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# **Economic Doctrine and the Science of Economics**

Each one of us faces two sorts of questions in his everyday life and realizes the difference between them: For example, when we want to ask a father about the conduct of his son, we may ask him, "How should your son behave?" Or we may ask him, "How does your son actually behave?"

When we put forth the first question to the father, asking him how his son ought to behave in life, he will naturally derive his answer from the principles, ideals and objectives he holds as sacred and puts to practice. He may say, "My son ought to be brave, courageous, ambitious," or he may say, "He ought to be a true believer in his Lord, self-confident, ready to sacrifice his all for the sake of attaining righteousness and a sound belief."

But when we ask the same father the second question, in which we inquire about his son's actual behavior in life, he will not refer to his own principles and ideals in order to provide his answer; rather, he will answer it in the light of his own observations of his son's conduct. He may say, "He is behaving loosely, trading in his faith and is a coward when faced by life's problems."

The father derives his answer to the first question from the principles and ideals in which he himself believes, while he derives his answer to the second question from his own observations and evaluation of his son's conduct in life's arena.

We can use this example to explain the difference between the economic doctrine and the science of economics. In the economic life, we are encountered by two distinct questions, like the ones the father encountered when asked about his son's conduct; therefore, we may once ask: "How *should* the events go on in the economy's life?" while we may ask: "How events are *actually* going on in the economy's life?"

The economic doctrine deals with the first question; it answers it, deriving the answer from the principles and ideals in which it believes and from its concepts of justice, just as the father derived his answer to

the first question from his own principles and ideals.

The science of economics, on the other hand, deals with the second question: It answers it as inspired by observation and experience. Just as the father answers the second question, basing his answer on his own observations of his son's conduct and on his experience with it, so does the science of economics fare: It explains the events of the economic life in the light of observation and experience.

Thus do we come to know that the science of economics discovers what actually occurs in the economic life of social and natural phenomena, discussing their causes and interrelations. The economic doctrine evaluates the economic life and outlines how it ought to be according to its own concepts of equity and the equitable method for regulating it. Science discovers, while doctrine evaluates. Science talks about what is already in existence and the reasons for its existence; a doctrine discusses what ought to and ought *not* to be.

Let us start with the illustrations which distinguish between the function of science and the role of the doctrine in discovering and evaluating:

# The First Example

Let us take the example of the link between the market price and the degree of demand:

We are all aware, from our everyday life observation, of the fact that when a commodity is more in demand and the public's desire to purchase it is increasing, its price will rise. If we author a book in, say, mathematics, and it is sold for ¼ dinar, and if the ministry of education decides to use it as a school textbook, and if the students' demand for it increases, its market price will accordingly increase. So is the case with all other goods: Their prices are linked to the degree of market demand; when demand increases, price, too, will increase.

This link between price and demand is included in the calculation of both science and doctrine; but each treats it from its own particular angle. The science of economics studies it as a phenomenon which takes shape and is found in the free market, the market that is free of enforcement of pricing restrictions on goods by a higher authority such as the government.

It explains how this phenomenon takes shape as a result of the market's freedom, and it finds out the extent of the link between the price and the degree of demand. It explains whether the link between the price and the degree of demand is the same for all goods, or whether only some prices are affected when they are more in demand than others.

All of this is studied by science for the purpose of discovering all facts related to the phenomenon of the link between price and demand, and it explains what happens in the free market as the outcome of its own freedom, explaining all of that scientifically on the basis of methods of scientific research and regular observation.

In all of this, science does not add anything to the reality of the matter; rather, its main objective is the forming of a precise idea about what actually takes place, what phenomena result in the free market, and what relations exist among such links, the coining of laws which express such links, reflecting the exterior reality in the best possible and precise exactness.

As regarding the economic doctrine, it neither studies the free market in order to discover the outcomes of such a freedom and its effects on prices, and how the price is linked to the degree of the free market's demand, nor does it take upon itself to wonder why the price of a commodity in the free market increases when it is more in demand.

The doctrine does not do anything like that. It is *not* supposed to. It does not have the right to do so either because the discovery of the causes and effects, the shaping of realities into general laws which reflect and copy it, is the privilege of the science in whatever it possesses of means of observation, experiment and deduction.

This doctrine deals with the freedom of the market in order to evaluate such freedom and the results to which it leads and whatever happens to be the outcome of linking the price to the degree of demand which invades the market. What we mean by the evaluation of freedom and of its outcomes is to judge it according to the doctrine's own concept of equity, as each economic doctrine has its own general concepts of equity, hinging its evaluation of any line of the economic life on the degree of capability such line embodies of equity according, of course, to the doctrine's concepts thereof.

The freedom of the market, for example, when researched in the light of the doctrine, will not be dealt with as a *de facto* phenomenon which has its outcomes and scientific laws; rather, as an economic system which requires the testing of its own degree of equity.

The questions "What are the outcomes of the free market? How is the price linked therein to the demand? Why should each be linked to the other at all?" are all answered by the science of economics.

The questions "How should the market be? Does its freedom guarantee a fair distribution of goods and the fulfillment of needs in the manner enforced by social equity?" are all answered by the economic doctrine.

Accordingly, it is wrong to expect any economic doctrine to explain to us the extent of link between price and demand in the free market, and the laws of availability and demand economists discuss while studying the nature of the free market.

# **Second Example**

According to David Ricardo (1772 – 1823), if laborers' wages were free from any interference of a higher authority, such as a government officially controlling them, they would remain slightly above the level that would only sustain the laborers. If they increase above such a level, it would only be temporarily; soon

they will go back to their sustaining level.

