

Economic Theology of Islam

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ABSTRACT

Often, the literature revolving around Islamic Economics centers to a Muslim audience. However, the root theory from the authentic scriptures (Qur'an and Hadith) addressed economic ideals within the interfaith society at its time. When observed further, this paper connects well-known macroeconomic and microeconomic theories within the principles of Islamic Economics. Through the values and ethics that define Islam, society and its individuals must strive to embody such disciplines of love, integrity, perseverance, gratitude, humbleness, patience, and sound decision-making. These disciplines happen to be the overarching theme within the scriptural foundation of Islamic Economics. The paper further reasons that these values can create a natural order within economies and financial markets. The equitable and transparent information market and sustainable transfer of wealth can create an organic and naturally flowing system, as dictated by the original "invisible hand" theory in economics.

ملخص

كثيرا ما تركز أدبيات مراكز الاقتصاد الإسلامي على الجمهور المسلم. ولكن بمراجعة النصوص الدينية الصحيحة (القرآن والحديث) التي انبثقت منها هذه النظرية، يتبين أنها تناولت مبادئ اقتصادية ضمن مجتمع متعدد العقائد آنذاك. ولذا، فإن هذا البحث يسعى للربط بين نظريات الاقتصاد الكلي والجزئي المعروفة بمبادئ الاقتصاد الإسلامي. وفقا للقيم والأخلاق الإسلامية، يجب على المجتمع وأفراده السعي لتجسيد مبادئ الحب والتراحم والمثابرة والامتثال

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والتواضع والصبر وصنع القرار السليم. وتتضمن هذه المبادئ الموضوع الرئيسي الذي يقوم عليه الاقتصاد الإسلامي. ويخلص البحث إلى أن من شأن هذه القيم أن تخلق نظاماً طبيعياً داخل الاقتصادات والأسواق المالية. كما يمكن لسوق معلومات يتسم بالعدل والشفافية ويضمن النقل المستدام للثروة أن يخلق نظاماً طبيعياً وسلساً كما جاء في نظرية "اليد الخفية" المبتكرة في الاقتصاد.

ABSTRAITE

Souvent, la littérature sur l'économie islamique s'adresse à un public musulman. Cependant, la théorie fondamentale tirée des écritures authentiques (Coran et Hadith) aborde les idéaux économiques au sein de la société interconfessionnelle de l'époque. En approfondissant l'analyse, le présent document établit un lien entre les théories macroéconomiques et microéconomiques bien connues et les principes de l'économie islamique. Grâce aux valeurs et à l'éthique qui définissent l'Islam, la société et ses individus doivent s'efforcer d'incarner des disciplines telles que l'amour, l'intégrité, la persévérance, la gratitude, l'humilité, la patience et la prise de décisions judicieuses. Il se trouve que ces disciplines constituent le thème principal des fondements scripturaux de l'économie islamique. Le document explique en outre que ces valeurs peuvent créer un ordre naturel au sein des économies et des marchés financiers. Le marché de l'information équitable et transparent et le transfert durable des richesses peuvent créer un système organique et naturel, comme le veut la théorie originale de la "main invisible" en économie.

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JEL Classification: B41, B49

1. Introduction

Islam, the youngest of the revealed religions, is in essence a continuation of earlier revealed religions such as Judaism and Christianity. Its holy text, the Qur'an, is a collection of divine revelations that has been preserved verbatim since the time of Prophet Muhammad (pbuh) [henceforth, the Prophet]. In addition to the Qur'an, Muslims find guidance in the hadith, a body of literature containing the Prophet's instructions and recommendations that has been reliably preserved.

Islam provides an all-encompassing set of standards that applies to nearly all facets of life, including economics. Though interest in the economic teachings of Islam emerged alongside the stirrings of political independence and self-determination of Muslim countries at the end of the nineteenth and beginning of the twentieth century AD, at that time Islamic economics had not yet arisen as its own discipline. A turning point in the development of Islamic economics as a social science came with the establishment of the Centre for Research in Islamic Economics (CRIE) in 1976 in King Abdulaziz University, Jeddah, Saudi Arabia. Shortly thereafter financial institutions were created with a mandate of doing business according to Islamic principles. The past three decades have seen significant developments in the production and circulation of research documents, books, and journal articles on Islamic economics and finance.

