Readings in Islamic Economic Thought

Compiled, Classified & Edited by

Professor Dr. S. M. Ali Akkas
Dr. M Abdul Aziz

Bangladesh Institute of Islamic Finance (BIIF)
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Introduction

The 3rd series, Readings in Islamic Economic Thought is designed to reflect the latest development of the subject and the thinking of mainstream as well as Islamic economic thought based on recent professional writings, research works and discourses published within the first quarter of 21st century. This is a compilation work structured on object-oriented and outcome-based standard university curricula schemes fit to the requirements of undergraduate and graduate students who want to be economics and finance graduates having majors in Islamic economic thought, Islamic economics, Islamic banking, Islamic finance, Islamic microfinance, Islamic capital market, Sukuk and Takaful.

Design and Structure of the Readings Series

The series is structured in four parts: Part I: Economic Thought and the Schumpeterian 'Great Gap' Theory; Part II: Contribution and Phases of Islamic Economic Thought; Part III: The Islamic Traditions in Economic Thought; and Part IV: Mainstream vs. Islamic Economic Thinking: Issues and Challenges.

Contents Covered in the Series

Part-I vis-à-vis ***chapter-1*** begins with a brief survey of the early literature on the history of Islamic economic thought with a view to examine and evaluate research experiences in the area of the history of Islamic economic thought during the last 30 years from 1976-2006. The survey finds literature has exerted some effects on scholars of the main stream economic thought and a few of them are trying to rehabilitate it in the main body of economic thought. (Islahi, 2007).

Ghazanfar (1995) revisited the "Great Gap" thesis propounded by Joseph Schumpeter (1883–1950) and argued, along with a few remarks disputing its validity, that the Schumpeterian "gap" thesis has established a stubborn tradition in the history of economic thought literature which, for the sake of doctrinal continuity and objectivity, must be abandoned.

Ali Rama (2017) investigates the Great gap thesis in economic thought proposed by Schumpeter and finds the time gap coincides with the Islamic golden age, when various Muslim writers made substantial contributions in various fields of inquiry including economic issues. Some surveys have been conducted to investigate the contributions of Medieval Arab Scholastics in the history of economic thought which was neglected by Schumpeter. Whereas, discussion on economic matters could be found in numerous literatures written by Arab Scholars such as AbûYûsuf (731-798), Al Farabi (873-950), IbnuSina (980-1037), Al-Ghazâli (1058-1111), IbnuTaimiyah (1263-1328), and IbnuKhaldûm (1364-1442). He puts an academic objection to the Schumpeterian thesis by endorsing Islamic scholars' contribution on economic thoughts.

As a result of Schumpeterian great gap thesis, whose prevalence in economics literature dates long before 1954, western historians of economic thought have ignored the contributions of medieval Islamic scholars, or at least have reduced them to footnotes. Hence, it is no wonder that Islamic contributions to the history of economics are ignored in some western writings, such as in Robert Lekachman's*A History of Economic Ideas* (1959), W. C. Blanchfield's*Evolution of Economic Thought* (1975), David C. Colander's *History of Economic Theory* (1989), and others.

To end the effect of Schumpeterian great gap thesis, some historians of economic thought among them YassidEssid (1988), S.M. Ghazanfar (1991), Ghazanfar and AzimIslahi (1990), Hamid Hossseini (1988), Abbas Mirakhor (1988) Louis Baeck (1993) and El-Ashker and Wilson (2006) have taken the issue of the great gap thesis by Schumpeter. The said authors have demonstrated, medieval Islamic writers who were influenced by Islamic worldview and perhaps Greek thought did write about economic issues. Some surveys show the transmission of Arab economic thought into Latin and the incorporation of that stream into Scholastic economics. Therefore, for the sake of doctrinal continuity as well as objectivity, not only must the Schumpeterian great gap thesis be rejected but there must be proper recognition and appreciation of the contributions of medieval Islamic scholastics, especially during the 'sleeping' period, whose writings significantly influenced the vast contributions of Latin Scholastics and others.

Therefore, for the sake of doctrinal continuity and objectivity, the contributions of the Arab scholars to economic thought should be rehabilitated in the writing of science of economics. It also reflects to the appreciation to the Islamic civilization and its influence to the European Renaissance. It, particularly, was successfully linked the outline of history of economic thought between Greeks to Latin scholasticism.

Part-II comprised of chapters 2-8 analyzes Islamic economic thoughts of prominent Muslim scholars in the Abbasaid era (Chapter 2), Phases of The Development of Economic Thought in Islam (Chapter 3), Islamic tradition in economic thought: value, market and pricing (Chapter 4), Islamic tradition in economic thought: production, distribution and consumption (Chapter 5), Islamic tradition in economic thought: money and interest **(**Chapter 6), Islamic tradition in economic thought: state, finance and development(Chapter 7) and Islamic economic thinking impact on Scholastic economics (Chapter 8),

Chapter-2: Economic Thought in the Abbasid Era

Nur Amani Aisyah Samsuddin, Nadhirah Nordin, Rahimah Embong, Suraya Ismail, Rossidi Usop & Siti Khatijah Ismail (2020) review previous studies related to the economic thought of Muslim scholars during the Abbasid era. Islamic economic thought in the Abbasid era upheld the principle of justice in every economic activity, especially in business and trade. In addition, the national treasury system also plays an important role in developing the economic system in a country.

Ghazanfar (2003) in his study Scholastic economics and Arab scholars: The "great gap" thesis reconsidered, refuted that "economic analysis begins only with the Greeks", not to be reestablished until the Scholastics emerged with St Thomas Aquinas; the many "blank" centuries within that span represent the Schumpeterian "Great Gap" - the thesis deeply entrenched as part of the accepted tradition and reflected in almost all relevant literature. Gazanfer presented illustrative synopses of the economic thought of a few selected Arab scholars whose writings, prior to the medieval European Scholastics, offered rather detailed and sophisticated discourses on numerous economic issues. Adding to this, Ghazanfar produced some evidences regarding the transmission of Arab economic thought into Latin and the incorporation of that stream into Scholastic economics and concluded with a plea that the contributions of the Arab scholars to economic thought be "rehabilitated" in the science of economics for the sake of doctrinal continuity as well as objectivity. Shulthoni (2017), on the other hand, discusses on the contribution of some selected pioneers in Islamic economics using his own understanding of a generation enduring thirty years.

Chapter 3: Phases of the Development of Economic Thought in Islam

Islahi (2015) in his study "The genesis of Islamic economics revisited" attempts to demonstrate that Islamic economics is not a product of twentieth century. The term may be new but its origins go back to early period of Islam. Its evolution up to the present state of a distinguished discipline can be divided into six distinct phases. He argues that the modern Islamic economics was never a sectarian subject. Nor was it developed for Muslims' identity and protection purpose. Rather its propounders aimed at the well-being of all.

Shinsuke (2012) in his study "… Critical overview of the history of Islamic economics: Formation, transformation, and new horizons" focuses on the dynamics between Islamic economics and the practice of Islamic finance, and describes how Islamic economics was formed, has been transformed, and has evolved clarifying the fundamental framework of the discipline.

