

## **CONTRASTING DEONTOLOGICAL ECONOMICS WITH AN ISLAMIC ECONOMICS**

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### **Abstract**

*Deontological economics is a value-based approach to economics which is originated and inspired by Kant's deontological theory of ethics. It has come to us to challenge the mainstream economics by proposing the view that economics is not value free. It views that ethical value plays an important role in economics, and ethics must be incorporated in economics. Exploring this economic school of thought is very interesting. It will present a new nuance, in the sense that economics will not get into the right path, if it does not know about ethics and does not practice it. It warns the mainstream economics that economics is not only about maximization of profit and satisfaction, but it is about the realization of value. Since Deontological economics and Islamic economics both proclaim that morality and ethical values cannot be separated from economy, as they will guide human behaviour in their doing economy to achieve social bliss, happiness and social harmony as well as their economic development, this research tries to discuss and investigate the incorporation of ethical values both in Islamic and in Deontological economics. The ethical value advocated by Deontological economics of human existence in this world such as to prosper on earth and to heal the world to make it better place to seek the pleasure of God and to keep the balance in economy between satisfying individual needs and social needs, and between satisfying material needs and spiritual needs, to respect others, to preserve the human's dignity and many other values which are similar or even the same as that of what Islamic economics advocates is very interesting and it is worth to have our attention and discussion. Despite the ethical value of an Islamic economics is departing from the Quran and the Sunnah, this research comes to the conclusion that there existed similarity between both of them or even the same, except the value of usury (riba). Another outcome is that both of them could be grounded in the real economic activities, and it is not merely theoretical construct.*

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## Introduction

The prevailing concept of economic man or “*homo economicus*” is very convincing and becomes powerful model of human economic decision making in economy. This model has been proven successfully in the sphere of economics in the Western European countries and most of developed countries. The rational economic decision making model which is actuated by self-interested individual in achieving the highest possible level of well-being for himself and maximizing profit and satisfaction has really paved the way for the development of the economy and has created economic well-being in human life and welfare state. It is no doubt that the foundation of this mainstream capitalistic economic model is the major factor in shaping and influencing the economic development.

If all individuals act in accordance with the mainstream economic model, then the whole community will prosper. However, we have to put in mind that man cannot live individually. Man by nature is social creature. Man cannot live alone and independently. Man is indeed in need of other person in life to share and to live inter-dependently one to each other, such as in his family, his community, his nation and in the world. Therefore, man cannot act as freedom as he wishes, because his freedom is always limited to the freedom of other person.

In this matter the concept of *homo economicus* has to be reconstructed not only in the short-term, but also in the long term. This is simply because man is by nature is social creature and he cannot live alone

without others, and therefore his acts will not affect himself alone, but also affect others as well. Considering this fact, man then has to take other person’s interest into his account in his economic behavior and in his rational decision making.

Since man’s acts will affect others, and man is also equipped with the ego and altruistic manner, balancing his rights and obligations is a key factor in creating and realizing justice and fairness in economic decision making. It is therefore impossible to do an action with wrong or bad motive, neither it is not justifiable to use anything as merely means to achieve an end. In other word, an end does not justify means. It is duty based approach, in which it does not justify whatever means to come to an end. It declares to stick to the good or right motive in doing every action of human being.

It is the deontological approach to economics that regards morality as a duty, or a moral rule that ought to be followed and should become a universal law. It is categorical imperative which is formulated by Immanuel Kant and it is based on the principle which requires that human’s willing or desire should rationally guide everyone to act the same thing in the similar situation. This is in line with the first formulation of categorical imperative of Immanuel Kant that Everybody is required to act only in accordance with the maxim or the rule which is of course accepted as moral standard and ethical practice.

This formula of categorical imperative requires us the fairness, justice and mutual respect as well as the preservation of human dignity. It is therefore unethical if somebody

does not want to be cheated but he does cheat others, or to say something but he does not do what he has said or he does something else which is not in accordance with what he says. This is in line with the teaching of the *Quran* which says:

كَبُرَ مَقْتًا # يَا أَيُّهَا الَّذِينَ آمَنُوا لِمَ تَقُولُونَ مَا لَا تَفْعَلُونَ.  
عِنْدَ اللَّهِ أَنْ تَقُولُوا مَا لَا تَفْعَلُونَ.

