

Research Article

Economic Models and Islamic Faith: A Critical Assessment of Reductionist Approaches

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Abstract

This paper critically examines the application of economic models to Islamic religious principles and practices. While the economics of religion has emerged as a growing field of study, we argue that its application to Islam often results in reductionist interpretations that strip the religion of its essence by reducing complex spiritual experiences to material motivations. Through detailed case studies of recent influential works, we show how economic models tend to misrepresent Islamic practices by overlooking theological foundations, imposing materialistic interpretations, making ahistorical assumptions, and completely ignoring dimensions of welfare that are long-rooted in the study of Maqāṣid al-sharīʿah (Higher objectives of al-sharīʿa). The paper concludes that the current application of economic models to Islamic principles often obstructs rather than enhances our understanding of religious belief and practice. This critique contributes to broader discussions about the limits of economic methodology in studying religious and spiritual dimensions of the human experience.


Keywords: Economics of religion; Islam; Rational choice; Reductionism; Maqāṣid

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مقالة بحثية

النماذج الاقتصادية والدين الإسلامي: تقييم نقدي للمقاربات الاختزالية

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ملخص

يقدم هذا البحث تحليلاً نقدياً لتطبيق النماذج الاقتصادية على المبادئ والشعائر الإسلامية. فعلى الرغم من أن اقتصاديات الدين قد أصبحت مجالاً متنامياً للدراسة، تُبرز هذه الدراسة أن توظيفه في دراسة الدين الإسلامي يؤدي في كثير من الأحيان إلى مقاربات اختزالية تُفرض الدين من جوهره، عبر اختزال التجارب الروحية المعقدة إلى مجرد دوافع مادية. ومن خلال دراسة حالات تفصيلية للإسهامات البحثية البارزة في هذا الحقل المعرفي، يكشف البحث محدودية النماذج الاقتصادية التحليلية في فهم الممارسات الإسلامية، نتيجة إغفالها للأسس العقدية، وفرضها تفسيرات مادية، وتبني افتراضات لا تاريخية، فضلاً عن تجاهلها أبعاد المصلحة المتجذرة في علم مقاصد الشريعة. تخلص الورقة البحثية إلى أن المقاربات الاقتصادية الراهنة للمبادئ الإسلامية تقصر عن تقديم فهم متكامل للمعتقد والممارسة الدينية. وبناءً على ما تقدّم، يسهم هذا النقد في إثراء النقاش الأكاديمي حول حدود المنهجية الاقتصادية في دراسة الأبعاد الدينية والروحية للتجربة الإنسانية.

الكلمات المفتاحية: اقتصاديات الدين، الإسلام، الاختيار العقلاني، الاختزالية، المقاصد

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1. Introduction

Can economic models truly capture the essence of religious faith? This question becomes particularly pressing as economics expands its analytical scope into the religious sphere. At first glance, modern economics, with its focus on maximizing material well-being in the face of scarce resources, might seem worlds apart from the realm of religion. The materialistic foundations of economic theory—rooted in utility maximization, rational choice, and quantifiable outcomes—appear fundamentally misaligned with the spiritual dimensions of religious experience, which often emphasize transcendence, Divine Guidance, and non-material aspects of human existence.

However, this apparent disconnect belies a complex relationship that traces back to Adam Smith, who devoted significant attention to religious organizations in "Wealth of Nations".¹ Smith's analysis of religious institutions as rational responses to social needs set an early precedent for examining faith through an economic lens. Following Smith's work, the field was largely set aside from religion for around two centuries before experiencing a renewed interest in the late 20th century.² This resurgence of interest has brought sophisticated mathematical models and empirical techniques to bear on religious expressions, raising both promising insights and troubling questions about the adequacy of economic frameworks for understanding spiritual experience.

Iannaccone's seminal work categorized economics of religion into three distinct areas: the application of economic theory to explain religion, the examination of relationships between religion and economic variables, and the use of religious principles to assess economic policies.³ While all three domains have generated interesting insights, this paper focuses critically on the first area, specifically its application to Islam. The choice of focus is significant for several reasons. First, initial research in this field predominantly examined Judaism and Christianity, reflecting the predominance of American scholars.⁴ This Western-centric development raises concerns about cultural bias, as economic models developed in predominantly Christian contexts may incorporate assumptions that do not hold in Islamic societies. As Said argued,