Part-III comprised of chapters 4-8 deals with Islamic traditions in economic thought discussing: Value, market and pricing in chapter-4, Production and distribution in chapter-5, Money and interest in chapter-6, State, finance and development in chapter-7, and Impacts of Islamic economic thinking on Scholastic economics in chapter-8.

Chapter 4: Islamic Tradition in Economic Thought: Value, Market and Pricing

Muslim scholars benefited from the Greek translations, at the least the groups of mutakallimun and hukama. But before they got these translations during third century Hijrah and subsequent period, they had already developed a host of economic ideas and policy concerns. The union of these two elements provided impetus to this branch of knowledge. They not only improved and developed Hellenic thought, they introduced new concepts as well (Abdul Azim Islahi, 2017). Islahi (2017) further investigates the perception of market and mechanism of pricing among the sixteenth century Muslim scholars, a period hitherto unexplored. Starting from the first century hijrah (7th AD), we find a chain of works that addressed the functioning of market. First, during the time of the Prophet himself the question of interference in market arose when prices increased. But reasons, as Ibn Taymiyah (1976, pp. 41-42) argued, were economic, and not any imperfection created by non-market agents, so the Prophet refused to fix the price administratively. Thus, he approved and encouraged the role of a free-market.

Said, S., & Hanapi, M. S. (2019) in their Ethics and Value Theory in Islamic Science's Philosophy identify the definition of philosophy of Islamic science and analyze the study trend of ethics and value theory in philosophical perspective of Islamic science. They reiterate that the government of Abbassiyyah was memorable in history as it successfully brings to excellence the Islamic civilization during the ruling of Caliph Harun al- Rasyid and his son, al-Ma'mum. In that era, philosophy and science play a substantial role holistically under the framework of Islam. The success of the Islamic government at that time was closely linked to the three things that were to adhere to tawheed, wahyu as the main source and noble ethics of man in developing the philosophy of Islamic science.

Ahmad, A. U. F. and Hassan, M. K. (2006) in their study "The time value of money concept in Islamic finance" discuss that the time value of money is a basic investment concept and a basic element in the conventional theory of finance. The Sharīah does not rule out this consideration, for it does not prohibit any increment in a loan given to cover the price of a commodity in any sale contract to be paid at a future date. What is prohibited, however, is making money's time value an element of any lending relationship that considers it to have a predetermined value. Here, the Sharīah requires that a loan be due in the same currency in which it was given. The value (i.e., purchasing power) of paper currencies vary due to changes in many variables over which the two parties of a loan contract usually have no control. This study examines possible modus operandi of time valuation according to the Sharīah precepts vis-à-vis the concept of money, and whether any value can be attributed to time while considering money's value. For this purpose, they investigate the juristic views on such relevant issues as the permissibility of difference between a commodity’s cash and credit prices and an increase and reduction of the loan’s amount in return for early repayment.

Hosseini, H. (1995) in his study “Understanding the market mechanism before Adam Smith: Economic thought in Medieval Islam” demonstrates that various medieval Muslim scholars had a sophisticated view of the market mechanism derived from various factors: Islam sprang from a mercantile society, commercial activity grew tremendously during the Islamic golden age, Islam placed an emphasis on the economic aspects of life, Islamic nations expanded to include highly cultured Hellenic and Persian I territories, and Islam tried to incorporate and internalize Hellenic and Iranian thought (such as Zoroastrianism and Manichaeanism) from its earliest days.

It is possible to argue that Islamic scholarship, itself inspired by Greek philosophy and Islamic ethics, inspired and influenced scholastic writings in Europe. According to Karl Pribram, the scholastics "derived their intellectual armory from the works of Arab (and other Muslim) philosophers” (Pribram 1983, 21). Will Durant discusses the tremendous impact of Islamic-Aristotelian rationalism on medieval Europe, triggering alarmist concerns about the "threat of the liquidation of Christian Theology," and inspiring St. Thomas Aquinas to write *Summa Theological.* Aquinas was inspired by Muslim theologian-philosopher Abu Hamed Ghazali; he was also influenced by lbn Sina, lbn Roshd, and other Muslim philosophers (Durant 1950, 954-58). S. M. Ghazanfar discusses six ways in which Islamic knowledge was transmitted to Western Europe: numerous Christian scholars traveling to the Muslim world and learning Islamic sciences during the eleventh and twelfth centuries, European students attending Muslim universities from the eleventh to the fourteenth centuries, extensive translation of Arabic writings to Latin, oral transmission, transmission of economic knowledge through commerce, and the diffusion of economic institutions and processes (1993, 20-21).

Chapter 5: Islamic Tradition in Economic Thought: Production, Distribution and Consumption

Islahi, A. A. (2014). In his study “Production and Distribution in the Tradition of Islamic Economic Thought argues that production and distribution are the two concepts very much fundamental to the construction of Islamic economic philosophy. Muslim scholars dealt these in depth and with great details in their writings on the linkages and interdependence of industries, and cooperation and division of labor. Islahi attempts to dispel and clarify how the basic concepts of production and distribution are derived from the basic sources of Islamic traditions, linked to the overall economic philosophy and structured institutionally for their functioning.

Research findings of Rizky Maidan Ilmy, R. M. & Setiawan, I. (2019) include that the production concept in Islamic Economy should be based on three main basic aspect namely (1) the aspect of belief, knowledge, and deed; (2) the production concept in Islamic Economy should be based on the basic principle of Islamic Economy namely individual freedom, social insurance, prohibition in accumulating wealth, and fair wealth distribution; (3) the concept of consumption in Islamic Economy to only fulfill daily needs not the wants.

Today's production activities they observe as an example are more often affixed with mechanisms, models and production strategies which override values, ethics and moral judgment as well as the influence of the holidays moment which leads many producers to do *ihtikar* or hoarding. As a result, there will be a scarcity of production goods. In addition, producers often carry out production activities such as cheating on scales, covering the flaws of production, and so on.

Furthermore, Ermawati Usman in her research entitled Producer Behavior in Islamic Business Ethics found that there were other forms of cheating: producers who produce goods using labels or famous brands. Moreover, the traditional market sellers are also rife with using tools such as the use of lights, which will tailor the color of the product to make it look fresher in order to achieve maximum profit (Usman, 2007).

Besides, Ermawati, Azhari Akmal Tarigan (undated) revealed several forms of unhealthy market competition, one of which was predatory pricing. This behavior is dominated by large companies that even become market leaders who try to sell their products below the production price with the aim of reducing or even removing competitors in the market. This predatory pricing becomes an irony. Therefore, in addition to consumers harming, it will also lead to the formation of an unhealthy market, resulting in the disadvantage for costumer. Whereas in the classical economic approach states that the three main economic problems which become a single entity, namely production, distribution, and consumption need to be solved and solutions are sought so that a situation where all the goods and services needed can be available and sufficient to create prosperity in the community.

Islam as a universal belief with a systematical concept of economics presents as an alternative that is expected to solve these problems. The statement is not a simple idea, but has the support of the world's leading economist Anthony Gidden, as quoted by Agustianto, in his book The Third Way stating that the world should seek a third path from the struggle of the world enormous system, capitalism and socialism. It is not excessive if the third awaited way is the Islamic Economy. Responding to the reality of the economic problems that occurs, the focus of the discussion in this article will discuss on how the concepts of production, distribution, and consumption in the Islamic Economy works.