*O you who believe! Why do you say that which you do not do? # Most hateful it is with Allâh that you say that which you do not do. (al-Qur'an Surah Al-Saaff, 61: 2-3)*

The golden rule here is that, “Never impose on others what you do not wish for yourself”. In other word, do treat others as you would like to be treated. So if you are to be consumer and you do not want to be cheated by producers or sellers, then if you are to be producer or seller, then it is your duty not to cheat others in selling your goods and services. This is because economics is not value-free, and if economics has to do with ethics and value judgment, then Islamic economics from the very beginning has incorporated ethical value and morality into the economics what we call it now as an Islamic economics. Islamic economics even makes explicit value judgments and links them to the findings of positive economics (Volker, 2000).

In this view Islamic economics will never accept the idea which states that in building economic models, or constructing economic theories and doing economic analysis as well as establishing the policy recommendation should be neutral from any value judgment. Islamic ethics have played an important role in Islamic economics. Ethics must guide human behaviour to

achieve social happiness and blissful and social harmony in material and in spiritual sphere.

The question arises is that how these ethical values be grounded and be realized in the real economics. A further question is that; is deontological economics is the same as that of Islamic economics, are there differences or similarities between the two. Let's this research will first discuss the Deontological approach to economics.

### Deontological Economics

Deontological approach to ethics adheres to the theory that an end does not justify means. It also sticks to whether the motives behind certain actions are right or wrong, good or bad and does not focus on result. This approach regards morality as a duty or a moral rule that ought to be followed. The intended maxim of the action should be reasonable that should become a universal law. It is categorical imperative which is advocated by Kant and is based on maxim which requires that human's willing or desire should rationally guide everyone to act the same thing in the similar situation. In this case, I will start by exposing and discussing the categorical Imperative of Deontological approach to ethics of Immanuel Kant, and then relate it to economics.

The first categorical Imperative states:

*“Act only according to that maxim by which you can at the same time will that it should become a universal law” (Kant, Groundwork of Metaphysic of Morals).*

This first formula of categorical imperative requires us the fairness and mutual respect as well as the preservation of

human dignity. In this case, it is justifiable and rational for somebody to demand others to act in similar action and in similar situation. Since he has the duty to do that act, he has the rights as well to demand others to do the same according to that maxim. The golden rule is that; treat others how you wish to be treated. So if you do not want to be cheated, then do not cheat others.

Human being does not live alone, human being by nature is social creature and social being that is why human being has the rights as well as obligation or duty in this life, be it duty to the God, duty to oneself and duty to others; to fellow humans and to the environment by preserving it, nurturing it, safeguarding it and developing it in a sustainable way of life. In this case, rights and duties are related in such a way that the rights of one person will probably imply the duties of other person. Take for example the case of selling product in the market, when a person A has already pay for the food he bought from a person B, then A has the right to that food, whether he will eat it or give it to other person who is in need of that food. Similarly B has the duty and obligation to supply and give the food to A. Here A has the right of the food and has the obligation of the payment, whereas B has the right to receive payment and has the obligation to food delivery to A.

Human being is created by the God in the state of dignity, honor, and is equipped by the mind, ratio and intellect, notion and thoughts, so as to be able to differentiate between good and bad, between right and wrong, between moral behavior and wrecked behavior, and between wisdom and foolishness etc. Departing from this point of

view, then it is absolutely irrational, if someone put himself in the state of danger, slavery, risk and disaster. It is always the duty of every human to use his ratio, his mind and his thoughts to come up with best acts and morally behavior. So if someone does the good and acts rationally and hopes that everyone should also do the same act as he proposes, then the act is ethical or moral.

To know that our action is considered ethical and morally behaved, we have to know what the motive behind our act is. What kind of motive that influence our will and desire to act, as there are countless motives that drive us toward various actions. Different persons could probably have different motives in accumulating wealth for instance. One could probably have the motive of achieving greater pleasure and happiness when he is able to accumulate his wealth. Another one could probably have the motive of achieving higher social rank and status in the community or to be able to dominate others. The other could probably have the motive of being able to help others in monetary term, when he is able to accumulate his wealth.

In this case, so long as our motives fall under the selfishness inclination, then our acts or our decision making will never be truly ethical or moral. However, so long as the motives that drive us to do something or to make decision and to perform an action is not personal and selfish and is based on rational obligation under the categorical imperative, then it is considered ethical. This is because moral choice must be a rational decision and should become a universal law, since morality involves what is necessary for us to do, and only rational considerations are

necessary. This principle of universal law is just like the logical mathematical formula which is accepted as principal of universal law. The moral command for example, “do not steal” this moral command certainly applies to everyone in the universe.