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- 1 Jean-Paul Carvalho, "Religious Clubs: The Strategic Role of Religious Identity," In: Jean-Paul Carvalho & Sriya Iyer & Jared Rubin (eds.), *Advances in the Economics of Religion* (Cham: Palgrave Macmillan, 2019), pp. 25-41.
 - 2 Vikas Kumar, "A Critical Review of Economic Analyses of Religion," *IGIDR WPS 23* (2008); Carvalho, "Religious Clubs: The Strategic Role of Religious Identity".
 - 3 Laurence R. Iannaccone, "Introduction to the Economics of Religion," *Journal of Economic Literature*, Vol 36, No. 3 (1998), pp. 1465-1495.
 - 4 Corry Azzi and Ronald Ehrenberg, "Household Allocation of Time and Church Attendance," *Journal of Political Economy*, Vol 83, No. 1 (1975), pp. 27-56; Ronald G. Ehrenberg, "Household Allocation of Time and Religiosity: Replication and Extension," *Journal of Political Economy*, Vol. 85, No. 2 (1977), pp. 415-423; Laurence R. Iannaccone, "A Formal Model of Church and Sect," *American Journal of Sociology*, Vol. 94 (1988), pp. S241-S268; Roger Finke and Laurence R. Iannaccone, "Supply-Side Explanations for Religious Change," *The Annals of the American Academy of Political and Social Science*, Vol. 527, No. 1 (1993), pp. 27-39.

Western academic approaches to Islamic societies often suffer from orientalist biases.⁵

Second, while the other two areas of economics of religion offer valuable insights, with the third strand forming an integral part of Islamic studies⁶ and the second providing useful perspectives on religion-society interactions, they face distinct methodological challenges. The second area particularly struggles with endogeneity issues in causal inference⁷ and fundamental problems in defining and measuring religiosity.⁸ As Tarakeshwar et al. argue, the multidimensional nature of religiosity resists simple quantification.⁹

Beyond these empirical challenges, more fundamental concerns arise from the theoretical frameworks employed in the economics of religion. The core theoretical foundation for economic analyses of religion lies in the rational choice approach, which emerged as an attempt to bridge gaps in the sociological study of religion.¹⁰ In neoclassical economics, rationality is defined as "the maximization of subjective utility—that is, the maximization of one's desires,"¹¹ assuming logical omniscience while typically ignoring emotions.¹² This framework has generated significant criticism. Montgomery questions its ability to explain belief formation,¹³ while Bruce argues it only provides insights for contexts where religion holds minimal significance.¹⁴ Kumar identifies fundamental problems with treating religious concepts as conventional goods.¹⁵ We employ a

5 Edward W. Said, *Orientalism* (New York: Pantheon Books, 1978).

6 Monzer Kahf, "Islamic Economics: Notes on Definition and Methodology," *Review of Islamic Economics* (2003) pp. 23-48; Mohamed Aslam Haneef and Hafas Furqani, "Methodology of Islamic Economics: Overview of Present State and Future Direction," *International Journal of Economics, Management and Accounting*, Vol. 19, No. 1 (2011), pp. 1-26; Asad Zaman, "An Islamic Critique of Neoclassical Economics," *Pakistan Business Review*, Vol. 14, No. 1 (2012), pp. 9-62; M. Umer Chapra, *The Future of Economics: An Islamic Perspective*, Vol. 21 (Leicestershire: Kube Publishing Ltd, 2016).

7 Robert J. Barro and Rachel M. McCleary, "Religion and Economic Growth Across Countries," *American Sociological Review*, Vol. 68, No. 5 (2003), pp. 760-781.

8 Linda Woodhead, "Five Concepts of Religion," *International Review of Sociology*, Vol. 21, No. 1 (2011), pp. 121-143; Duane F. Alwin, et al., "Measuring Religious Identities in Surveys," *International Journal of Public Opinion Quarterly*, Vol. 70, No. 4 (2006), pp. 530-564; Siobhan McAndrew and David Voas, "Measuring Religiosity Using Surveys: Survey Question Bank: Topic Overview 4," *Survey Resources Network Question Bank* (University of Surrey: 2011).

9 Nalini Tarakeshwar, Jeffrey Stanton and Kenneth I. Pargament, "Religion: An Overlooked Dimension in Cross-Cultural Psychology," *Journal of Cross-Cultural Psychology*, Vol. 34, No. 4 (2003), pp. 377-394.

10 Laurence R. Iannaccone, "Risk, Rationality, and Religious Portfolios," *Economic Inquiry*, Vol. 33, No. 2 (1995b), pp. 285-295.

11 Daniel E. Palmer, "Economic Rationality," *Encyclopedia Britannica*, March 12, 2024, Accessed February 1, 2025. <https://www.britannica.com/money/economic-rationality>.

12 Itzhak Gilboa, Stefania Minardi, and Fan Wang, "Schumpeter Lecture 2023: Rationality and Zero Risk," *Journal of the European Economic Association*, Vol. 22, No. 1 (2024), pp. 1-33.

13 James D. Montgomery, "Contemplations on the Economic Approach to Religious Behavior," *The American Economic Review*, Vol. 86, No. 2 (1996), pp. 443-447.

14 Steve Bruce, "Religion and Rational Choice: A Critique of Economic Explanations of Religious Behavior," *Sociology of Religion*, Vol. 54, No. 2 (1993), pp. 193-205; For a counter-argument on the criticisms presented by Bruce (1993), see Iannaccone (1993).