Zia, M. D. & Nasir-Ud-Din, N. (2016) in their study "Islamic Economic Rationalism and Distribution of Wealth: A Comparative View" observe the progression of economics portrays that the ultimate goal of economic theories is to achieve the consumer's satisfaction no matter whether it is permitted by the laws of ethics or religion. (Robbins, 1935, Sen, 1988, Groenewegen, 1996, Peil & Staveren, 2009). The decision making in conventional economic systems accentuates self-interest and rational behavior of the consumer. It is fair to say that there are two predominant methods of defining rationality of behavior in mainline economic theory. One is to see rationality as internal consistency of choice, and the other is to identify rationality with maximization of self-interest (Sen, 1988) whereas Islamic economics purports an economic system consonant with the original sources of Islam. The individual is guided in their economic decision by a set of behavioral norms, social and moral values derived from Qurân and Sunnah. This system asserts importance on social welfare. In conventional economics, "Economic man" is the appropriate name of consumer while in Islamic economics, the consumer is known as "Islamic man‟ (Hossain, 2014). Here the term conventional economics is used as an alternative word for "Capitalist and socialist or communist economic system." Capitalism supports the consumer endless freedom to maximize their utility whereas in communism all property and wealth is owned in a classless society by all the members of that society and induces the distorted distribution of resources (Rice 1998, Akhter, Abbasi, & Umar, 2011). Islamic economic system is different from conventional economic system in its close attention to all aspects of society's development. Islamic financial system: (i) help and stimulate economic activity and entrepreneurship, (ii) addresses poverty and inequality, (iii) ensures financial and social stability, and (iv) promotes comprehensive human development and fairness. It links finance with the real economy and maintains that link at each point in time in fair and transparent manner. Moreover, conventional economic system is driven by positive economics and shuns normative economics (Friedman, 1979, Chapra, 1995) whereas Islamic economic system embraces both positive and normative economics on the basis of religion (Ashker, 2006).

Chapter 6: Islamic Tradition in Economic Thought: Money and Interest

Abdullah, A. (2018) quotes a hadith that Rasulullah (s.a.w.s.) said, “A time is certainly coming over mankind in which there will be nothing (left) which will be of use save a dinar and a dirham” (Imam Ahmad ibn Hanbal, Musnad). Indeed, the test for any valid medium of exchange is to hold its store of value. A number of empirical investigations have been conducted (Abdullah, 2016), for example, with Ottoman-Turkish data from 1469-2009 (Abdullah, 2013) and Malaysian data from 1971-2014 (Abdullah, 2015). Given the historical emphasis on high value coinage in the form gold and silver currency, Abdullah developed an Islamic monetary theory of value, which allows to measure the performance of a monetary system in terms of any debasement in coinage, or any devaluation in fiat money.

Islahi, A. A. (2014) discusses nature and functions of money, debasement, inflation and quantity theory of money, and concludes his analysis of interest as an ill-use of money.

Thomas, A. (2006) examined riba from numerous points of view: linguistic, the Abrahamic revealed tradition, fiqh, political, and economic. Each form of analysis points to complementary conclusions about riba and interest being very similar, particularly when one is extending a loan of money. The two most ancient perspectives presented in the translation of the entry for riba in Lisan Al Arab and the comparative religion perspective shared by Dr Cornell make clear that from the earliest times the increase paid on a loan of money has troubled the Abrahamic faiths to the extent that specialized words were selected to embody the fact that such gains are unacceptable when taken from one human by another. As such, the ban on interest was contemplated by most societies and is found in the Hammurabic codes, Roman law, even Buddhist meditations. In both the Torah and the Quran, the ban is formal, with the latter text elevating the ban to a universal tenant of the highest order when without equivocation, God forbids riba in the 275th verse of the second chapter of the Quran. The immediately following verses further emphasize this injunction with a threat of the most serious divine retribution for those who consume interest or riba.

M. Umer Chapra, M. U. (2006) discusses reasons for prohibition of riba in Pakistan in the context of the entire international financial system is based on interestThe answer, of course, is the Islamic injunction against interest and Pakistan’s constitutional commitment to Islam. To him these rationale would be difficult to understand unless one takes into account the maqāṣid al-Sharīah or the goals of Islam. The strategy has to be commensurate with these goals, he emphasizes.

Amalia A, Novirsari E, Shifa M et.al. (2021) in their study “Monetary policy literature in the history of Islamic economic thinking” focuses on the discussion of monetary policy in the history of Islamic economic thought starting from the time of the Prophet, his companions, to classical and contemporary economics thinkers. Explanations and descriptions that will be presented in this article can provide benefits both theoretically and practically regarding monetary policy in classical civilization, and its suitability for the present.

Chapter 7: Islamic Tradition in Economic Thought: State, Finance and Development

Abdul Azim Islahi (2014) in his study on “State, Finance and Development in the Islamic Tradition of Economic Thought” outlined that in the known history of prophets, it is only the Last Prophet of Islam (peace be upon all of them) who was able to transform the disintegrated and anarchic people of Arabia into a well-established and organized state. He passed through the stages of persecution, boycott, migration, and war and peace. He gave all the necessary principles of good governance and trained his followers in such a way that they established ideal caliphate based on justice, equity, shura (mutual consultation) and God-fearing. At the same time, he never forbade to benefit from the good experiences of others. It was in this environment that the early writings on political and economic themes started (in loose term on political economy). They addressed practical problems arising due to expanding rule of Islamic caliphate such as economic responsibilities of the government, management of lands, administration of revenue, public expenditure, supervision and control of market activities, provision of necessary goods and services, improvements of the economic condition of people and development of the economy as a whole, etc. As noted above in section two, Muslim scholars started writing on economic issues as a response to emerging situations and problems faced, hence they had pragmatic orientation. In the later period they also benefited from the writings and experiences of people with whom they came into contact.

On the political economic writings Islahi mentions Islam taught its followers, be it the rulers or the subjects, to be sincere and just towards each other and always encouraged healthy criticism and fruitful counsels. It was due to this reason that we find a chain of writings on statecraft and rules for governance appeared in Islamic tradition. Abu Yusuf's Kitab alKharaj qualifies to be included in this category. Some other works are Daʿaim al-Islam by Abu Hanifah al-Nuʿmn al-Ismaʿili, al-Ahkam al-Sultaniyyah each by Abu Yala al-Farra and al-Mawardi, Siyasat Namah by Nizam al-Mulk al Tusi , al-Tibr al-Masbuk fi Nasihat al-Muluk by al-Ghazali, Siraj al-Muluk by al-Turtushi ,. Qabus Namah by Kay Kaus, al-Siyasah al-Sharʿiyyah by Ibn Taymiyyah, Tahrir al-Ahkam fi Tadbir Ahl al-Islam by Ibn Jamaʿah (all in chronological order starting from 2nd/8th century to 8th/14th century). In addition to rules for good governance, these works have been a rich source of Islamic political economy, Islahi added.