The second categorical Imperative states:

*“Act in such a way that you treat humanity, whether in your own person or in the person of any other, never merely as a means to an end but always at the same time as an end”* (Kant, Groundwork of Metaphysic of Morals).

The second formula of categorical imperative requires us to do duty not to use a person as merely means to achieve an end. In this case a person has to maintain his moral duty in achieving his ends without doing discrimination, without underestimating and without looking down to others, but he has to see all people as equal and in their dignity as human beings. For example, producers or managers are not supposed to see their employees as merely means in the process of production to produce certain amount of the products or to achieve certain target of market share. In this matter, the producers or managers have to treat them not only as means but also as an ends.

It is true that we can use anything even people as means to achieve our ends. Producers can use their factory workers as means to producing their goods and getting the profit. However, by using people only to get what we want and disrespecting their humanity and dignity is against moral law. In the case of using employees as merely means in process of production without

respecting them in a way of humanity and dignity as human beings is against moral rule. Take for example, using employees without providing them with good and proper working condition, without good and proper salary, treating them not in equal basis, making discrimination or even paying them with underpaid salary in which by those underpaid salary, the employees will not be able to live in a decent lives such as in the case of developing countries, these acts will certainly be against moral rule. It is therefore the duty of every country to treat its employees in a way of humanity and dignity that they can live with their salary in proper and decent lives, to guarantee a universal decent livelihood and not to treat them as merely means to achieve and end.

The third categorical Imperative states:

*“Therefore, every rational being must so act as if he were through his maxim always a legislating member in the universal kingdom of ends.”* (Kant, Groundwork of Metaphysic of Morals).

The third formula of categorical imperative requires us to do and act in accordance with the maxims which harmonize the kingdom of ends. Everyone has to act in accordance with the universal law and is bound by that universal law. Take for example; if the universal law tells us not to pick a flower in the certain public garden or not to smoke in certain area, then everybody should be bound to do in accordance with the law. Everybody should avoid picking those flowers, or everybody should avoid smoking in that area. If someone wants to take one flower to bring it with him to home, as he thinks that it is only one flowers, and will not affect the existence

of the beautiful scene of flowers in that garden, then he has already put himself into unethical behavior. This is not ethical behavior considering that, if everyone were to do this act, then there would be no flowers left in that garden.

Similarly if someone insists to smoke in the “No smoking area” and thinks that it is the only him who smokes in that area, then what will happen, if everybody does the same act, as he does. The same situation applies in the restaurant where it states, all you can eat by paying a certain amount of dollar. The moral duty and the universal law tells us that we can only take some food and drink that we can eat up and probably leave a necessary residual or whatever leftover not in excessive way.

This kind of act is regarded rational and moral act. It will be irrational, if everyone acts by taking food whatever he wishes excessively and as many as he wants, without considering how many food and drinking he can afford to eat and drink and how many are not being eaten as residual, then there will be lots of residual food which being left and thrown away. This kind of act is certainly prodigality, extravagance and waste, although all the food and drink have been already paid. People ought to act only by maxims that harmonize with a possible kingdom of ends. It is of course in line with what advocated by an Islamic economics which bases its ethics from the *Quran* states:

يُجِبُّ الْمُسْرِفِينَ. لَا تَكُلُوا وَاشْرَبُوا وَلَا تُسْرِفُوا إِنَّهُ

“and eat and drink, but be not prodigal. Lo! He loveth not the prodigals.”(al-*Qur'an* Surah Al-A'raf, 7: 31)

The other value which is in line with the Deontological economics is stated in the verse of the *Qur'an* which states:

وَكَانَ بَيْنَ ذَلِكَ وَالَّذِينَ إِذَا أَنْفَقُوا لَمْ يُسْرِفُوا وَلَمْ يَقْتُرُوا قَوَامًا.

“And those, who, when they spend, are neither extravagant nor niggardly, but hold a medium (way) between those (extremes)”(al-*Qur'an* Surah Al-Furqan, 25: 77).

The same rule applies to the developers of housing and real estate that they have duty in taking care of the environment and preserving it from the environmental degradation by replanting trees and making it green and clean and healthy environment. So it is against the moral rule, if developers' concern is only getting profit without taking care of their environmental degradation, deforestation and destruction of the natural resources. Under this Deontological approach to ethics and economy, the whole countries have to take care of their environment and their natural resources from the environmental degradation, deterioration and destruction in their economic growth and development. It is not morally acts to grow and develop economically, politically or socially at the expense of the environmental degradation, deforestation and other natural resources destruction.