15 Kumar, "A Critical Review of Economic Analyses of Religion."

case study approach to analyze influential works that apply economic frameworks to the Islamic religion, revealing consistent patterns of materialistic interpretation and theological oversight.

A central issue we identify is that economic models, despite their mathematical sophistication, consistently struggle to incorporate the transcendent dimensions of religious experience into their analytical frameworks. When applied to Islam, these models often impose materialistic interpretations that reduce complex spiritual practices to rational calculations and utility maximization. This reductionist tendency not only misrepresents the essential nature of religious behavior but also reflects a deeper philosophical tension between economic methodology's demand for measurable variables and religion's inherently transcendent dimensions. As a result, these models risk fundamentally mischaracterizing the nature of religious experience by reducing spiritual experience to purely material considerations. As our analysis demonstrates, this limitation manifests across various applications, from studies of veiling practices to analyses of religious conversion dynamics, suggesting a systematic bias in economic approaches to religion.

A fundamental challenge in applying economic models to Islamic practices arises from the disconnect between economic methodology and the *Maqāṣid al-sharī'ah* (Higher objectives of al-sharī'a). As articulated by Al-Ghazālī and Al-Shāṭibī,¹⁶ Islamic law aims to protect and promote five essential objectives: faith (*dīn*), life (*nafs*), intellect (*‘aql*), posterity/lineage (*nasl*), and property/wealth (*māl*). These objectives form an integrated hierarchical system where economic considerations, while important, are subordinate to and guided by higher spiritual and ethical principles. Economic models that focus solely on material incentives and utility maximization risk mischaracterizing Islamic institutions by divorcing them from this broader framework of human welfare that includes both worldly and spiritual dimensions.

Moreover, as Chapra argues,¹⁷ Islamic economic principles emerged from a coherent framework seeking to promote human wellbeing across multiple dimensions simultaneously. The challenge for economic analysis thus extends beyond mere technical limitations to a more fundamental epistemological question: can models that prioritize material optimization adequately capture institutions designed to serve both spiritual and material purposes? This paper argues that current economic approaches, despite their mathematical sophistication, often fail to recognize how Islamic principles operate as part of an integrated system promoting human welfare across

16 أبو حامد محمد الغزالي، المصطفى من علم الأصول (بيروت: دار الكتب العلمية، 1997)؛ إبراهيم بن موسى الشاطبي، الموافقات في أصول الشريعة (الخبر: دار ابن عفان، 1997).

17 M. Umer Chapra, *The Islamic Vision of Development in the Light of Maqasid Al-Shariah*. (London: International Institute of Islamic Thought, 2008).

multiple dimensions. Through detailed case studies, we show how this methodological limitation leads to reductionist interpretations that strip religious practices of their essential character and misrepresent their operation in historical and contemporary contexts.

The significance of this investigation extends beyond academic critique, reaching into fundamental questions about how we understand and analyze religious traditions in modern social science. As economic analysis continues to expand its reach into various domains of human activity, understanding its limitations and potential biases in religious contexts becomes increasingly important. This understanding is crucial not only for theoretical accuracy but also for practical applications in policy-making and institutional design. It is particularly vital given the explosive growth of Islamic economics and finance, which has evolved from a niche field into a global industry managing over \$4 trillion in assets in 2021.¹⁸ In this rapidly expanding sector, where the intersection of economic and religious principles demands careful consideration, the consequences of misunderstanding or misrepresenting religious principles through reductive economic models can have far-reaching practical and theoretical implications. Furthermore, how we analyze religious beliefs and practices through economic frameworks has broader implications for cross-cultural dialogue, policy formation, and the development of rigorous approaches to studying human behavior that can accommodate both material and spiritual dimensions.

The remainder of this paper is organized as follows. Section 2 presents our theoretical framework, examining how economic approaches to religion often result in reductionist interpretations through the commodification of religious practices and neglect of theological foundations. Section 3 outlines our methodology and presents our detailed analyses of three influential studies: Carvalho's examination of veiling practices,¹⁹ Michalopoulos et al.'s analysis of Islamic economic doctrine,²⁰ and Saleh and Tirole's study of religious conversion dynamics.²¹ Section 4 synthesizes findings across the case studies, developing broader implications for the study of religion through an economic lens. The final section concludes.

18 Islamic Corporation for the Development of the Private Sector (ICD). "Refinitiv Islamic Finance Development Report 2022 Embracing Change". 2022. Accessed February 1, 2025. https://icd-ps.org/uploads/files/ICD%20Refinitiv%20ifdi-report-20221669878247_1582.pdf

19 Jean-Paul Carvalho, "Veiling," *The Quarterly Journal of Economics*, Vol. 128, No. 1 (2013), pp. 337-370.

20 Stelios Michalopoulos, Alireza Naghavi, and Giovanni Prarolo, "Islam, Inequality and Pre-Industrial Comparative Development," *Journal of Development Economics*, Vol. 120 (2016), pp. 86-98.