Önder, M., & Ulaşan, F . (2018) focuses on Ibn Khaldun's Cyclical Theory on the Rise and Fall of Sovereign Powers: The Case of Ottoman Empire. This study covers the topic in three main parts. Firstly, Ibn Khaldun's cyclical theory on the rise and fall of the sovereign powers is explained with the terms of umran and asabiyya. Umran and asabiyya are the main concepts to understand his theory. Secondly, Ibn Khaldun cyclical theory is compared to other cycle theories on the rise of sovereign powers (Sima Qian's dynas- tic cycle theory, Giambattista Vico's civilization theory, Oswald Spengler's civilization theory and Arnold Toynbee's civilization theory) and similarities and differences are depicted. Thirdly, the applicability of the Ibn Khaldun's cyclical theory on the Ottoman Empire is discussed and the reasons why and how Ottomans could survive, unlike a lot of strong dynasties in Anatolia, rose as an empire and collapsed are analyzed according to the cyclical theory of Ibn Khaldun.

Siddiqi & Ghazanfar mention in their study that their objective is more limited—but a step in the direction of filling the Schumpeterian "gap". They choose to focus on the economic thought of a prominent early medieval Islamic Scholastic—one among a list of many—named Yaqub Bin Ibrahim Abu Yousuf (AH1 13–82/731–98AD) in the area particularly on some key aspects of his commentaries on public finance issues. Abu Yusuf's famous book, *Kitab al-Kharaj* (also known as *Kitab al-Risala fi al- Kharaj ila al-Rashid*), was compiled at the behest of Caliph Al-Rasheed; and this Arabic-language work is the primary source for the present undertaking.

Chapra, M.U. (2007) in his article on Ibn Khaldun's theory of development: Does it help explain the low performance of the present-day Muslim world mentions that the first part of his paper presents Ibn Khaldun's multidisciplinary and dynamic theory of development. This theory argues that the development or decline of an economy or society does not depend on any one factor, but rather on the interaction of moral, social, economic, political and historical factors over a long period of time. One of these factors acts as the trigger mechanism and, if the others respond in the same direction, development or decline gains momentum through a chain reaction until it becomes difficult to distinguish the cause from the effect. Second part of this paper applies this theory to Muslim countries to explain their low performance.

Chapter 8: Islamic Economic Thinking Impact on Scholastic Economics

The chapter provides *understanding and analysis* of the Muslim scholars' addition to and improvement over Greek Ideas with the raison d'etre that early medieval Christian west had no base for economic questions. In addition to that the chapter takes account of the rise of scholastic economics, manifests Muslim scholars' impact, and assesses emergence of mercantilism as a reaction against Muslim power.

Zaman (2019) approaches his article "Mainstream Economics vs Islamic Economics" in the perspective of Adward Said's approach to looking at economics and its theorization. As Edward Said has explained in Orientalism, the conquest of the globe by Europe colors all European productions of knowledge about the Orient. Because of the dominance of European educational systems, these Eurocentric views have also been absorbed and assimilated by Muslims. This has caused great difficulties in the development of Islamic Economics, because Muslim scholars have attempted to reconcile two diametrically opposite views. European views give primacy to the material dimensions, while Islamic views give primacy to the spiritual dimensions of human existence.

As many authors have documented in detail, the transition from a traditional society based on Christian values to the present day secular modern society was a revolution in ways of thinking and acting. Islamic views on economic organization would be familiar to pre-modern thinkers, but alien and strange to modern scholars, Asad maintains.

Asad builds his position by saying that modern economic theory takes certain background institutional structures for granted, and is strongly shaped by Western historical experiences. Nonetheless, the theory claims for itself a universal status as a science, free of its historical, cultural and institutional context. Modern social sciences took their current shape in the early 20th century and represent a radical break from the past, even though dominant narratives of social sciences create the appearance of continuity and links to antiquity. Islamic economics can only be understood as a response to, and a rejection of certain foundational claims of Western economics. While source materials for the subject are available from early Islamic times, the separation of the economic realm, and its treatment in isolation, packaged as "Islamic Economics", is a modern response to the West. As detailed in Zaman (2008), the subject was created as an Islamic alternative to capitalism and communism, meant as an economic system for newly liberated colonies in the Islamic region. Modern economics is actually an economics of capitalism. It cannot be understood without studying the historical context of the emergence of this economic system and the associated ideologies. Since Islamic economics was initially framed as a competitor to capitalism and communism, understanding it requires analyzing the historical roots which led to the emergence of these economic systems.

He proposes to use a three-dimensional framework for comparison of modern Western economics and Islamic economics, viz:

Normative: An articulation of the intertwined concepts of the good life and the good society, which provides a normative ideal, a target and a benchmark.

Positive: A description of the institutional structures-political, economic, social, and environmental - that shape individuals and societies. This is the positive component of social science.

Transformative: Strategies for moving from the actual (positive) description towards the normative ideal. According to the projected self-image of Western economics, it only contains the positive component—a purely objective description of human behavior in the economic realm. The normative and transformative components are left up to the policy makers, while the economist merely provides scientific factual description of ground realities.

Islahi, A. A. (2014) argues the teachings of Islam offer a very simple solution to scarcity, supposedly the central problem of economics. Islam strongly discourages pursuit of idle desires. The Quran (45:23) explains that those who make their desires their gods are blind to the realities of human existence.

Scarcity is created because economists refuse to distinguish between needs and wants, and consider the fulfilment of both to be their professional goal. For example, Samuelson and Nordhaus (1989: 26) state that economists "must reckon with consumer wants and needs whether they are genuine or contrived." This sets economists up for failure, since "wants" expand when they are fulfilled. According to Islamic teachings, "Give a man a valley of gold, and he will desire another." Islam accepts and encourages fulfilment of needs, but rejects and discourages the fulfilment of wants. This single principle is sufficient to solve the problem of scarcity; as Gandhi said, there is enough for everyone's need, but not enough for everyone's greed.

As a matter of principle (consumer sovereignty), economists refrain from studying how desires are shaped. They take the utility function as exogenous: desires are formed outside the economic system. However, Islam teaches us that our desires can be shaped by our conscious efforts. There are several strategies we can use to overcome our inclination to follow our desires. For ex- ample, the Quran (3:92) states: Ye will not attain unto piety until ye spend of that which ye love. By giving away what we love most, we will weaken the hold of desires on our behavior . Similarly, fasting, staying away from food and water, teaches us control of our appetites, and leads to the purification of the heart from the love of material comforts.

As Galbraith has explained quite clearly, capitalism works in the opposite way. At the heart of capitalism is massive over-production. In order to sustain the system, it is necessary to persuade consumers to increase their desires. This is achieved by advertisements, which create desires for unnecessary objects, required to create growth. There are many ways to show that advertisers create artificial wants. For instance, Hamilton et al. (2005) found that over $10 billion worth of goods were purchased but never used by consumers in Australia alone.

Islam teaches us that the root cause of the catastrophes facing us on all fronts of human existence is our primitive and immature spiritual state—labelled nafs-e-ammara. Modern economic theory contributes to this disaster by encouraging us all to maximally pursue our desires, ensuring that spiritual progress does not take place. The only path to transformation lies in internal change and spiritual progress, which occurs when we suppress personal desires and strive for higher causes.