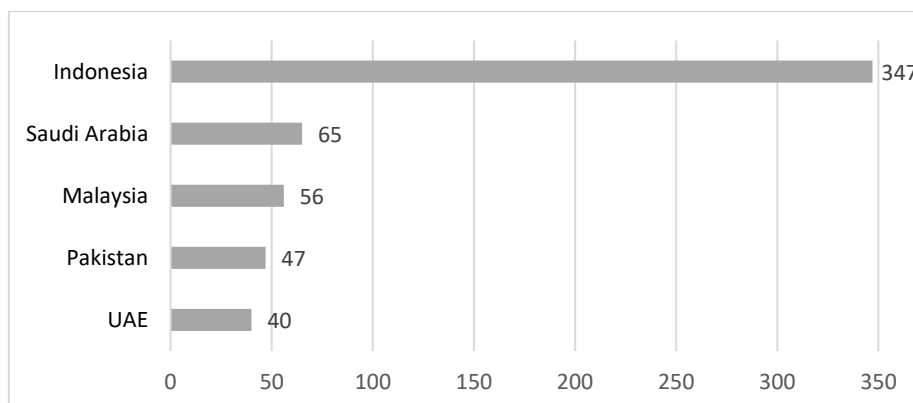
Harvard's Islamic Finance Project Databank contains over a thousand unique titles on Islamic economics and finance as well as records of the proceedings of 1500 conferences (Ali 2008: 164). Currently (as of the time of writing in 2021) the field of Islamic economics continues to enjoy considerable growth. For the main research sub-segments, there were some interesting year-on-year changes in the volume of output. For example, CSR studies almost tripled, while research on other Islamic Financial Institutions (OIFIs), such as non-bank financial institutions and Islamic fintechs, increased four times compared to 2020. There are many magazines and refereed journals on Islamic economics and finance, along with a number of websites that host research material on Islamic economics. With global inequality at record-high levels and many countries still suffering from the lingering effects of the pandemic, Islamic social finance topics unsurprisingly were a key focus for Islamic finance researchers. Many books, journal articles, and dissertations on Islamic economics have also been published in English, Arabic, Urdu, Bhasa Malaysia, Turkish, and other regional languages. Within Islamic social finance, zakat proved very popular as a research focus, with 124 papers referencing the Islamic social finance mechanism in their titles. Institutions around the world have started offering courses and degrees in Islamic finance. According to the Islamic Corporation for the Development of the Private Sector (ICD)'s 2022 report, 880 universities provide Islamic Finance courses and 471 universities provides complete Islamic Finance degree rather than only courses.

Table 1: Islamic Finance Knowledge

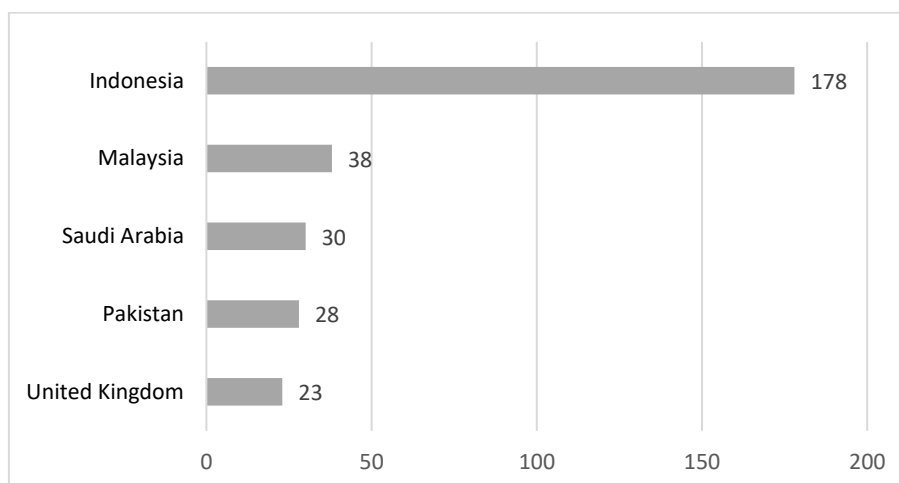
Islamic Finance Education Provider 880	Islamic Finance Research Papers Produced 3,504
Islamic Finance Degree Provider 471	Islamic Finance Journal 124