21 Mohamed Saleh & Jean Tirole. Taxing Identity: Theory and Evidence from Early Islam, *Econometrica*, Vol. 89, No. 4 (2021), pp. 1881-1919.

2. Theoretical Framework: Economic Models and Religious Understanding

2.1. The Commodification of Religious Experience

The application of economic models to religion fundamentally relies on a process of commodification—the transformation of non-market entities into objects of economic value.²² When applied to Islam, this process raises significant methodological and ethical concerns that extend beyond mere technical considerations. The commodification of religious practices manifests in two primary ways: the economic interpretation of Islamic law and the reduction of religious behavior to economic calculations.

This commodification process becomes particularly problematic when researchers explicitly attempt to remain "agnostic as to its theological foundations."²³ While such methodological neutrality might appear scientifically objective, it inadvertently imposes a materialistic framework that misrepresents both Islamic doctrine and religious behavior. The very attempt to separate economic analysis from theological foundations reflects what Al-Sakrān criticizes as "Ansanat al-Turāth" or "humanizing heritage"—the reduction of religious beliefs and practices to purely material interpretations while dismissing moral or religious motives.²⁴

2.2. Fundamental Contradictions in Economic Approaches

The application of economic models to Islam reveals several fundamental contradictions that challenge the validity of this analytical approach. A primary tension emerges in the treatment of Islamic law, which, derived from the Qur'ān and Sunnah, represents a fixed set of divinely ordained principles rather than market-responsive regulations. As Hallaq demonstrates, the development of Islamic law was driven by complex theological, ethical, and social factors that resist reduction to economic considerations.²⁵ When economic models treat Islamic laws as endogenous responses to material conditions, they fundamentally misrepresent both their nature and origin. This misrepresentation points to a deeper methodological conflict between economic and religious frameworks.

22 Martha Ertman & Joan C. Williams, eds. *Rethinking commodification: Cases and Readings in Law and Culture*, Vol. 52 (New York: NYU Press, 2005).

23 Michalopoulos, Naghavi, and Prarolo, "Islam, Inequality and Pre-Industrial Comparative Development."

24 The humanist approach was developed in the West over the Renaissance period and early twentieth century (Copson, 2015). In its application to Christianity, "the extent to which humanistic inquiry led scholars toward the secular realm and the extent to which humanistic pedagogy concentrated on secular subjects suggest erosions of the domain of faith" (Grudin, 2024). Mohammed Arkoun, is said to have coined the Arabic translation of the term and applied it in his study of Islam (Gharāyibah, 2004);

وانظر أيضًا: إبراهيم السكران، مآلات الخطاب المدني (الرياض: دار الوعي للنشر والتوزيع، 1435هـ - 2013).

25 Wael B Hallaq, *An introduction to Islamic law* (Cambridge University Press, 2009).

A second crucial contradiction arises from economic models' foundational assumption of self-interest maximization, which directly conflicts with Islamic teachings emphasizing self-sacrifice and resistance to worldly temptations. The Qur'ān explicitly warns against taking one's desires as a deity (45:23), presenting a direct challenge to the economic assumption of pure utility maximization. This fundamental contradiction aligns with Nasr's influential critique of the modern economistic worldview, which he argues is fundamentally incompatible with traditional Islamic conceptions of human nature and society.²⁶ The conflict between economic rationality and Islamic principles of self-sacrifice reveals the limitations of applying conventional economic frameworks to religious behavior.

Perhaps most fundamentally, economic models struggle to capture Islam's strong eschatological dimension, focusing instead on measurable, worldly outcomes. Islamic thought emphasizes an eternal perspective that often requires believers to make decisions that may not maximize short-term utility. This orientation toward eternal consequences, which Smith and Haddad identify as central to Islamic thought, remains largely invisible in economic analysis.²⁷ The inability to incorporate this transcendent time horizon into economic models represents not merely a technical limitation but a fundamental incompatibility between economic methodology and religious understanding.

2.3. Methodological Limitations

The economic approach to religion exhibits several critical methodological limitations that become particularly apparent in its application to Islam. At the heart of these limitations lies the rational choice framework, which fundamentally mischaracterizes religious decision-making by positing that religious behavior can be explained through utility optimization and cost-benefit analysis.²⁸ While scholars have attempted to defend this approach, with Carvalho applying economic grounds to rationalize religious beliefs in club models²⁹ and Iannaccone advocating for modeling religious changes through economic variables rather than changing beliefs,³⁰ these attempts ultimately fail to capture the essence of religious commitment. The reduction of spiritual choices to rational calculations strips religious experience of its transcendent character.

26 Seyyed Hossein Nasr, *Traditional Islam in the Modern World* (London: Kegan Paul International, 1987).

27 Jane Idelman Smith and Yvonne Yazbeck Haddad, *The Islamic Understanding of Death and Resurrection*. (Oxford: Oxford University Press, 2002).