Rizkah, S. K. & Chachi, A. (2020) mention increasing number of Muslim and non-Muslim scholars, commentators, economists and sociologists have started to point out the little acknowledgement that the world has given to Ibn Khaldun as one of, if not, the earliest forerunner scholar to write on many fields of knowledge, including Economy, Sociology, History, Psychology and Politics. Dale (2006) and Khalil (2007) even crowned Ibn Khaldun as the first social scientist to come up with human organization theory in their research papers. However, until recently, he was a forgotten figure and his name had never been mentioned in the popular economic textbooks despite his substantial economic thoughts. Even Schumpeter (1954) who wrote about the history of economic analysis and who claimed 'the Great Gap' of 500 years in the history of economic thought, from the Greeks to Thomas Aquinas, did not acknowledge Ibn Khaldun's contribution to economic thought.

Rizkah & Chichi's study aims to extract the economic thoughts of Ibn Khaldun with a view to analyze whether these economic thoughts are still relevant in today's world.

Part-IV comprising chapter 9, 10 &11, concentrates upon discussing modern economic challenges, challenges faced by Islamic economics and how Islamic economics can emerge as a new paradigm for solving global economic problems.

Chapter 9: Modern Economic Thinking Challenges

To Arrow (2013) financial crises are not a new phenomenon. The history of capitalism has been marked by repeated collapses of the financial system, situations in which the "markets" for loans disappear for extensive periods of time. The 18th century saw some bubbles, but these might not be quite modern. But from 1819 on, there have a succession of failures of banks and other financial institutions. These have typically been unpredicted and did not correspond in time to any particular exogenous event (e.g., wars). Economists from John Stuart Mill (1848) on did recognize the phenomenon. But the discussion was and is not at all integrated with the general exposition of classical economics. No one could be a more vigorous advocate of unrestrained markets than Milton Friedman; yet, to my reading, the account that he and Anna Schwartz gave of monetary developments in the United States and particularly with regard to the Great Depression emphasizes, not prices, not even interest rates, but the supply of money, and, by inference, of liquidity. (Friedman and Schwartz [1963]).

Joseph E. Stiglitz (2009) writes on the current economic crisis and lessons for economic theory. He talked about reforms following financial crises. He terms 2007-08 global financial crisis as worst economic crisis since the Great Depression, the first global recession in the new era of globalization. US president committed to restructuring national priorities, reforming education, health and energy sector, eliminating some long standing distortions arising from corporate welfare, and restructuring tax code. He cautioned political battle ahead: special interests will try to block many of the reforms. Stglitz addresses two issues. The first is a matter of immediacy: what should we do about our failed banks? The second is a matter of reflection: what role did we, the economics profession, or more precisely, what role did some of the ideas that had become fashionable, even dominant, play in causing this crisis? What lessons will or should we take away? How should it affect what we teach, what we advise governments to do, and what our research agenda is?

Alan Kirman (2010) admits the economic crisis is a crisis for economic theory. He examines, in the light of recent events, the origins of the difficulties that current macroeconomic models have in encompassing the sort of sudden crisis which we are currently observing. The reasons for this are partly due to fundamental problems with the underlying General Equilibrium theory and partly to the unrealistic assumptions on which most financial models are based. As remedy he suggested dropping unrealistic individual basis for aggregate behavior and the even more unreasonable assumption that the aggregate behaves like such a 'rational' individual. We should rather analyze the economy as a complex adaptive system, and take the network structure that governs interaction into account. Models that do this, unlike standard macroeconomic models, may at least enable us to envisage major 'phase transitions' in the economy even if we are unlikely to be able to forecast the timing of their onset.

Schneider, F. and Kirchgässner, G. (2009) observe that one of the most severe and deep world financial and economic crises in history. The most important economies (like those of the United States, China, India, Japan, Germany, and Britain) are in deep recession and we also observe a severe financial crisis, e.g., mistrust between the financial institutions. This caused a reaction in which almost all governments engaged in substantial deficit spending to inject liquidity into financial markets and to fight the economic downswing. All this happened within half a year to nine months, and economic researchers are now confronted with explaining how this could have happened. The public and politicians ask the economics profession, what the causes of this deep crisis were and what can be done to overcome it. They analyzed the origins of the financial crisis, deals with the role played by economists during the events of the recent past and points to the failure of our economic models with conclusions for economics as well as economic policy are drawn.

Chapter 10: The Challenges of Islamic Economic Thinking

Mirakhor. & Mohamed (2020) in their essay "Islamic Economy and Capitalism" observe that for centuries, individualism, decentralization and the dispersion of power have been the molds of Western liberalism. Liberal charters, establishments and constituents enforce limitations on the overreaching power of any single leader or public official, including branches of governments as well as the state as a whole. Such limitations supposedly safeguard citizenries from tyranny and oppression that could ensue from long-term centralization of power within a privileged class. Given the historical experience of Europeans with feudalism and religious establishment that led to emergence of Renaissance and the Enlightenment, arguments that these objectives could be achieved within a social system guided by religious beliefs has been all but ignored.

The school of logical positivism prevalent in the early 1930s and still influential leaves no conceptual space for 'rational' discussion of beliefs about the Creator, generally taking the view that religious language could not be cognitively and empirically meaningful. Nevertheless, beginning in the middle of last century, a shift in the philosophy of scientific study arose, as positivist accounts of reality were gradually displaced by contextualist or evidence-based theories of scientific rationality, opening up new possibilities of dialogue between theology, science and the ethical philosophy. Consequently, a view emerged that religious tenets as a practical theory for solving problems in morality can be considered much like algebra solving practical mathematical problems (Hickman, 1990). This way, the view held that morality, ethics and spirituality can be utilized as organizing principles where it is fathomable to create macro-systems that can embody systems of moral conceptions of justice, fairness and equality.

Modern economics, however, considers morality and ethics only among elements of preference formation while relying on its own conceptions of reason and rationality, thus removing revelation as an authentic source motivating economic behavior. Hence, economic actions are directed toward the goal of maximizing utilities (like happiness, profit, stature, etc.) of human beings in this world. A "rational" individual (in the neoclassical sense) is free to maximize her/his utility without necessarily considering any moral, social or spiritual accountability that involves an incentive system of "hereafter" reward and punishment of the consequences of economic choices and decisions made. Such thinking leads to the conception of humans as isolated individuals who are motivated purely by self-love, selfishness, greed, acquisitiveness, highly competitive, lacking empathy or sympathy for others of his/her kind or for nature. In contrast, in the last few decades behavioral and experimental social sciences have demonstrated that this "Model of Man" is far from being an adequate or accurate depiction of human beings. The picture of humans emerging from these studies shows a being capable of "other-regarding" and cooperative behavior with a moral sense who perceives of justice and fairness, even at an early age, and with empathy and sympathy.