In his explanation of this theory, Ricardo says that if laborers' wages increase above the minimum sustaining level, it would only be temporarily; soon they will go back to their sustaining level. In his explanation of this theory, Ricardo says that if laborers' wages increase above the minimum sustaining level, they will lead to the laborers' increase in number due to the improvement in their living conditions, marriage and reproduction.

As long as the laborers' job is a commodity in the free market, where wages and prices are not restricted, it, too, will be subject to the same rule of availability and demand. If laborers increase in number, and the availability of jobs in the market is plentiful, their wages will decrease accordingly.

So, whenever prices increase above the level of subsistence, there will be factors which would once more force their decrease and return to their destined limit. When they decrease below such a limit, laborers' misery results; disease and death will prevail on them till their number decreases. When their number decreases, their wages will increase and go back to the level of subsistence because when there is a shortage and scarcity of a commodity, its price will rise in the free market. This is what Ricardo terms "the iron law of wages."

In such a "law", Ricardo discusses what actually takes place if there is a free labor market, discovering the stable level of wages within such a market, and the social and natural factors which interfere to fix and maintain such a level whenever the wage is liable to increase or decrease exceptionally. In fact, in his discussion of such a law, Ricardo answers the questions "What *actually* happens?" not "What *should* happen?" Because of this, his research enters the precincts of the science of economics, as it aims at the discovery of what events actually take place and what laws govern such events.

The economic doctrine, on the other hand, when dealing with laborers' wages, does not aim at the discovery of what actually takes place in the free market. Rather, it finds out a method to regulate it, one which agrees with its own concept of equity. It discusses the basis on which wages ought to be regulated, researching the possibility of whether or not the principle of economic freedom fits to be the basis to regulate wages according to its own concept of equity.

Thereupon, we do not consider the function of the economic doctrine to be anything other than the definition of how the market ought to be regulated, according to its own concept of equity: Should it be regulated according to the principle of economic freedom, or on some other basis?

The science of economics studies the already-regulated market, basing its study on the principle of economic freedom, for example, in order to be acquainted with what events take place at the regulated market according to the same principle, how prices of commodities therein are fixed, how the laborers' wages are restricted, and how they increase or decrease. In other words, science discovers; doctrines evaluate and judge.

### **Third Example**

Let us take the third example of production, and let us define the angle from which the science of economics studies production according to the economic doctrine, so that we may be able to differentiate between both angles.

The science of economics studies the general methods of production which help the growth of production such as the distribution of labor, specialization, etc., comparing, for example, two projects which produce, say, wrist watches; each project contains ten laborers. Every laborer in each project is required to produce one watch. In the other project, labor is distributed; each laborer is entrusted to carry out one single step of the operation required to make the watch.

He repeats this sort of operation continuously, without participating in any other operation the watch has to go through during the manufacturing process. The scientific research in economics studies both of these projects, their relevant different methods, and the effects of each on production and on the laborer himself.

The science of economics also studies everything related to the economic production of natural laws, such as the law of the reason behind crop underproduction in agriculture which says that the percentage of increase in agricultural output of the land is less than that of its expense. 1 The science of economics studies all of this because it shows the discovery of facts on the economic level, as they take place, defining the factors which naturally affect production positively or negatively.

As regarding the doctrine, it deals with the following issues:

Should production remain free, or should it be subjected to a central planning by the State?

Should the increase in production be regarded as an essential objective, or should it be seen as a means towards a higher end?

If the increase in production is considered as means towards a higher end, what are the limits and frameworks enforced by the nature of that "higher end" on such means? Should the production policy be the basis for the regulation of distribution, or is it the other way around?

In other words, which one of them ought to be regulated for the sake of the other? Shall we regulate the distribution of wealth in the manner which would make production plentiful and help its growth, so that the production's interest would be the basis for distribution?

If the national interest requires the legislation of interest on commercial bonds in order to attract capital to the fields of production, should certain measures be undertaken in this regard and the distribution regulated according to the recognition of the capital's rightful share of the interest, or should we regulate the distribution of wealth according to the requirements of an equitable distribution, limiting production by

methods and means which would agree with the requirements of an equitable distribution?

All of this is included within the limits of the economic doctrine, not the science of economics, because it is linked to the regulation of production and to how its general policy should be structured.

# **Conclusion Derived From Previous Examples**

From the previous examples, we can draw distinct lines between the science and the doctrine: the line of discovery and acquaintance with the secrets of the economic life and its various phenomena, and the line of evaluation and the discovery of ways to regulate the economic life according to certain concepts of equity.

Upon such basis can we distinguish between the scientific ideas and the doctrinal ones. The scientific idea revolves round the discovery of the reality, as it is, in an attempt to get acquainted with its causes, results, and links. It is like a scientific magnifying glass for the economic life. Just as one puts glasses on his eyes (for a better vision), he aims at seeing the reality, without adding to it or changing anything in it, so is the case of the scientific mode of thinking which assumes the role of laws and links. The general stamp of the scientific idea is "discovery".

As regarding the doctrinal idea, this is not a mirror that reflects the reality. Rather, it is a particular evaluation of the situation in the light of the general concept of the reality. The doctrine says: "This is what should actually take place."

1. Such as the case of one who invests one hundred dinars on his land just to get, say, a yield of twenty bushels of grain. If he doubles his investment and spends two hundred dinars, instead of one hundred, he will not gain twice the yield but less than that. If he spends three hundred dinars, he will not gain three times the yield but a smaller percentage than the one he gets if he spends two hundred dinars. Thus, the percentage of the increase in the yield that results from doubling the amount spent will continue to decrease till it disappears, resulting in a total loss of expense. The reason for this is the fact that the land, which is the primary factor determining the production, is still the same. Doubling the amount spent is not sufficient [by itself] to double the production as long as the principal factor determining production, that is, the land, remains to be the same.

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