28 Sriya Iyer, "The New Economics of Religion," *Journal of Economic Literature*, Vol. 54, No. 2 (2016), pp. 395-441.

29 Carvalho, "Religious Clubs: The Strategic Role of Religious Identity."

30 Iannaccone, "Rationality, and Religious Portfolios," Op. cit.

This reductionist tendency reflects a broader pattern in secular approaches to religion, what Taylor terms "subtraction stories," where complex religious expressions are reduced to simpler, materialistic explanations.³¹ Fine and Milonakis identify this pattern as part of a larger trend of economic imperialism—the increasingly problematic application of economic methods to a phenomenon traditionally studied by other disciplines.³² In the context of religious studies, this methodological overreach becomes particularly pronounced, as economic models struggle to accommodate the unique characteristics of religious experience and behavior.

The economic approach to religion also encounters significant epistemological constraints that manifest in two distinct but related philosophical shortcomings. First, the framework's reliance on relative ethics—the assumption that religious choices can be reduced to relative trade-offs between costs and benefits—fundamentally conflicts with Islamic theology's assertion of absolute moral truths. This relativistic framework cannot adequately account for the Islamic understanding of Divine commands as absolute and unconditional, creating a fundamental misalignment between economic methodology and religious reality.

Second, the approach suffers from an inherent scientism that reflects a deeper epistemological overreach. By insisting that all meaningful knowledge must conform to modern social science methodology, economic approaches arbitrarily exclude valid forms of knowledge arising from revelation. This scientistic bias leads to what Taylor calls the "flattening" of religious experience, where transcendent dimensions of faith are either ignored or reduced to purely naturalistic explanations.³³

Together, these limitations reveal not merely technical challenges but fundamental incompatibilities between economic methodology and religious understanding. The attempt to force religion into economic frameworks risks distorting our understanding of religious experience and behavior, particularly in contexts where transcendent dimensions play central roles. These methodological constraints suggest the need for more nuanced approaches that can better accommodate the unique characteristics of religion while maintaining analytical rigor.

31 Charles Taylor, *A Secular Age* (Cambridge, MA: Belknap Press of Harvard University Press, 2007); "Subtraction stories" is a term coined by philosopher Charles Taylor in his 2007 book "A Secular Age." It refers to narratives that explain the rise of secularism as simply the falling away of religious beliefs and practices due to scientific and social progress. Taylor argues that these accounts are overly simplistic, ignoring the complex cultural and philosophical shifts that have reshaped how people understand the world and their place in it. Rather than seeing secularization as merely the subtraction of religion from society, Taylor proposes that it involves the creation of new forms of meaning and social imaginary.

32 Ben Fine & Dimitris Milonakis, *From Economics Imperialism to Freakonomics: The Shifting Boundaries Between Economics and Other Social Sciences* (London: Routledge, 2009).

33 Taylor, *A Secular Age*.

2.4. Implications for Religious Analysis

These theoretical limitations suggest that economic models are fundamentally ill-equipped to capture the essence of religious experience and behavior. The inability to accommodate transcendent dimensions of faith, Divine Revelation, and absolute moral truths indicates a need for a new theoretical framework that can integrate both economic and spiritual perspectives.

This theoretical understanding informs our subsequent analysis of specific economic models applied to Islamic tradition. We examine how these fundamental limitations manifest in practice and consider what this reveals about the broader challenge of studying religion through social scientific frameworks.

3. Critical Analysis of Economic Models Applied to Islam

3.1 Methodology

This paper employs a case study approach, presenting a chronological review of three representative studies. For each study, we offer a summary followed by a critical commentary highlighting underlying issues. This methodology systematically examines the evolving application of economic models to Islamic principles over time. It also enables in-depth analysis of specific approaches and their implications.

The selection of these case studies was based on their prominence in the field, their diverse approaches to modeling Islamic principles, and their potential to illustrate key issues in the application of economic models to religious beliefs and practices. By examining these studies in detail, we aim to identify common threads and recurring challenges in this area of research.

Our analysis is informed by a multidisciplinary perspective, drawing on insights from economics, religious studies, and philosophy of social science. This approach allows us to evaluate not only the technical aspects of the economic models but also their broader implications for our understanding of religion and its role in society.

3.2. Case Studies

3.2.1 Economic Rationalization of Religious Practice: Veiling and Identity Economics

Summary:

Carvalho's 2013 study,³⁴ "Veiling," published in *The Quarterly Journal of Economics*, attempts to explain the increased prevalence of veiling among educated, urban, working Muslim women

34 Carvalho, "Veiling."

since the 1970s. This phenomenon, often referred to as the "new veiling movement," has puzzled many scholars given its apparent contradiction with modernization theory, which would predict a decline in religious practices with increased education and urbanization.

Carvalho employs tools from behavioral economics and game theory, situating the phenomenon within the economics of identity literature. The core of his model posits veiling as a mechanism to avoid regret or social disapproval while capitalizing on economic opportunities. In this framework, veiling serves as a commitment device that allows women to participate in the modern economy while maintaining their religious identity and avoiding temptations to engage in religiously prohibited behavior.