Source: ICD, Refinitiv Islamic Finance Development Report 2022 Embracing Change

While the contributions of Muslim scholars toward the development of a discipline of Islamic economics are laudable and should appeal broadly to all modern educated people, there is a risk that these contributions may actually serve to restrict the potential audience of the literature. This may occur if non-Muslims feel that Islamic economics is Muslim-specific and thus would require them to convert to Islam. Indeed, looking at the totality of the work done under the rubric of Islamic economics and finance, such fears are not without merit. According to the Islamic Corporation for the Development of the Private Sector (ICD)'s 2022 report, there is no non-Muslim countries in top 5 Islamic Finance course providers. In terms of Islamic Finance degree, the United Kingdom is the only non-Muslim country in top 5 degree provider with 23 education institutions. Within the next 22 countries for Islamic finance degree providers only three of them are non-Muslim countries, India, United States, and Singapore have three or more Islamic degree providers.

Figure 1: Top Countries by Islamic Finance Course Providers

Source: ICD, Refinitiv Islamic Finance Development Report 2022 Embracing Change

Figure 2: Top Countries by Islamic Finance Degree Providers

Source: ICD, Refinitiv Islamic Finance Development Report 2022 Embracing Change

However, the reality is that the Qur'an and *hadith* apply to the entirety of the human condition and are relevant to humanity at large. Qur'anic guidance is concerned with influencing human behavior voluntarily, without requiring a change in faith. Since the Qur'anic decrees are universally and eternally applicable, they require ongoing interpretation. Human knowledge has grown exponentially over the years and the present age has developed means and methods of analyzing socio-economic issues that are more precise and scientific than anything mankind was capable of in previous centuries. Thus, Qur'anic injunctions must be analyzed and interpreted with an eye towards contemporary issues and challenges.

Among the most admirable qualities of modern science is its insistence on attempting to understand various natural phenomena in a cause-effect framework. In order to develop a generalized theory of Islamic economics, the economic pronouncements found in the Qur'an also need to be understood in a cause-effect framework, with the acknowledgment that the ultimate cause of all causes lies with God. Unfortunately, presently almost no such research exists. We need to 'discover' the underlying operational mechanism of Qur'anic economic

pronouncements. This paper will attempt to identify various divine principles that affect human lives, communities, and societies. It will also delineate the direction that future research may take in order to go beyond mere ‘belief’ to workable theories of Islamic economics based on empirical realities.

2. Supplementing Reason with Revelation

The crux of economics is examining the problems that arise due to scarcity of resources. To keep the analysis simple and understandable, conventional economics ignores moral laws, relying solely on applying human wisdom and intellect to information collected through observation and experimentation. However, some of these overlooked moral laws have economic implications, affecting areas such as the creation of wealth, distribution of income, and state of material prosperity. Thus, it is plain to see that the field of economics, as currently constituted, has intrinsic shortcomings that prevent it from offering comprehensive answers to economic problems.

The inherent limitations of economics can be remedied by recognizing revelation as a valid source of knowledge. Doing so presents immense possibilities for expanding the frontiers of economics. By their very nature, divine moral laws are not amenable to conventional economic analysis. Divine guidance, in the form of the Qur’an and hadith, is necessary to understand these laws. However, processing the information contained within the Qur’an and hadith is not a straightforward task. The language of divine laws is often compact, subtle, symbolic, and even enigmatic. Unpacking the meaning of these divine laws and applying it to modern life requires rigorous thinking, observation, and experimentation.

The Qur’an reveals the existence of a number of moral economic laws in the physical world. These moral laws function in ways similar to the laws of natural sciences. Human beings have strived to unravel the mysteries of nature and understand physical laws. In the process, various physical sciences developed methodologies to confirm or refute hypotheses put forward by scientists. Similarly, moral economic laws are at work in the universe even though human beings have yet to understand how.

Since it is not possible for human beings to discover moral laws by direct observation, God has pointed to these laws in the Qur'an. The discovery of how these laws function can only be achieved by starting with revelation and then applying reason to develop a better understanding of human economic problems. For example, the Qur'an references the moral law of prosperity and misery but does not explain its exact operation in a cause-effect framework. Human beings have to discover that relationship for themselves just as they discovered the relationship between various phenomena in the physical sciences. Discovering the exact operation of divine economic laws should be the main task facing economists if they recognize divine revelation as a valid source of knowledge.