The authors contend that a reasoned-Revelation, which is the Qur'an, represents humans as beings with a primordial nature (*fitrah*) that contains characteristics a few of which behavioral and experimental social sciences have discovered in the last few decades. The social and economic behavior of this being is radically different from that assumed by contemporary economics. By extension, the economic system envisioned by the Qur'an for human societies and based on its definition of human nature is significantly different from contemporary capitalism in terms of philosophical, logical and ideological foundations. Such a system they contend, is far more capable of managing the resources of a society in such a way to avoid emergence of high inequality of income and wealth, massive poverty, social strife and conflicts. They argue that adherence to the axioms of the belief system empowers creation of a set of means collectively referred to as spiritual capital which in turn gives rise to the emergence of set of values collectively called social capital. Adherents to the belief system then utilize these two forms of capital to leverage other forms of capital, human and physical, to form a fair and just society operating with a robust, resilient, prosperous and sustainable economic system. To show the contrast with the present dominant system, their paper reviews briefly the evolution of capitalism from its early forms to its present configuration in place since the mid-1970s which is blamed for many human and natural disasters. It then outlines the basic characteristics of the alternative Revelation-based system.

Zaman (2012) in his "Crisis in Islamic economics: Diagnosis and prescriptions" provides substantial evidence that the development of the discipline of Islamic economics is currently in crisis. The project of "Islamization of Knowledge" continues to be of vital importance to the Ummah of Muslims. The future of any community is strongly linked to the education received by the children in that community. Today, the vast majority of Muslim children receive a secular Western education. Built into such an education are assumptions that contradict basic Islamic teachings; for example, the separation of state and religion, based on the idea that religion is a private and personal matter and should not be brought into the public domain. Because of these conflicts, many Muslim intellectuals have argued for the necessity of assimilating Western knowledge into an Islamic framework. At the dawn of the fifteenth century Hijrah, the Organization of Islamic Conference (OIC), created two universities – the International Islamic Universities of Islamabad and Malaysia – for this explicit purpose. All across the Islamic world, a large number of diverse initiatives have been launched for this purpose of integrating our traditional corpus of Islamic knowledge with modern Western knowledge.

Because of its vital importance, large amounts of individual and collective efforts of Muslims have gone into achieving this goal. While partial success on certain limited fronts has been achieved, it would be fair to assess the overall outcome as a failure. Many of the leading scholars who have spent their lifetimes on this goal have acknowledged this failure, as documented by Zaman. Corresponding to this failure, many diagnoses have been offered as to the reasons. Zaman's paper provides a new diagnosis of the reason for the failure. It argues that there are strong conflicts between Islamic views on the nature and purpose of human existence and Western views. The full extent of this conflict has not been resolved by most who have worked on the Islamization of knowledge project. Wrong attempts to integrate two conflicting bodies of knowledge is an impossible task leaving such type of attempts failed.

Enzlberger & Birringer (2020) studies commonalities, if any, between Islamic economic thought and the Social market economy. In a series of conferences, the Konrad-Adenauer-Stiftung (KAS) dealt with the commonalities of the principles of the Social Market Economy and those of an Islamic economic concept. It is argued that mandatory rules are the prerequisite for acting in a socially responsible manner and promoting the common good in a free and market-oriented economic structure. What is needed is a reform of the financial system that, for example, is geared along the ideas of economic concepts like the Social Market Economy; concepts that have proved their value at the national level. That is why the KAS wants to make a constructive contribution to the debate on the future of a social and market-oriented economic system.

Since the critical events beginning in 2007, the media have repeatedly pointed out how stable and crisis resistant Islamic banking institutes have been compared to the Western financial system. At the height of the crisis even renowned experts called for a reorientation toward financial systems shaped by Islamic values. In September and October 2010, the KAS held three experts' talks in Berlin, Abu Dhabi and Ankara on the topic "Islamic Economic Thought and the Social Market Economy."

The central issue at the event on September 30, 2010 in Berlin was to analyse if and to what extent a Social Market Economy and an Islamic financial system shared common principles. Zaid el-Mogaddedi of the Institute for Islamic Banking and Finance (IFIBAF) in Frankfurt, Germany, Professor Volker Nienhaus of Philipps University in Marburg, Germany and Dr. Mehmet Asutay of Durham University, United Kingdom, all took part in the event as speakers.

Chapter 11: Islamic Economics as a New Paradigm

Chapra's (2008) reflection on the global financial crisis raises the question that can Islamic finance help minimize the severity and frequency of such a crisis in the future? He perceives that the financial system has decidedly played an active role in the accelerated development of the world economy, particularly after the Second World War. An unending stream of financial innovations, including the revolution in information and communications technology, has played a crucial role in this development. The system is, however, now plagued by persistent crises. According to one estimate, there have been more than 100 crises over the last four decades (Stiglitz, 2003, p. 54). Not a single geographical area or major country has been spared the effect of these crises. Even some of the countries that have generally followed sound fiscal and monetary policies have become engulfed in these crises. The prevailing financial crisis, which started in the summer of 2007, is more severe than any in the past and shows no sign of abating despite a coordinated bail out of three to four trillion dollars by the US, the UK, Europe and a number of other countries. It has seized-up money markets and led to a precipitous decline in property and stock values, bank failures, and nervous anxiety about the fate of the global economy and the financial system. This has led to a call for a new financial architecture.

Chapra's paper tries to determine the primary cause or causes of the financial crises that have plagued almost every country around the world over the last three decades. Of particular significance are the 1998 LTCM breakdown and the prevailing subprime mortgage crisis in the United States which is more severe than any in the past and has had devastating spillover effects worldwide. It argues that one of the major causes of these crises is the lack of adequate market discipline in the financial system. This leads to excessive lending, high leverage and ultimately the crisis. Unwinding gives rise to a vicious cycle of selling that feeds on itself and leads to a steep decline in asset prices accompanied by bank failures and economic slowdown. Risk-sharing along with the availability of credit for primarily the purchase of real goods and services and restrictions on the sale of debt, short sales, excessive uncertainty (gharar), and gambling (qimar), which Islamic finance stands for, can help inject greater discipline into the system and, thereby, substantially reduce financial instability.

Alaabed and Mirakhor (2020) in their interpretive essay on "The Organizing Principles of Islamic Economy According to M. B. Al-Sadr " maintain there are important insights in al-Sadr's explanation of the elements of the groundwork. The three elements provide humans with the ability to focus their internal and external dispositions intensely on Allah swt (the Belief) and abandon servitude to any other entity. Thus, becoming liberated from servitude to internal and external idols. Based on his discussions of causality and motion in Falsafatuna, he argued that the process involved in this liberation movement is one of gradual transformation of potentiality into actuality. Potentiality, existing in the essence of the duality of materiality and spirituality within the constitution of human beings, is actualized experientially as humans use their spiritual capital provided by their Creator in their very essence and through His Message to humanity (Ng et al, 2015).

Sadr's concept of spiritual capital comprised of al-Raseed al-Ruhi and al-Tamween al-Ruhi provides important insight which he derived from the Belief (al-'Aqeedah). It is the erosion and loss of spiritual capital and its replacement by the dominant ideology that al-Sadr considered as the major cause of problems of Muslims and their society. Loss of spiritual capital leads to loss of social capital because the former gives birth to the latter (Rima, Samuel D., 2013). Social capital, according to al-Sadr, emerges when a critical mass of believing individuals engage in social transactions with self-confidence borne from the internalization of commitment to three elements of the groundwork.