The model makes several key predictions:

- In societies that enforce veiling, religiosity will decrease over time as parents have less incentive to invest in their children's religious education.
- In societies that ban veiling, women will either veil and integrate into the economy if economic returns are high, or choose to stay at home and not integrate.
- Veiling is more likely among women with intermediate levels of religiosity, as highly religious women may choose seclusion, while less religious women may choose full integration without veiling.

Carvalho supports these predictions using ethnographic, historical, and survey-based studies on veiling but does not provide empirical evidence of his own.

Critical Analysis:

While Carvalho's model offers a new approach to understanding the veiling phenomenon through an economic lens, it raises three fundamental concerns:

Materialistic Interpretation: The model's setup reveals a predominantly materialistic interpretation of veiling. The absence of spiritual considerations such as faith, devotion to God, or concepts of sin and virtue strips the veil of its primary religious essence. This approach reduces a complex religious practice to an economic calculation.

Neglect of Theological Foundations: The model does not engage with the theological basis of veiling in Islam. While Carvalho cites Quranic verses regarding women's covering, he fails to address the established religious obligation of veiling in Islamic law. This fundamental oversight disconnects his economic analysis from the practices based on religious foundations, where veiling is a Divine command. The model's secular framework thus misses the essential religious character of the practice.

Assumption of Economic Primacy: There is an implicit assumption in the model that economic gain takes precedence over religious observance. This is evident in the prediction that women in societies banning veiling will only remain veiled if the economic returns they give up are not very high. Such an interpretation may not accurately reflect the priority many religious individuals place on their faith over material considerations.

Maqāṣid al-sharī‘ah Perspective: From a Maqāṣid al-sharī‘ah framework, veiling serves multiple interrelated purposes that cannot be reduced to economic calculations. In particular, veiling exemplifies how a single practice simultaneously serves multiple Maqāṣid - it expresses religious devotion (Ḥifẓ al-Dīn), protects dignity and modesty (Ḥifẓ al-naḥs), and helps maintain family and social stability (Ḥifẓ al-naṣl). The model’s focus on economic incentives and identity management misses how veiling, as a Divine command, integrates these spiritual, personal, and social dimensions. While the model may capture certain observable patterns in veiling adoption, its reductionist framework cannot explain how this practice serves as a manifestation of Islamic principles aimed at human flourishing across multiple dimensions, simultaneously. A more complete analysis would recognize veiling as part of an integrated system of Divine guidance that transcends pure economic rationalization.

3.2.2 Environmental Determinism and Religious Doctrine: Geographic Origins of Islamic Economic Principles

Summary:

The 2016 paper by Michalopoulos, Naghavi, and Prarolo,³⁵ titled "Islam, Inequality and Pre-Industrial Comparative Development," published in the Journal of Development Economics, presents a model aimed at explaining the origins and institutionalization of Islamic economic doctrine. The authors argue that the economic principles embedded in Islam emerged as a response to the specific geographic and economic conditions of 7th-century Arabia.

The core of their model rests on two key observations about the Arabian Peninsula at the time of Islam’s emergence:

- The unequal distribution of land quality across the region.
- The critical importance of trade routes for economic activity.

Based on these factors, the authors propose that the stark inequality between resource-poor

³⁵ Michalopoulos, Naghavi, and Prarolo, "Islam, Inequality and Pre-Industrial Comparative Development."

and resource-rich areas led to conflict, particularly in the form of raids on trade caravans by inhabitants of poorly endowed regions. In this context, they argue, Islamic economic doctrines emerged as a conflict resolution mechanism.

The model suggests that the combination of static redistribution (e.g., Zakāt or mandatory alms-giving) and dynamic redistribution schemes (e.g., Islamic inheritance laws and the prohibition of interest or Ribā) served to address this potential for conflict. Moreover, the model predicts that in this context, it would be optimal for both rich and poor to adopt these economic principles to maintain social stability and facilitate trade.

Critical Analysis:

Michalopoulos et al.'s economic model of Islam presents a mixed contribution that requires careful evaluation:

Environmental Determinism and Divine Origins: The model presents a form of geographic or ecological determinism, suggesting that the Islamic Economic Doctrine was primarily shaped by the specific ecological conditions of 7th-century Arabia rather than Divine revelation. This perspective conflicts with the fundamental Islamic belief that the Qur'ān and the teachings of the Prophet Muhammad are divinely inspired.

Methodological Framework: . Pure economic methodology cannot fully encompass Islamic economic principles, which serve both spiritual and material purposes. Islamic economic teachings simultaneously elevate the soul while organizing society, a dual purpose that purely economic models cannot fully encompass.

Universality and Application: The model's emphasis on 7th-century Arabian conditions potentially undermines the universal nature of Islam. It falls short in recognizing that Islamic economic principles, being divinely ordained, offer solutions across different contexts and times. This limitation highlights the need for frameworks that can analyze both the temporal benefits and eternal wisdom of Islamic teachings.