3. Positive Economic Statements of the Qur'an

In this section we present some positive statements of the Qur'an relating to economic aspects of human life. Although these statements have normative implications, they provide the basic material for developing Islamic economics as a social science. In Section 5 of this paper, we will present some initial thoughts on a methodology for developing Islamic economics from these statements. A similar exercise can be done using the *hadith* literature.

3.1. Prosperity and Misery at the Macroeconomic Level

The ultimate objective of economic development is to foster an environment that encourages a prosperous and fulfilling life and minimizes human deprivation and misery. We use 'prosperity' here as a broad and comprehensive concept that transcends the boundaries of material wealth and encompasses economic, social, and political freedom³ and spiritually peaceful living. On the other hand, by 'misery' we mean, besides material deprivation, a state of fear, insecurity, and socio-political dependence.

In the following discussion we first present what the Qur'an has to say about prosperity and misery at the societal level and then shift to the

³ 'Freedom' here refers to the 'set of capabilities' as defined by Amartya Sen (2000), but is much more capacious as we supplement it with spiritual peace and optimism for success in the hereafter.

individual level. Though we present these two sets of statements separately, in some cases there is overlap.

- a. ***Economic deprivation and prosperity are states of trial from God.*** Prosperity and misery are temporary phases of life by which God judges human conduct in this world.
- b. ***Following divine guidance brings material prosperity.*** God invites people to follow His path and gives the incentive of material prosperity as a reward.

Material prosperity is related to (a) observation of divine guidance as contained in the Gospel and the Qur'an and (b) consciousness of God (*taqwa*). Observation of divine guidance includes faith and righteous deeds. In the following paragraphs we explain the meaning of faith in God, righteous deeds, and God-consciousness.

Faith (*iman*) in God

Faith in God refers to faith in the Unity of God and in life after death where everyone will account for their deeds. The Qur'an is quite explicit in saying that faith does not necessarily mean following Islam as believed and practiced by the followers of Prophet Muhammad (pbuh).

Righteous deeds

Righteous deeds refer to universally ethical behavior exemplified by these key values:

- ***Truthfulness:*** Speaking the truth in all situations and circumstances; no cheating, fraud, or deception.
- ***Honoring commitments:*** Meeting financial and other obligations on a timely basis; fulfilling one's promises regarding quantity, quality, and delivery of goods and services.
- ***Respect for others' property:*** Giving others what is due to them, caring for the environment, avoiding usurpation of others' property by illegal means or bribery.

- *Fairness*: Avoiding taking unfair advantage of another's ignorance, weakness, or lack of information; avoiding collusion and profiteering.
- *Justice*: The golden principle accepted universally – do unto others as you would have others do unto you.

God consciousness (*Taqwa*)

God consciousness (*taqwa*) refers to having faith in God and being aware at all times that He is omnipotent, omnipresent, and omniscient.

- The higher the degree of God consciousness among people, the greater the sanctity of private property in society.
 - God consciousness encourages fair dealing in commercial transactions, making sure that the dealing parties do not willingly commit injustice upon each other.
 - God consciousness prepares businesses to keep their commitments on financial transactions, product quality, and service delivery standards.
- c. Material prosperity accompanied by unethical behavior is short-lived and ends in misery.*
 - d. Transformation of the economic well-being of a community is a consequence of changes in the ethical behavior of its people.*
 - e. Unethical behavior by a majority of the people brings economic misery and transforms prosperity into deprivation.*
 - f. Persistent ingratitude and unethical behavior by a community at the macro-level transforms prosperity into poverty and brings insecurity in the long run.*

3.2. Prosperity and Misery at the Microeconomic level

All human beings require resources to survive, whether they be material resources such as income and wealth or non-material resources such as good health, peace of mind, healthy children, knowledge, social harmony, safety, etc. The Qur'an calls all these resources "*rizq*". There are a number of positive statements relating to the distribution of *rizq* among individuals:

- a. ***God has absolute power in distribution of the rizq.*** There is always planning and great wisdom in whatever He does. Some verses of the Qur'an point toward the divine scheme, although the exact manner in which that scheme operates is still unknown to us.
- b. ***Expression of gratitude for God's bounties leads to economic prosperity.*** Gratitude covers such practices as the preservation and efficient use of resources, being content, and caring for others, especially the needy.
- c. ***Allah deprives income from riba of all blessings.*** *Riba* refers to any excess received by a lender over the principal sum lent. The Qur'an declares lending on *riba* as unlawful (2:275-82).
- d. ***There is no direct relationship between the means of sustenance and quantities of wealth (rizq) a person has and his or her faith.*** Faith may contribute in improving the quality of life in a spiritual sense, but it does not directly contribute to the wealth that a person possesses or can accumulate.
- e. ***God has created human beings with unequal abilities to allow them to create civilized societies.*** However, there are several other statements that encourage human beings to curtail these inequalities through justice, fair dealing, and compassion.
- f. ***One of the most repeated subjects of the Qur'an is to induce individuals to spend on others. God treats infaq as a loan upon Himself and promises to return it with manifold increase. 'Infaq'***

refers to promoting the common good and social welfare by voluntarily spending on the needs of family members, friends, relatives, and the community.

- g. *God promises to repay in full what a person spends in His cause.***
- h. *The Qur'an stipulates that infaq is a vehicle for an increase in wealth at the individual and social levels.***
- i. *Infaq with God-consciousness and adherence to ethical values leads to a life of ease while miserliness, arrogance, and unethical behavior lead to a life of hardship.***
- j. *Compliance with divine injunctions while being God-conscious opens up doors of ease. Moreover, placing trust in God at times of hardship brings unexpected financial help from God.***
- k. *Repentance (tauba), which is an attitude of humility and willingness to make amends for past errors, opens doorways for material prosperity.*** Repentance refers to an attitude of self-analysis, willingness to make amends, courage to try new ideas in the hope of making amends, and harmonious inter-personal relations.
- l. *Patience in bearing adverse changes in economic well-being is a foreboding of an increase in income and wealth in the future.*** Economic setbacks can be a source of spiritual growth for the individual who takes the adversity as a trial from God and tries to bear it patiently through honest hard work and ethical behavior.
- m. *God determines the rizq of an individual keeping in view his or her needs. God also takes into account the requirements of social balance while distributing income and wealth.*** The Qur'an (42:27) implies that God has a divine scheme of keeping individuals from creating socio-economic imbalance through excessive acquisition of income and wealth. What those limits are, when they are applied, and upon whom are they imposed are facts

yet unknown to human beings. We need to discover those limits. We do come across examples of excessive accumulation of wealth. However, they are exceptions to the general rule. The wisdom behind such exceptions would be embedded in some other divine law relating to the distribution of *rizq*.

n. *Ethical behavior in economic dealings leads to prosperity.*

Although there is no direct relationship between a person's faith and the outcome of a person's economic activities, that person's behavior does influence the outcome. Those who behave ethically in their dealings do prosper in the long-run.

o. *Some forms of unethical behavior lead to financial hardship.*

For example, neglecting to care for orphans under one's charge, ignoring the needs of the hungry and the poor, usurping the property of others, developing excessive love for material possessions, etc.

The statements in this section are general indicators of the way wealth and income are distributed among individuals and communities. However, the exact mechanism by which God implements His plan is yet unknown to humanity. In the next section we present some tentative ideas about this mechanism with all humility for examination, criticism, and refinement.

4. The Invisible Hand of God

An idea central to economics is the proposed existence of an 'invisible hand' that operates through efficient markets. In the early 1950s, Nobel laureates Kenneth Arrow and Gerard Debreu presented mathematical proofs of the invisible hand, showing that under certain assumptions the efficiency of a market economy is not just conjecture or possibility; it follows logically from the premises.

Similarly, the positive economic statements found in the Qur'an point to the existence of the Invisible Hand of God, which coordinates millions of individual decisions that ultimately influence the income and wealth of individuals and nations. Beyond a certain point, it overshadows physical laws of the creation and distribution of wealth. In our present state of incomplete knowledge, it is impossible to comprehend its full extent and

thus arrive at a mathematically precise model of the availability and distribution of wealth.

All human decisions are made within a Reference Framework. By 'Reference Framework' we mean all the factors that go into decision-making, such as background information, factual data, human preferences, economic resources, financial, physical, and social capability, climate, geography, desires and emotions, legal constraints, social customs, cultural mores, etc. The Hand influences human decisions through this Reference Framework. Economic analysis tries to explain the ultimate outcome of individual decisions by looking at the facts in each case while ignoring the impact of the Invisible Hand of God. Thus, as mentioned earlier, conventional economics often offers only a partial glimpse into economic phenomena. For example, economists frequently come across events that should not have happened according to standard economic theory. As Rodrik (2015, 51) states:

Many standard conclusions no longer apply when behavior is driven by norms or heuristics—rules of thumb—rather than cost-benefit considerations [...]