In conclusion, I will say that to be truly ethical, one has to do the right thing for the right reason and to put the right thing at the right place. I am also convinced that I find this Deontological economics is very quiet similar if not the same thing as that of Islamic economics. Let's me start discussing

the Islamic economics by investigating the ethical foundation of Islamic economics.

### **The Ethical Foundation of Islamic Economics**

Islamic economics from its inception has incorporated Islamic ethical value into the economics. It is no doubt that Islamic economics is self-conscious and value oriented discipline that will never accept the idea that in building economic models, constructing economic theories and making economic analysis as well as establishing the policy recommendation should be neutral from any value judgment. This implies that anything that deviates from basic Islamic ethical values cannot be accepted in Islamic economic system.

Realizing that ethics and value judgment play very crucial role in Islamic economics, I am trying my best to analyze and investigate what the ethical foundation of Islamic economics, where these ethics come from and the source from which they are derived, and how those ethics be incorporated and applied in economic activity and in financial and banking practices. There are a few approaches that could be used as the basis and foundation of Islamic economics which is built on ethical foundation.

However in this research, I prefer to use Naqvi (Naqvi, 1997) approach regarding the ethical foundation of Islamic economics. Islamic ethics is derived from the *Quran* and the *Sunnah* which pass on the word and traditions of the Prophet as well as from the *Shariah* (Islamic jurisprudence). When engaging in economic activity, people have to act in accordance with their ethico-

religious belief, and to be *Shariah* compliant. People also have to base their behaviour on their responsibility towards God, which in turn, it leads to a certain set of principles. According to Naqvi (Naqvi, 1981), there are four ethical axioms which form the fulcrum of the Islamic economic system around which all of man's life must revolve in this system. These axioms are Unity (*Tawheed*), Equilibrium (*Al'adl wal ihsan*), Free Will (*Ikhtiar*) and Responsibility (*Fardh*).

The first axiom is the Unity (*Tawheed*) which tells us that an individual's economic activity must be guided by an ethical vision. Islamic ethics has to guide human economic activities. Economic man in Islamic economics has to do total submission to Allah in all and every aspects of his life. In other word, Islamic economics bases its principles on unity of Allah (*Tawheed* axiom). This principle is the fundamental core of Islam. It is the foundation of Islamic ethics and philosophy of life, and it is the basis of Islamic institutions and economic system. It is the primary determinant of individual's relationship to the natural and social order. Applications of *Tawheed* embrace every facet of human activities at the level of individual as well as collective one, from both the natural and social perspectives that reflect unification.

This axiom also tells us that there exists vertical relationship between man and his God. This kind of relationship has been described by the Quran by saying:

إِلَّا لِيَعْبُدُونَ الْجِنَّ وَالْإِنْسَ وَمَا خَلَقْتُ

"I (Allah) have not created jins and humans, but they should worship (serve) me

(alone).” (*al-Qur’an Surah Al-Dhariyyat*, 51: 56)

This verse of the *Qur’an* implies that all acts, be it material or spiritual have to be in accordance with what the God has ordered. Thus, every act is an act of worshipping, and as a consequence a good act will be rewarded and a bad act will be punished. In such a system of life, material amenities and spiritual practices both complement each other, and serve toward the same goal that is the worshipping of the God. Whereas God is the ultimate Creator and Owner of everything in the universe, man is ordained as his vicegerent on earth for its cultivation and betterment on the earth.

The second axiom is the equilibrium (*Al’adl wal ihsan*) which tells us that it is not enough for man to build only vertical relationship with his God, but also he has to build horizontal relationship with his fellow man, other creature and the universe to create and preserve balance of life. In this case, the concept of justice plays such an importance role in the Islamic economic framework that it deserves a place of its own in the set of axioms. The idea of socio-economic justice is to bring about social bliss and social harmony, to promote benefit and to repel harm and to deter hardship of life. This is what I call that the idea of socio-economic justice is to bring about *Maslahah* for Muslim people or the *al-Ummah al-Islamiyyah*.

The third axiom is Free will (*Ikhtiar*) which tells us that individual is born freely and has full of individual freedom to lead his life as well as to draw his livelihood and his sustenance. It allows maximum space for economic and social activity. However this

freedom has to be put on the context of social welfare (Chapra, 1979). The recognition of freedom, be it freedom of act, freedom of expression and freedom of ownership is not in absolute way. However the recognition of the freedom of ownership and exchange implies that markets are an important socio-economic Islamic Institution, as without market, freedom is incomplete. Markets are a necessary but not sufficient condition for the expression of freedom.

