economic system it argues.

The principles mainstream economics argue (rational individual, maximum profit, etc.) contradict with the principles with Islamic economics. For overcoming this introduction, it is the most important element to develop a methodology in accordance with Islamic principles. In this context, in the study, it will be evaluated what streamline economics and Islamic economics are, and the differences between them will be examined from methodological point of view. In this direction, in the study, firstly, methodology of mainstream economics will be shortly mentioned about. Secondly, mentioning about Islamic economics in general terms, its viewpoint will be introduced in detail. Lastly, mainstream economics and Islamic economics will be compared with each other from methodological point of view, and the study will be ended up.

2. Mainstream Economics and Its Methodology

Historical background of mainstream economics, whose origin based on enlightening and classical liberal philosophy, dates to the developments in cultural environment of Europe in 19th and 20th century. In mainstream economics, which examines individuals as an ontological and epidemiological value, individuals are seen both as resource of knowledge and main support of the political, social, and economic life. The pioneer of this approach is Adam Smith (Karaçay, 2008). Mainstream (orthodox) economics, based on market economics, is divided into subheadings as classical, marginal, neoclassical, orthodox, Keynesian, monetarist, neoclassic, real business cycle theory, and New Keynesian economic theories. Mainstream economics is principally is based on market economy, free trade and minimum level government intervention (Bocutoğlu, 2021).

Mainstream economics is a term, which has its intellectual and sociological dimensions. From intellectual point of view, while it is shaped on the policies and methods, which economists accept or not, its sociological dimension is shaped on being member of social groups and communication networks (Bilir, 2019)

Methodology of economics is an independent discipline, which mentions about methodological and epidemiological problems of economics. Therefore, the subjects economists and business managers deal with are different from each other. While an economist produces a policy, explaining economic reality economic reality accurately, consistently, and acceptably, methodologists mention about examining theories and policies economists produced. In this context, making clear the differentiations in management of economics and economic methodology is quite important (Dolgun, 2010).

Economics witnessed many different views and confliction of schools, in which these views were introduced in historical process. At the beginning of the 20th century, Mainstream or Orthodox economic views dominated, led by the Classical, Neoclassical and Keynesian schools of economics. National and international economic policies were shaped in this context (Erkan, 2016).

According to mainstream economics, what is ideal is perfect competition market. According to this market, there is perfect information, there is not ambiguity, and all prices can be foreseen. Mainstream economics examines equilibrium conditions of this market, and the case, where conditions cannot be provided, is qualified as going away from ideal case (Göçen, 2015).

3. What is Islamic Economics?

Islamic Economics can be defined as an approach, which is generally derived from information resource in Islam and based on the values, norms, laws, and institutes, derived from these resources, for interpreting and solving economic problems of human being (Haneef, 1997).

Just as Islamic economics, which is economic values system, defined by Qur'an and Sunna that are its resources, which is an applicable dimension of economy, and which is economic and financial behavioral norms of Muslim individuals, has justice principle in income distribution, it has also the potential to be remedy of economic problems with its feature. In the resources of Islamic economy, economy means midway. Therefore, Islamic economics is a system, which is based on the needs of human nature, not extremism and imposition. It is for only balance and fair distribution, which are away from absolute equality or excessive unbalance. While providing this, government approach, which intervene to the elements that will lead to unbalance, if necessary, adopts to encourage and support private sector (Asutay, 2014; Sugözü, 2017).

Islamic economy is a free market economy blended with moral values. It is possible to distinguish between Islamic economics and secular economics in certain subjects. These differences are (Esen et al., 2013);

- ✓ The main feature, which distinguish Islamic economics from the other economic models, is human model. Human being is fundamental, in whom spiritual emotions such as goodness and helping each other stand out, not a human being, who tries to maximize its interest.
- ✓ While reason is dominant in secular economic models, in Islamic economics, the existence of Allah is above reason.