When such a critical mass of individuals comes into existence and behaves in compliance with the rules prescribed by their Creator, the society will have available a stock of spiritual and social capital that promotes solidarity, stability, prosperity, and social welfare. The reason is that social capital includes elements of mutual trust, cooperation, and coordination that bring individual self-interests and social interests into harmony. Once spiritual capital is eroded, and eventually lost, social capital becomes impaired or destroyed leading to loss of social solidarity and cohesion. Pursuing objectives solely borne out of self-love and self-interests become the ruling paradigm which, in turn, leads to intense competition for accumulating wealth and society becomes a "winner-take-all" society.

The ideas of spiritual and social capital, essential insights of al-Sadr, had to wait for their articulation by scholars of conventional economics until the last decades of the twentieth century. Even then, social capital was first to make its appearance. In the last decade few researchers have been attempting to bring spiritual capital into mainstream economic thinking. However, this effort has yet to gain much traction. These attempts, while acknowledging that the main source of spiritual capital is religion, in an attempt to broaden the appeal of this concept have tried to downplay the role of the latter. This is analogous to attempt of philosophers and ethicists who attempt to develop "godless morality."

The three elements, the belief, concepts and sentiments, constitute the organizing principles of Islamic society. They are also the foundational principles of Iqtisad in that without them the two most important pillars of Islamic social justice discussed in the Sadrian discourse: "general mutual support" (al-Takaful al-'Aam) and "social harmony and balance" (al-Twazon al-Ijtima'i) would be undermined. Collectively, the three principles and their specific characteristics are unique to Islam. They distinguish Islamic society and its economy from all other systems. Notwithstanding disagreements and debates regarding specific issues in philosophy, logic or other subjects treated in the Sadrian universe of discourse, there can be no denying that the latter provides a pragmatic and practical blueprint for organizing an Islamic society with its own unique economy. The challenge, however, is the absolute necessity of a critical mass of individuals that has already internalized the three elemental organizing principles before the ideal society comes into existence.

This is the reason why al-Sadr placed such strong emphasis in his discourses on the upbringing, education and training of individuals.

Given his penchant for pragmatism and practicality, al-Sadr argues for a type of education and training that reflects the universality of the Message of Islam and its ability to be articulated in terms, expression and framework that are capable of addressing the ground reality upon which the contemporary generation experiences life. This is the reason he focused on the necessity of change in the outlook and methodology of Ijtihad—that is achieving expertise in religious studies. He specified the condition for the type of Ijtihad that can articulate an up-to-date Islamic vision to address the contemporary problems of humanity. This was to be an Ijtihad that is not chained by a commitment to preserving the status quo, is not influenced by personal biases of the mujtahid—the person exercising Ijtihad--, does not abuse absence of rules in the authentic sources in order to render a fiqhi decision that justifies his/her prejudices.

In short, al-Sadr argued for an Ijtihad that was not only logically rigorous but was also objectively devoid of prejudices, biases and ignorance and was well-informed about current socio-political- scientific developments. It is this kind of ijtihad that could educate and train human beings worthy of the office of Khalifa (trustee, agent) of Allah on earth. Al-Sadr had no doubt that Islam has optimal solutions to the current problems of mankind. He emphasized that what gives rise to these problems are injustice (Dhulm) and ingratitude (kufran al-ni'mah). The two together create internal conflicts within individuals which if not resolved lead to external conflict with others and conflicts with nature leading to destruction of social harmony, cohesion and solidarity as well as damage to nature. In order that solutions to society's problems emerge, however, humans have to remake themselves into Islamic humans by internalizing the three principles. In short, they have to become fully compliant with the rules their Creator Has prescribed.

Omercic, Haneef & Omar (2020) in their "Economic Thought, Foundational Problems of Mainstream Economics and the Alternative of Islamic Economics" provide a perspective that economic thought has always come hand-in-hand with social development. A robust economy facilitated the prosperity and expansion of the Hellenic and Roman civilizations. It was present with the rise of Islam in the 7th century which heralded sustained economic integration and established clear rights and duties, while also driving industrial Europe and the contemporary period (Chapra, 2016; Koehler, 2014). Modern economic thought took concrete shape in the last 300 years although its roots are traceable to the legacies of earlier civilizations. Medieval Thomistic (named by Thomas Aquinas 1225-1274AC), feudalist, mercantilist and protestant economic thought challenged the Christian Paternalistic Ethic (CPE) and dichotomised economic thought into normative and positive trends. The later became dominant with the rise of science and the positivistic shift in economic thought that guided classical economics and continues to guide mainstream neoclassical economics today (Hunt, 2016; Blaug, 1997; Mahomedy, 2016, 2017).

Modern economics, like all other social sciences, are Western sciences, and rooted in foundations that reflect Western thought, worldview, and practice. Western civilization and its worldview have asserted global influence since the 16th century (Hunt, 2016; Al-Attas, 1978; Ali, 2016). Western economic thought is an undertaking of many scholars who spent their lives contributing to the field, primarily focusing on issues of growth and development. People's welfare and wellbeing receive little attention and the outcome of all these three centuries of economic thought is massive inequality and concentration of market/economic power as a hallmark of Western economics. It has perpetuated global crises and failed to reduce socio-economic challenges in contemporary times according to Stiglitz (2019) and Furqani (2012). Many scholars have pointed out that its shortcoming is due to its materialist nature, the neglect of its foundations, ethical roots, and its spiritual/religious teachings. Such a materialist orientation of economics as a discipline may be the legacy of the Western civilization but need not be the path taken by humanity at large (Mirakhor, 2020; Lee & Lavoie, 2013; Putnam & Walsh, 2012; Chapra, 2016).

For that reason, writers of this paper appraise the development of Islamic economics (IE) in light of the Integration of Knowledge (IoK) based on the Islamisation of Knowledge (IOK) as an alternative to mainstream economics. Beginning with a brief evolution of the development of mainstream economics, their paper identifies its foundational problems that have caused many contemporary theoretical and practical problems globally. However, they acknowledge in this paper the strengths of mainstream economics, its beneficial contributions yet appraise the alternative IE in light of IoK based on IOK.

Economics has proved to be neither value-free nor ideology-free in view of Canterbery (1987) and Hunt (2016). Religions (Islam, Christianity, or others) have contributed to its development. While the Islamic civilisation's contributions to economic thought are increasingly immanent in contemporary times, Western economists erroneously categorised it within the Schumpeterian gap according to Pribram (1983), Hunt (2016) and Islahi (2005, 2014). The rise of IE and IOK in the 20th century proved that the Islamic civilisation contributed to the development of economic thought and other disciplines. With increased research, contemporary Western literature is being forced to acknowledge and revise the historical development of economic and other thought in view of Saliba (2007). That represents the need and corroborates this paper's aspiration to appraise IE development through IoK based on IOK in order to revive the legacy/classical practices in contemporary times and overcome the problems and recurrent issues of mainstream economics.