Market competition is guided by moral hospitality, justice and fairness that promote cooperation, and the enforcement of law. Government intervention is justified as market mechanism will never provide public utility and public goods, noting that there are externalities that happen in the economy. When the markets begin to deviate from their ideals, government intervention is must, to bring the markets back into their ideals again. However, government intervention should be kept to the minimum. The market has both legal and moral constraints.

This is what the Deontological economics perceive that everybody has to act in accordance with the maxim or rule. The distribution of wealth and the allocation of resources are the outcome of these two constraints. Then, prices are determined by the market mechanism that is the demand and supply. The market process becomes a reflection of an objective-related exercise of the freedom of choice. The idea of the scarce resource is relevant but only in the relative sense. This is because this universe was created in a state of equilibrium.

The fourth axiom is Social responsibility (*Fardh*) which tells us that



individual though he is free to act, his action has to be bound within the context of social welfare. Any behaviour which indicates to the social irresponsibility especially an ignorance act towards the misery of extreme poverty is absolutely condemned in Islam. Any harmful act being done to the society either by us or by others, we have to move to remedial action within the bound of law. This is not to limit individual freedom, but to enlarges its scope and gives it new meaning of freedom within the context of social welfare and social responsibility. In this context, Islamic economics aims to maximize the welfare of the worst-off individuals of the society and to make them to the better-off.

According to Naqvi, these axioms can also be viewed as synthetic truths about a Muslim society where their validity can be directly verified and could be very powerful ideals of human life. Take for example the concept of *khalifah* (vicegerent) and *abd* (servant of the God) that conceived by Izutsu (Izutsu, 2004; ). The *Qur'an* mentions that the human being has been created to be a vicegerent (*khalifah*) on earth.

إِنِّي جَاعِلٌ فِي الْأَرْضِ خَلِيفَةً. وَإِذْ قَالَ رَبُّكَ لِلْمَلَائِكَةِ

“When your Lord said to the angels, verily I do create human being as vicegerent on earth.” (*al-Qur'an Surah Al-Baqarah*, 2: 30)

Being a vicegerent, human being is endowed with a delegation of authority from God to fulfill consciously the divine revelations on earth such as to prosper the earth and to create moral social justice. For this mission human being is granted free will

to either implement or annihilate these divine patterns through his actions. However with the intellectual reasoning, intuitive reasoning and the knowledge the human being has, he is supposed to be able to think and to decide what is rights and what is wrong, what is good and what is bad as well as to discover the basic laws of the universe and at the same time employs different resources of the universe for the human's purposes.

This is because all resources which are created on earth is for human being (people) to prosper and make them useful and worthy for the creatures and for the betterment of life. The *Qur'an* mentions regarding this matter.

الْأَرْضِ جَمِيعًا مَّا فِي خَلَقَ لَكُمْ هُوَ الَّذِي

“He who created for you all that is on earth.” (*al-Qur'an Surah Al-Baqarah*, 2: 29).

The other verse states that:

وَسَخَّرَ لَكُمْ مَّا فِي السَّمَاوَاتِ وَمَا فِي الْأَرْضِ جَمِيعًا مِنْهُ

“He has subjected to you all that is in the heaven and that is in the earth...,” (*al-Qur'an Surah Al-Jathiyah*, 45: 13).

Human being is free to use the bounties and blessings conferred upon him, but at the same time, he must carry out his duty towards God mainly as the servant of the God or *abd* that is to serve and worship the God (Izutsu, 2004). As God's representative on earth, human has to prosper the earth, to do cultivation and betterment for the earth and to create a moral social order on earth. For this mission, the God has chosen human being as being *khalifah* on earth. God also has made all resources on earth for human being to prosper, cultivate and make better

life, to heal the world to make better place, to make balance between fulfillment of material needs and spiritual needs and eventually to achieve economic well beings within the framework of socio-economic justice and socio moral order (Chapra, 1979).

After having discussed and investigated about the ethical foundation of Islamic economics, it is quite obvious that there existed similarity in both approaches Deontological and Islamic economics, even I can come the conclusion that at the certain point the Deontological economics is the same as that of the Islamic economics.