- ✓ In Islamic economy, functions of laborer and entrepreneur are limited according to Islamic rules.
- ✓ In Islamic economics, a divine limitation is put for human behavior, which acts in accordance with interests.
- ✓ In secular economics, while there is not any limitation for profit, the principle of Islamic economics is halal earning.

Islamic economy presents a productive vision based on labor and working. Islamic economics offers an understanding of economy based on production. It also promotes a fair distribution of income (Kutval, 2017).

4. Methodology of Islamic Economics

There are three main subjects, on which methodological discussions in economics come to agreement at common point. These are that human being is inherently egoist and behaves rationally; that material advancement is a supreme target; and that people have a perfect information about what is good for them. Islamic economy is different at these points. Main resource of Islamic economy is Qur'an and Sunna. Islamic economy includes in examining Islamic values, analyzing economic events in real life, and researching the ways and instruments of transporting the existing economies into Islamic economies (Khan, 1987).

Islamic economists presents a desirable social framework based on normative rules, ignoring egoism. Egoism of human being has been the subject of discussion since the first period of Islam but only being based on this, it is extremely wrong to be drowned in the hole of assumptions as a method. This theoretical approach is not wrong in terms of reflecting our ideas. However, this is wrong as a method, and the probability to be able to lead to failures in terms of analysis, policy, and result should not be rejected (Akça and Bozatlı, 2019).

In economics, an individual behaving rationally in the direction of his/her interests differs by Islamic economics. The first of the reasons for this case is the thought that human being is inherently egoist does not reflect reality. Islamic religion encourages people to be helpfulness and make self-sacrifices for others. This behavioral style is the most supreme value taught by Islamic religion. Another reason is that material advancement is not a top target in Islamic religion. Human being must be in the welfare, well-being, and goodness in hereafter. Finally, Islam thinks of that person is not adequate by oneself in knowing what is good for him/her. Only Allah has perfect knowledge. Knowledge of human being is deficient, and every individual needs for a guide for making various decisions. Therefore, Islamic economics has a different position from the basic assumptions of mainstream economics (Khan, 2017).

Islamic life style derived from Qur'an and Sunna that is the main resources of Islam. These resources only give main lines of Islamic economic system and leave most of components to be made by Muslim scholars. Even in the subjects mentioned in Qur'an and Sunna, for revealing economic content of the principles introduced by Allah, a great effort is made (Kahf, 2003).

5. Comparing Methodology of Mainstream Economics and Islamic Economics

Methodology can be considered as a specific part of philosophical branch termed epistemology. In epistemology we examine information theory, information resources, application of information, and limits of information, while in methodology, the study is narrower and specific about how information (theories) to develop information and how to evaluate the information produced (theories) (Haneef and Furqani, 2011).

It is not methodologic to find Islamic or non-Islamic of all concepts in the area of Economics. Every economic thought emerges together with its own concepts. Islamic economy is an area, on which the principles of right, justice, clearness, honesty, and accountability is based. The forbidden sectors (alcohol trade, interest, riba, gambling, chance games, smuggling, illegal economic activities, etc.) is certain. Except for the areas forbidden here, there is no harm for people to access to the different economic activities (Yozgat, 2016).

Addas (2008) puts forward that Muslim economists, who prefer to reject methodology of neoclassical economics, largely misunderstood the aim of economic theorization. In this context, the aim of economic theories is to provide a framework as a ground for understanding supply and demand behaviors in markets. Therefore, mainstream consumer theory does not try to define the aim of life in its objective function; however, due to variations in some relatively more important and measurable parameters, it forms a framework for explaining the response in preference variables. For this reason, in order to define certain preferences and its results in markets, it will not be proper to compare economic target defined with lifelong target Islamic worldview argues.