Implications and Understanding: While the model's focus on material outcomes may provide valuable insights into the societal benefits of Islamic economic principles, it risks reducing religious adherence to pure utility maximization. A more complete framework would recognize that believers follow these principles primarily out of submission to God, while their beneficial social outcomes demonstrate divine wisdom.

Maqāṣid al-sharī‘ah Perspective: The geographic-trade model proposed by Michalopoulos et al. fundamentally mischaracterizes Islamic economic institutions by reducing them to instrumental solutions for resource distribution problems. The Maqāṣid al-sharī‘ah (Higher Objectives of al-sharī‘a) articulates a hierarchical system of primary (Ḍrwyāt), secondary (Hājīyāt), and tertiary (Ṭḥsynyāt) objectives, where economic institutions serve multiple intersecting purposes beyond mere redistribution.³⁶ The model’s focus on geographic inequality as the primary driver of institutional formation cannot account for the remarkable consistency in Islamic economic principles across diverse geographic and social contexts. The Maqāṣid framework, as elaborated by classical scholars and contemporary theorists like Auda³⁷ and Khan,³⁸ shows that Islamic economic institutions were part of a comprehensive system designed to achieve specific human development objectives. This multidimensional purposiveness of Islamic economic institutions, firmly grounded in theological and legal principles, suggests that any model focused solely on geographic or economic factors will inevitably miss crucial aspects of their origin and persistence.

The concept of Maṣlaḥat (public benefit) in Islamic legal theory reflects scholars’ systematic efforts to understand how economic rules align with human needs and social objectives through established methodological principles.³⁹ This suggests that Islamic economic institutions are best understood not as responses to specific geographic or economic conditions, but as elements of a comprehensive system that scholars have interpreted as oriented towards human welfare across all contexts where Muslims lived and traded. The apparent alignment of Islamic economic institutions with multiple objectives suggests an institutional depth that extends beyond simple solutions to resource distribution problems.⁴⁰

3.2.3 Taxation and Religious Conversion: Economic Analysis of Historical Religious Change

Summary:

The 2021 paper by Saleh and Tirole,⁴¹ "Taxing Identity: Theory and Evidence from Early Islam," published in *Econometrica*, presents a sophisticated model attempting to explain the interrelationship between poll tax (Jizyah), uniform land tax, and conversions to Islam by

36 الغزالي، المصطفى من علم الأصول: والشاطبي، الموافقات في أصول الشريعة.

37 Jasser Auda, *Maqasid Al-Shari'ah as Philosophy of Islamic Law: A Systems Approach*, (London: International Institute of Islamic Thought, 2008).

38 M. Fahim Khan, "An Alternative Approach to Analysis of Consumer Behaviour: Need for Islamic Theory," *Turkish Journal of Islamic Economics*, Vol. 1, No. 1 (2013), pp. 17-42.

39 Ahmad Al-Raysuni, *Imam Al-Shatibi's Theory of the Higher Objectives and Intents of Islamic Law* (London: International Institute of Islamic Thought, 2005); Mohammad Hashim Kamali, *Maqasid al-Shari'ah Made Simple* (London: International Institute of Islamic Thought, 2008).

40 Habib Ahmed, "Maqasid al-Shari'ah and Islamic Financial Products: A Framework for Assessment," *ISRA International Journal of Islamic Finance*, Vol. 3, No. 1 (2011), pp. 149-160.

41 Saleh & Tirole, Taxing Identity.

Egyptian Copts. The authors employ an identity-based model nested within an extraction model to explore these dynamics.

The core of their model proposes that rulers face a trade-off between maximizing tax revenue and inducing religious conversion. The Jizyah, a poll tax imposed on non-Muslims in Islamic states, plays a central role in this model. The authors suggest that rulers could manipulate the Jzyh rate to either maximize revenue or encourage conversion to Islam, depending on their priorities.

- Key predictions of the model include:
- A ruler more concerned with conversion will impose a higher Jzyh, inducing more conversions but potentially lowering overall tax revenue.
- The conversion rate is influenced by the difference between the Jzyh (imposed only on non-Muslims) and the land tax (uniform for all).
- When identity is difficult to change, people may choose to pay higher taxes rather than convert or emigrate.

The authors test these predictions using historical data from Egypt, finding support for their identity-based model.

Critical Analysis:

Saleh and Tirole's model on the economic dynamics of religious conversion and taxation in early Islamic societies raises several significant concerns:

Reductionist View of Jzyh: The model presents the Jzyh primarily as a tool for revenue extraction or inducing conversion, neglecting its complex religious, legal, and social dimensions in Islamic thought. This simplification risks misrepresenting the nature and purpose of Jzyh as understood in Islamic jurisprudence and fundamentally misrepresents the divine nature and sacred purpose of Jzyh as established in Islamic jurisprudence, where it serves as a manifestation of the relationship between Islamic governance and non-Muslim communities under its protection.