### **Contrasting Deontological Economics with an Islamic Economics**

Regardless of how individuals come up with the definition of economics whether it is defined as the study of how to treat and accumulate wealth or how to maximize profits and to minimize losses or how to improve human welfare or how those scarce resources will be altered, so as to find out the best and efficient way to produce goods and services to satisfy human wants, economics is about the realization of value (Klamer, 2013). This definition is based on the facts that economics is not value free, but it is value laden. In addition to that, the goods in economics could be tangible and intangible and to acquire them one need some sort of effort and sacrifice. Only by generating that goods, then human could realize the value of that goods (Klamer, 2014).

If individual is able to find out the value in the tangible goods such as bike, breads and the likes, as well as in the intangible goods such as friendship and brotherhood for

example, then surely he will be able to derive the utility and satisfaction from generating friendship and brotherhood. This is because goods enable us to reach to the realization of their values and the realization of their values is by generating those goods. In this case Arjo Klamer says (Klamer, 2016);

*“Values need to be acted upon to become real and the important way of realizing them is to acquire or generate goods. Goods are tangible or intangible things that an individual, a group of people, or a gathering of people possesses; they are good for all kinds of things, and their possession requires some kind of effort or sacrifice”.*

As far as I am concerned, I would say that all of those definitions by no means contradict to each other, but they can go hand in hand to complement to each other. It is nothing wrong for individuals who want to strive for their lives by working hard, making the best effort and exerting the most possible endeavor to reach to their higher achievement in line with their own interests, such as wealth accumulation, welfare, prosperity, happiness and pleasure.

There is also no objection at all of how to find the most efficient and effective way with regard to the alternative uses of scarce resources and with regard to the process of production to produce goods and services to satisfy the unlimited wants of human beings. Even if there are individuals who are able to earn and acquire more wealth, more welfare, more prosperity, more happiness and more pleasure than others in their lives, there should be no objection at all, as the fate and the destiny of every individual is different from one to another.

In addition to that, human being is born freely and has freedom from the very beginning of the life, in the sense that he or she has freedom of speech, freedom of expression, freedom of thoughts and thinking, freedom of action, freedom of acquiring the wealth, freedom of generating the goods and services whatever he or she like to produce and consume them in economy, freedom of choice and whatever he or she like to do based on his or her interest to maximize his or her own profit, utility and satisfaction.

However the individual freedom and the self-interested behaviour must not defy and violate the freedom of other individuals. This is because a large number of individuals will constitute community or society. The society then will have its own culture and value that is accepted and practiced by the whole individual member of that society. This is what I call the freedom of the individual within the context of social welfare (Chapra, 1979). Take for instance the value of helping person who is in need in the society where the individual lives in. In this case the freedom of any individual is limited to the freedom of other individual in the context of the societal value which has been upheld and appraised by the community where it becomes the principle of maxim of that society. It tells every individual member to help those who is in need and the destitute people in economy by providing them with foods or employment. Thus it is unethical behaviour for the individuals in that society to leave those who is in need and the destitute people in economy as they are without any assistance being provided for them. Therefore, self-

interest should be kept in balance with the interest of the society. There should be no domination of individuals over the society and vice versa. There should be no exploitation of individuals over the society and vice versa. There should be no offense and transgression of individuals over the society and vice versa. It is the deontological economics which is stemmed from the Deontological theory of ethics.

Contrasting the above ethical value of Deontological economic thoughts with that of the ethical foundation of Islamic economics, I found there are almost no difference between the Deontological economics and Islamic economics, both of them are value oriented, embedded with ethical and moral economy, except probably the first axiom. In other word, Islamic economics bases its principles on unity of Allah (Unity axiom or *Tawheed* axiom). However if the economic agents, the followers and the proponents of Deontological economics come to the point of the oneness of the God, then surely both of the two are advocating the same thing that that is moral economy.

Now, I will go on to discuss how these ethics and values be applied and grounded in real economic activities. This is to prove that the Deontological approach to ethics and economics and the Islamic approach to ethics and economics is not merely theoretical construct and philosophical discussion, but it is also applicable to and can be grounded into the real life of human economic activity, economic transaction and economic system as well as financial and banking system.

Since both of them carry out the same mission of moral economy, I will discuss mostly or entirely here with regard to the Islamic approach to ethics and economics, since it also prevails and is applicable into the Deontological approach to ethics and economics.

### **The applicability of Islamic ethical values and norms into real economic activity**

As mentioned earlier in this research that the axioms which are proposed by Naqvi, from unity (*Tawheed*), equilibrium (*Al'adl wal ihsan*), free will (*Ikhtiar*) and Social responsibility (*Fardh*) can also be viewed as synthetic truths about a Muslim society where their validity can be directly verified and could be very powerful ideal life for Muslim *Ummah* in economy. All of those values have to be embedded into institutions in order to work and apply into the real life of human economic activity and economic transaction.