Idealized, flawless markets have given way to markets that can fail in all sorts of ways. Rational behavior is being overlaid with findings from psychology. Typically, the expansion has its roots in empirical observations that seem to contradict existing models. Why, for example, were many firms paying their workers' wages that were substantially higher than the going market wage for apparently similar workers? Why would more parents show up late to pick up their kids when the day care center began to charge them a fine for doing so? Each question precipitated new models.

That takes us precisely to the point in our exploration where we must delve into the inner workings of the Invisible Hand of God. Economics and its models have their limits. Once they reach their limits and fail to explain a phenomenon, we must look to the Invisible Hand of God for enlightenment. However, social scientist may be dismissive of such an endeavor. There is an abundance of existing research, they may argue, that largely explains why a person or community, or nation has more wealth or why it is deprived of it. Once we have this knowledge, the

attempt to attribute inequalities of income and wealth to moral laws is pointless, baseless, or an unnecessary digression from rational understanding of human and market behaviors.

One response to this criticism is that the two approaches are not contradictory. They are only “layered explanations”, as John Haught (2010, 88) so aptly coined the term. For example, a doctor looking at a person’s diet would look for its possible links to certain diseases. The very same diet would be analyzed for its chemical ingredients by a chemist, for its nutritional benefits by a nutritionist, and for its impact on mental health by a psychiatrist. All these explanations could be valid at the same time. None of these explanations nullifies the others. Similarly, we can say that conventional economic analysis explains income and wealth inequalities from a perspective that ascribes them to human effort, capital, environment, climate, and various other objective factors. Islamic economics can offer another explanation, namely that such inequalities are determined by the operation of moral laws. Both explanations could be valid. They are layered explanations. Neither nullifies the other. They simply supplement each other.

The point has been explained ably by Haught (2010, 88) as follows:

Well, I approach these issues by making a case for what I call “layered explanation.” For example, if a pot of tea is boiling on the stove, and someone asks you why it’s boiling, one answer is to say it is boiling because H₂O molecules are moving around excitedly, making a transition from the liquid state to the gaseous state. And that is a very good answer. But you could also say it’s boiling because my wife turned the gas on. Or you could also say it’s boiling because I want tea. Here you have three levels of explanations, which are approaching phenomena from different points of view. This is how I see the relationship of theology to science [...] They are just different levels of understanding.

Factors such as religion, culture, and tradition are not ‘physical’ in the sense economists usually include in their analysis, but they are a reality. Only by accepting this reality can we arrive at a more thorough understanding of economic phenomena.

5. From Islamic Theology to Islamic Economics

Currently, the literature published under the banner of 'Islamic economics' is merely a collection of economic teachings of Islam and does not have the features of a social science. A social science should study the behavior of its target group and, based on observation, experimentation, and real-life information, make predictions in the form of theories that are independently verifiable. Formulating falsifiable hypotheses from the divine and immutable economic statements of the Qur'an and *hadith* is the first step in developing Islamic economics as a social science.

5.1. The Process of Theory Building

The process of theory building is both lengthy and complex. Generally, it should pass through the following stages:

- a. **Literature review:** To develop a full understanding of the divine texts, researchers should initiate an extensive review of the literature that explains the texts.
- b. **Consultation paper:** Researchers should prepare a consultation paper that contains an understanding of the texts and raises issues for discussion. The paper should define basic terms and indicators of performance relating to the subject matter.
- c. **Consultation workshop:** After review of the consultation paper by peers, a workshop should be arranged to discuss the understanding of the texts and the various issues raised in the consultation paper and by the reviewers.
- d. **Text of the hypothesis:** The consultation workshop should result in the formulation of one or more hypotheses.
- e. **Economic model:** Selected hypotheses should then be translated into an economic model, which would most probably be an econometric model. The model would make explicit all assumptions and conditions for the expected outcome.
- f. **Research design:** Researchers should prepare a research design based on an economic model that defines the parameters of field

work. The model would specify the type of analysis to be undertaken. It is important to note that for most hypotheses the researchers would try to derive macro-level conclusions from data analysis relating to individual behavior. These models are described as ‘microfounded’.