Zaman (2005) puts forward that consumer hegemony represents decisiveness not to judge these changes or not to try to change. In the framework of mainstream economics, if the ethical or moral selections or preferences are ignored, then, will be contradictory to the concept of consumer hegemony. According to Islamic viewpoint, consumer is not dominant and has to obey Islamic commands put for avoiding forbidden goods, services, trade, contracts, and behaviors such as conspicuous consumption, jealousy, wastage. Islam encourages pure altruism, moderation, selfless spending of excess donations, and choosing only Halal ways to generate non-labor income from Shariah-compliant financial investments.

Saleem (2010) explains that the methodologies of fiqh and Islamic economy are different due to the fact that the previous ones focus on receipts. It states what the people to do or avoid from. In return to this, Islamic economy is mostly engaged in explaining economic phenomena. Islamic economy, in its search for finding the fact, must be based on a methodology in compatible with its social and complementary nature. Islamic economy can adopt reasoning and analyzing methods, developed by traditional economy. Khan (2014) puts forward that Islamic economy should not hesitate from adopting or using analysis instruments used by the traditional economy or other contemporary social sciences. These instruments are existent with their current states after the thoughts and experiences that continues for centuries and common heritage of humankind.

Table 1: Comparing mainstream economics and Islamic economics from methodological point of view

	Mainstream Economics	Islamic Economics
Essence	Utility –Cost Analysis	Qur’an and Sunna
Role of Reason	It is rational	Moral values
Inductive and Deductive Methods	Inductive method is essential	Deductive method is more common. What is essential is that predictions are unfalsifiable.
Assumptions and Method	Human being is egoist Maximum utility Perfect Information	Human being is sensitive. Utility is not maximized. There is faith to hereafter. Deficient Information
Problem solving.	Transforming the existing economy, it solves problems.	In case of possible crisis, it remains ineffective.
Theorization Process	It is aimed to raise mathematics-based utility to maximum level.	Building ethical values in the light of sharia, it forms policy.

Source: Khan, 1987

In the table, underlying differences between mainstream economics and Islamic economics are given in summary. When considered the deficiencies of interest in mainstream economics, rebuilding economy certainly became unavoidable. In this context, Islamic economy has potential to become solution way. In this context, Islamic economics suggests to restructuring economy in the light of Qur’an and Sunna, not making it Islamic (Tahir, 2017).

6. Conclusion

This study has attempted to draw a framework associated with generally evaluating the methodologies of Islamic and mainstream economics and differences between them. The distinctive feature of Islamic economy from the other economies is that it is based on spiritual ground.

In terms of that Islamic economy does not lose its meaning in the face of secular economy, it is necessary for economists studying in the area of Islamic economy to more deal with Islamic economy from methodological point of view. This includes Islamic criteria, evaluating principles as well as theory, reasoning during evaluations, researching and producing. In this context, Islamic principles on economics should be rediscovered, reimagined and cleared of the existent ones today or adopted.

Islamic economy is human-oriented. Islamic economics has great importance on the name of risk sharing, profit–loss partnership and investment applications and catching midway in financial system. It is clear that proliferating participation products is obligatory in Islamic economics, 80% of which consist of participation banking, in a structure, where the rate of instruments that is not based on risk sharing is around 90%. In this context, stimulating structures, in which large projects in the areas such as real estate, energy, information technology, and defending industry will be financed by people, and the emerging income will

be again shared by people has a feature to exhibit positive effects in terms of development of Islamic economics.

At the most important point of mainstream [economics], sociological problems take place. The definition that “economics is to balance scarce resource with limitless needs” has remained inadequate in explaining complex dynamic process of economy and led several problems in economic system were ignored. In secular economic systems, attempting to build policy through unrealistic assumptions leads erroneous results to be obtained and crises not to be predicted. At just this point, the importance of Islamic economics is understood once more and it is of the opinion that there is a need for a new economic system. At this point, in addition to the existing economic system, as Islamic economic system is made more applicable, it is foreseen that important results will be obtained from socioeconomic point of view.

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