In addition to that, the proper upbringing, preserving the goodness of human nature, upholding moral values, sticking to market discipline, undertaking effective government role, and belief in accountability in the Hereafter have to be taken into account, so that they are embedded in human character and human behaviour of Islamic man. Applying those ethical values into economics would help realize socio-economic justice and human economic well-being better rather than only reliance on market mechanism (Chapra, 2008 & 2009).

Take for example, the concept of *khalifah* and *abd*. The concept of *khalifah* and *abd* can better explain the concept of

Islamic man who is also the economic agent in Islamic economics. The conceived term of *khalifah* and *abd* is not only interested in maximizing his own profit and satisfaction (utility), but also interested in building an intimate relationship with God that is vertical relationship and in building horizontal relationship with human fellows as well as with nature and environment by keeping balance between satisfying material needs as well as spiritual needs.

In this regard, the material progress has to be seen as means to attain the spiritual heights, seeking moderate way of life in terms of spending and consumption, neither to spend niggardly and lavishly nor to consume miserly and extravagantly, but in balance between the two extreme. Material progress should not be attained at the expense of the environmental degradation and depletion of natural resources, but it should be done in sustainable way of life.

Being *khalifah* on earth, man and woman, each has been given discretion, free will, knowledge and limited authority subject to the submission to rule of game that is *Shariah*. Human beings' role, position and mission is to fulfilling God-will on earth, promoting what is good, forbidding what is wrong, establishing justice or *al-adl* and promoting beneficence or *al-Ihsan*, resulting in attaining high levels of good life (*al-hayyat al-tayyibah*), both at the level individual and collective.

The other example other than the concept of *khalifah* is the concept of ownership. The concept of ownership in Islamic economics differs from that of capitalistic economics, in the sense that only Allah the God is the absolute owner of all

wealth. God is the true owner of all things.

The *Qur'an* says:

لِلَّهِ مَا فِي السَّمَاوَاتِ وَمَا فِي الْأَرْضِ

"To Allah belongs whatever is in the sky and earth" "He who created for you all that is on earth..." (al-*Qur'an* Surah Al-Baqarah, 2: 284).

In other verse the *Qur'an* says:

إِنَّ الْأَرْضَ لِلَّهِ يُورِثُهَا مَنْ يَشَاءُ مِنْ عِبَادِهِ وَالْعَاقِبَةُ  
لِلْمُتَّقِينَ

"The land belongs to Allah. He allows it to be inherited by whom so ever he pleases, and the end (is best) for the righteous" "He who created for you all that is on earth..." (al-*Qur'an* Surah Al-A'raf, 7: 128).

However, Allah the God allows human beings as His servants to inherit wealth, to own it and to use it subject to His laws. It is therefore, in Islamic economics, it allows man as a vicegerent on earth to inherit from the God that is to own wealth as a trust or *Amanah* for the proper use and it is called trust ownership. The relative ownership of the wealth and properties which is delegated to man by the God necessitates the "haves" or the rich to give part of their wealth to the "have-nots" or the poor people through various means such as charity and *Zakah*.

Though absolute ownership belongs to the God, people are always able to acquire and to own properties and wealth through employing and making use of their factors of production and within the *Shariah* compliant. For example obtaining money (salary and wages) by working or making consumption after having purchasing power etc. Furthermore, goods and commodities should be used properly and should never be wasted, similarly interpersonal relationships

should primarily be based upon trust. Those ethical values which are initially derived from Islamic religious teachings, then must be embedded in institutions. These ethical values play a leading role as the determinants of evolving institutions and of consequence economic performance in an Islamic economic system.

The very a clear picture of Islamic ethical value which is derived from the *Qur'anic* ethics which is applied to real economic activities especially in Indonesia is the principle of *Zakah*. *Zakah* is the other concept and the principle of Islamic teaching that is derived from the *Qur'anic* ethics in which there is no economic system in this world applies that principle into its economic activity. It is only Islamic economics that applies the concept of *Zakah* in its economic system. *Zakah* is a kind of tax which is imposed on the rich that amounts to 2.5 percent of financial assets and income upon investments. This amount of 2.5 percent could differ from one asset to another. The amount of *Zakah* can make up to 20 percent in other areas.