- g. ***Field work plan:*** The researchers should choose methods to implement the research design. This includes planning for human, financial, and logistical resources and the time-frame of the field work.
- h. ***Data collection:*** Actual testing of hypotheses would require collection of data according to the econometric model and research design. Researchers should be well-conversant with the use of computer and statistical techniques for analyzing large quantities of data.
- i. ***Data analysis:*** After data collection, analysis of the data would be necessary for determining the validity of hypotheses.
- j. ***Presentation of research results:*** The conclusions of data analysis should lead to presentation of a research report to be published appropriately.
- k. ***Discussion of research results and plans for further research:*** After publication of the research results, a workshop of scholars should discuss the research report leading to validation, falsification, or modification of the hypothesis. It should also help in preparing further research design.

5.2. Research Challenges

The methodology suggested above can pose several serious challenges to researchers:

- a. ***Ability of the researchers.*** Understanding and interpretation of the Qur’an and *hadith* requires specialized knowledge in Islamic sciences. This challenge can be partly mitigated by including religious scholars in the research team.

- b. *Consensus on interpretation.*** There may be disputes in differentiating the general from the specific, the worldly from the other-worldly, facts from metaphors and allegories, temporal from universal, rules from observations, etc. There have been debates among the exegetes on these subjects. As economists approach the divine texts with the specific objective of developing economic theory, a renewed examination into these debates is required and a near-consensus would be necessary before formulating any hypotheses.
- c. *Continuous research.*** While the divine texts are universally and eternally valid, continual changes in social reality necessitate the need for re-examination and review of earlier interpretations of the divine texts. Thus, re-examination of hypotheses would be a constant research agenda.
- d. *Segregating causes and effects.*** The question will inevitably arise: how do we measure cause-effect relationships to prove or disprove our hypotheses? One starting point could be to just discern the relationships in series of data and indicate certain trends, without being assertive about cause and effect. However, we would suggest that economists do some more thinking on this question.
- e. *Formulation of model:*** The design of the model would hinge on whether or not relevant data are available or may become available. If data are not available or cannot be collected, the hypothesis would require rethinking before actual testing is even planned.
- f. *Conditions of the hypothesis:*** Society and humanity are too diverse for any one formulation of the hypothesis to be plausible without first defining the conditions under which it would hold.
- g. *Assumptions of the model:*** While formulating models for testing the hypotheses, researchers should carefully make their assumptions explicit.

- h. *Data collection:*** Testing of the hypotheses would require collection of data. Macroeconomic data on imports, exports, consumption, and income are easy to collect because they may be available in published form or over the internet or be obtained by paying a fee to certain statistical agencies. Marketing data are less easy to obtain for reasons of confidentiality. Data on individual behavior is even harder to collect and would require surveys and field work.
- i. *Keeping in view the context:*** Different contexts such as social settings, time periods, countries, and markets require different types of models. Hypotheses should be placed in the proper context and not be universalized.
- j. *Diagnostic testing of model:*** Econometricians usually carry out diagnostic tests to ensure that the model has not been misspecified either by insertion of too many variables or through omission of significant variables⁴.
- k. *Review of the tests:*** The results of data analysis should be further reviewed in the light of sound judgment, evidence from other sources, and structured reasoning.
- l. *Human resources for testing:*** The research team should have members with strong econometric backgrounds and skills.

6. Concluding Remarks

The Qur'an and *hadith* are significant sources of divine guidance regarding economic matters. The revelations contained therein are universally applicable and provide insight into the workings of moral laws that underpin the economy at the individual and societal level. Knowledge of these moral laws can complement conventional economic analysis to yield a fuller understanding of economic problems. The Qur'an advocates certain ethical values that affect economic realities at the micro- and macro- level. The practice of these values invokes the Invisible Hand of God, which plays a vital role in human decision-

⁴ For details see: Franses (2002, 31).

making. The cause-effect mechanisms by which the Hand operates are presently unknown. To progress towards an understanding of God's divine economic plan, we can transform the positive economic decrees available in the divine sources of Islam into a proper social science. The development of the discipline of Islamic economics would unlock a vast new field of research that would enhance our ability to address pressing economic concerns such as inequalities in the distribution of income and wealth. This is no doubt a complex and challenging task, but if humanity is persuaded that there is light for us in the divine sources of Islam, it can proceed in the manner suggested in this paper.

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