From Canterbery (1987) and Hunt (2016), we learn that when mainstream economics mechanized the *homo economicus* in attempts to replicate scientific rationality axioms, its empiricism, predictability, infallibility, utilitarianism, consistency, constant maximization of value levelled human activity into cause-effect relationships. The Great Depression in the 1930s witnessed Keynesian economics challenge such an approach to economics and promoted socialist economics packaged in the US President Roosevelt's 'New Deal' economic recovery programme, i.e. the greater role of government in markets and the rise of syndicate rights. The classical and other economic thought variants constantly rivalled it but ultimately all fell into the 'positivistic shift' trap. Therefore, this gap corroborates the need for an alternative approach to economics, like IE, that is aware of this trap and can integrate the best contributions of economic thought for betterment of humanity.

Moreover, modern economic thought proved to have questionable philosophical foundations that comprise its ontology, epistemology, axiology, and methodology. The positivistic-scientific quest in economics resulted in repetitive crises, irrational exuberance for stability and prosperity, financialisaton, environmental destruction, and constant materialization and desacralisation according to Shiller (2015), Stiglitz (2019) and Al-Attas (2014). Hence, among the multiple assumptions, regressions, testing, modelling, and other economic methodologies, some are more and some less relevant today. Thus, the state of economics today suffers from a methodological deficiency resulting from marginalization and narrow philosophical foundations, namely ontology (theory of being), epistemology (theory of knowledge and its sources) and axiology (the study of the nature of value or valuation) in view of Mahomedy (2016, 2017), Furqani (2012) and is evident from even Stiglitz (2019). Mainstream economics narrowed the nature, role, and position of human beings to that of *homo economicus* and a unidimensional or unidisciplinary positivistic development of economics. While some alternative Western economic schools or heterodox economic thought like post-Keynesianism, institutionalism, neo-Austrianism, neo-Ricardian or post-autistic economics and others questioned the approach and aspects of mainstream economics (Boşca, 2015), no one seriously questioned or discussed its philosophical foundations according to Mahomedy (2016) and Furqani (2012). This represents a great gap that this paper aims to fill.

Hence, while appreciating the beneficial contributions of mainstream economics, this paper attempts to address the identified gaps of foundational problems of mainstream economics, recurrent issues and general approach to economics as findings and results by highlighting Muslim responses to mainstream economics based on foundations that have the potential to overcome its identified foundational problems and issues. Since the encounter with Western civilisation and economic thought, Muslims objected to its approach and imposition of its narrow and flawed foundations and worldview. It is for those reasons that this paper appraises IE as an alternative in light of the contemporary significance and shift to IoK yet based on IOK. We simultaneously acknowledge the need to overcome the shortcomings of IE and IOK raised since inception that in no way diminish their robust foundations. Many studies increasingly proved that IE and IOK proved to have sound and comprehensive philosophical foundations. For instance, such an approach is genuine and realistic in contrast to the abstract nature of mainstream Western economics in view of Haneef (1997) and Furqani (2012). The increasing significance of knowledge integration in contemporary times and the shift from Islamisation of Knowledge (IOK) to Integration of Knowledge (IoK) makes the development of IE with the use of beneficial contributions of mainstream economics conducive and commendable. This represents the way how this paper fills the gaps of questionable mainstream economics foundations, economic thought, its issues and constant economic instabilities as a major contribution of this paper to the reviving interest of IE development due to its potential in theory and practice. Linking the theoretical foundations of IE that we appraise as the solution to those of mainstream economics with the practices in the Islamic banking and finance industry has the potential to rectify recurrent challenges of the industry in actualising its aspirations genuinely.

Sholihin & Furqani (2020) draw a phenomenal background in introducing their work "The Realism of Islamic Economics: Abbas Mirakhor's Methodological Structure of Islamic Economics" as below:

Islamic economics thought offered by Islamic economics scholars, undoubtedly has a different epistemological building. This difference exists, not only as a product of pairwise comparison with conventional economics but also internally compared to Islamic economic thought. It is no exaggeration to believe that Islamic economic thought introduced by Muslim economists is also full of differences and differentiation. This is understandable, because every thinker inevitably has world view in a unique paradigm and ideology of knowledge. It is just that the paradigm behind economic epistemology introduced by thinkers will always be connected or associated with ideas outside of themselves (Macknight and Medvecky, 2020). It also applies to the contemporary Muslim economist—Abbas Mirakhor. Not only the form of thought, but practically his Islamic economic ideas showed that the building of the Islamic economic methodology behind the economic theory introduced by Abbas Mirakhor was a product of social interaction, his ideas and daily life as an economist. It is just that, not many scholars who tried, and studied Abbas Mirakhor as an economist and put his Islamic economic theory and thought on the continuum of economic epistemological transmission. Because it examines the building methodology as well as the genealogical methodology it offers, it is important to be studied. This effort becomes important not only to recognize, but also to trace the roots and methodological traditions such as what is the foundation of Abbas Mirakhor's thought.

Abbas Mirakhor is an expert corroboration and becomes the iconography of the New Institutional Approach (New Institutional Economics) in Islamic economics. Some studies show this by convincing this view (Al-Daghistani, 2017; Askari et al., 2015; Khori and Yusdani, 2015; Morrison, 2019). The grouping of Abbas Mirakhor as the bearer of the idea of New Institutional Economics (NIE) is based on a set of argumentation. Abbas Mirakhor states that Islamic economics must be strengthened with an institutional legal foundation, in outline that Islam can comprehensively be promoted in Islamic economics (Khori and Yusdani, 2015). That is the basis of the argument of why Abbas Mirakhor is categorized as a New Institutional Economist (Mirakhor and Krichene, 2014). The development of the Islamic finance industry, complete with the complexity of the products it offers, must stand on the foundation of Islam. Because that institutional legality is needed for the product, consequently the financial industry does not run solely based on market reason alone (Arafah, 2019).

The institutional aspects and the legality of Islam towards the development of Islamic economics made Abbas Mirakhor a consistent bearer of NIE and introduced it through in-depth studies and explained his support for the idea of NIE implementation in Islam. However, there is another dimension that also stands out besides the bearer of the idea of the NIE, namely in the realm of methodology. Abbas Mirakhor more often demonstrates philosophical work as a realist-economy. This is marked by the intensification using mathematics and statistics in explaining the reality of Islamic economics and these include issues in Islamic banking and finance.

The question then, why does Abbas Mirakhor precisely offer an approach to economic realism to develop Islamic economic theory as a scientific discipline? What is the kind of epistemology tradition considered as a foundation of Abbas Mirakhor’s idea? These questions are the main purpose of this article, while emphasizes this article also focusses on examining Abbas Mirakhor as an Islamic economic thinker. This article critically examines two things, namely: the structure of the methodology of Islamic economics offered by Abbas Mirakhor; and the epistemological tradition behind his thinking in Islamic economics. These issues are elaborated in two sub-theme of article—1) The complexity of Abbas Mirakhor’s methodology; 2) Abbas Mirakhor purifies the realism economics. These issues are elaborated and the answers are formulated in this study. Then the literature study was selected to find the methodological structure and epistemological tradition of Islamic economics as outlined by Abbas Mirakhor in his works. Furthermore, the inter-textuality analysis is also applied as an instrument to understand the text and context of Abbas Mirakhor's work related to Islamic economic methodology.

Overall, the Readings Series-3 titled as Readings in Islamic Economic Thought incorporates recent developments in the discipline covering a period of half century contributions came in the recent past.

The Editor