*Zakah* further carries important spiritual benefits that foster Islamic moral values. This institution of *Zakah* acts as tax on idle assets and hoarding that encourages people to undertake investment and productive activities in economy and not to leave it as idle asset. *Zakah* has played very significant role in doing redistribution of income and wealth in the society. This is done to ensure the establishment of a socio-economic justice. It covers the basic needs of the poor and it is meant to provide means to earn a living.

This institution of *Zakah* becomes means for social security. It is also considered a main tool for the protection of the community, the achievement of socio-economic justice and the narrowing of the gaps between the rich and the poor. Moreover *Zakah* does not only confine itself to its distribution to the poor but it is also used to start up projects for the poor or the have-nots which makes it a way to create job opportunities, generating income and creating activities for them, so that the poor could get out of poverty line and rely on themselves.

*Zakah* has been imposed to all government employees in the State Islamic University, including in the State Islamic University Sunan Ampel Surabaya where I am employed. Almost all Islamic banking institutions in Indonesia have implemented this principle of Islamic teaching by collecting and distributing *Zakah* every year to the needy and poor people. The obedience to pay *Zakah* has consistently done by the Muslims, although one or two people or entities ignore to pay *Zakah*. However, this will not reduce the significance of the application of *Zakah* into real economic life of the Muslims.

Another principle of Islamic teaching that is derived from the *Qur'anic* ethics is in undertaking businesses and investments. All operations of businesses and financial transactions in Islamic banking and finance must be in conformity with the *al-Maqasid al-Shari'ah*. Thus, people as well as bank and financial institutions will not be allowed to deal with businesses, trading activities and undertaking investment that are socially harmful despite the huge profit generated, as

this kind of business activities will violate Islamic value. This principle is consistently done by almost all the practitioners of Islamic banking and finance in Indonesia, as it is unethical to finance and to hand over the funds to companies and industries who are dealing with socially harmful activities.

The other example of the principle of Islamic teaching that has been practiced in this world including in Indonesia is the prohibition of *riba* or the ban of interest in Islamic banking and Islamic financial system. Although Islam is not alone to introduce this principle, as we have known that Martin Luther and Jewish scholars also already postulated it. However, nowadays the prohibition of *riba* and the ban on interest in financial and banking system is only practiced by the Islamic bank and finance.

### Conclusion

Islamic economics is self-conscious and value-oriented. Islamic economics, since its inception has declared that it is value laden. It has very strong moral and ethical dimension inspired by Islamic religion. The Islamic ethical values and norms are derived from the *Quran* and the *Sunnah* which pass on the word and traditions of the Prophet as well as from the *Shariah* (Islamic jurisprudence). When engaging in economic activity, people have to act in accordance with their ethico-religious belief, with *Shariah* compliant as well as to base their behaviour on their responsibility towards God. The incorporation of Islamic ethical values and norm into economics is not avoidable, as they will guide human behaviour to achieve social bliss, happiness, economic welfare and social harmony.

Human existence in this world is to prosper on earth and to heal the world to make it better place to seek the pleasure of Allah (swt) and to keep the balance between satisfying material needs as well as spiritual needs in that sense the material progress has to be seen as means to attain the spiritual heights, seeking moderate way of life in terms of spending and consumption, neither to spend niggardly and lavishly nor to consume miserly and extravagantly, but in balance between the two extreme.

These Islamic ethical values and norms then are incorporated and embedded into the system, notions, concepts and theories. They are embedded into institutions in order to work and to apply into the real economic activity and economic transaction. They are also embedded in human character and human behaviour of Islamic man. The adherence and the embeddedness of the Islamic ethical values and norms then could be used and might help realize human economic well-being, a socio-economic justice, universal brotherhood freedom of individual within the context of social welfare, equitable distribution of income and wealth.

This does not mean that Islamic economics is not concerned on production. It encourages more on production and encourages people to work hard and to produce goods and services which are beneficial to human life by emphasizing producing more on necessities and comforts rather than luxurious products, avoiding wastage and exploitation on resource being used in the process of production, avoiding harmful products and unlawful product, while the modes and techniques of

production is left to human creative, innovative and acquisitive instinct of the people in the economy.

All of the above ethical values and moral norms in Islamic economics is also applicable in the Deontological economics, except that the belief in oneness of the God and the prohibition of *riba* which is not prevailing in Deontological economics. Though there is no *Zakah* term in Deontological economics, it has charity and various means of redistribution of income and wealth to ensure that everyone must live above the poverty line, everyone being fed up enough to reach the decent life and to ensure that man has the degree of autonomy and dignity as human being. *Wa Allahu A'lam bi al Sawab*

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