Oversimplification of Conversion Motives: By focusing heavily on economic incentives, the model potentially oversimplifies the complex reasons why individuals might choose to convert to Islam. Spiritual convictions are largely sidelined in favor of financial considerations.

Narrow Focus on Financial Obligations: The model considers only Jzyh and land tax, ignoring other financial obligations that Muslims face, such as Zakāt. This selective focus may present an incomplete picture of the financial implications of religious affiliation.

Assumption of Ruler's Motives: The portrayal of Jzyh primarily as a ruler's discretionary tool

fundamentally contradicts its nature as a divine mandate. The model's framework erroneously suggests that rulers had autonomy in implementing what are sacred injunctions prescribed by Islamic law.

Limited Applicability: The model's narrow focus on Coptic conversions in Egypt presents significant methodological and conceptual limitations. By deriving general theories about Islamic expansion and conversion from this specific context, the model overlooks the diverse historical trajectories of Islamization across regions, from Persia's sophisticated administrative traditions to the complex social structures of South Asia. Moreover, the Egyptian case, with its unique demographic, institutional, and historical characteristics, cannot adequately capture the varied ways Islamic principles of governance were implemented across different societies. This geographical and temporal specificity undermines the model's ability to explain broader patterns of Islamic history and risks promoting an oversimplified understanding of how Islamic principles interacted with diverse local contexts.

Neglect of Theological and Spiritual Dimensions: While the model captures certain observable patterns in taxation and conversion rates, its attempt to quantify faith through an "identity strength" variable reveals a fundamental epistemological flaw. In Islam, conversion represents a profound spiritual transformation emerging from divine guidance (Hidāyat) and recognition of truth - a sacred process that transcends economic rationalization. The model's framework, by prioritizing economic incentives in religious conversion, inverts the actual relationship between faith and material concerns in Islamic thought. For the believer, economic decisions and social interactions are subordinate to and shaped by religious conviction, not vice versa.

The models' reductionist methodology cannot capture how faith transforms human consciousness and behavior, shaping responses to taxation beyond mere utility calculations. The model's inability to incorporate the transcendent nature of religious experience thus limits its explanatory power and risks promoting a distorted understanding of how faith operates in human society.

Maqāṣid al-sharī'ah Perspective: Al-Shāṭibī elaborates in *Al-Muwāfaqāt* that the poll tax (Jizyah) and land tax (Kharāj) were not merely instruments of economic extraction or religious conversion, but rather part of a broader system of social justice and public welfare (Maṣlaḥat).⁴² These taxes served multiple intersecting purposes: protecting non-Muslim communities' right to religious freedom while ensuring their contribution to the public good, establishing social

⁴² الشاطبي، الموافقات في أصول الشريعة.

solidarity through wealth redistribution, and maintaining political stability through equitable fiscal arrangements - principles that Chapra identifies as central to the Islamic economic doctrine.⁴³

The authors' interpretation of the empirical patterns, particularly their emphasis on Arab authorities deliberately operating on the "downward-sloping side of the Laffer curve" to maximize conversions, fails to acknowledge the sophisticated jurisprudential principles governing Islamic law. By treating religious conversion primarily as a binary outcome driven by tax incentives, the analysis misses what Al-Raysuni identifies as the deeper purpose of Islamic fiscal policy in fostering a moral economy based on cooperation (Ta'āwun), social justice ('Adālah), and human dignity (Karāmah).⁴⁴ Ahmed argues that the success of these institutions in enabling trade, providing public goods through the waqf system, and maintaining social stability for centuries suggests that they were designed not merely to maximize either revenue or conversions, but to achieve the higher objectives of Sharia in promoting human flourishing across all dimensions of life.⁴⁵ This more holistic understanding of Islamic economic doctrine, grounded in Maqāṣid principles, offers what Kamali describes as a richer explanation for both the origins and persistence of these institutions than the paper's more mechanistic theoretical framework.⁴⁶

4. Synthesis and Theoretical Implications

The application of economic models to Islamic principles and practices reveals fundamental challenges in using economic methodology to analyze religion. Our analysis of these influential studies illuminates broader theoretical issues about the intersection of economic analysis and religious understanding. These challenges extend beyond technical limitations to reveal deeper epistemological and methodological concerns.

4.1 The Challenge of Religious Reductionism

Economic models' treatment of religion consistently exhibits a reductionist tendency that transforms complex spiritual practices and beliefs into simplified economic calculations. While economic factors undoubtedly influence religious practice and institutions, the reductionist approach risks overlooking the spiritual, ethical, and cultural dimensions integral to religious experience. This limitation becomes particularly evident in how economic models handle divine

43 Chapra, *The Islamic Vision of Development in the Light of Maqasid Al-Shariah*.

44 Al-Raysuni, *Imam Al-Shatibi's Theory of the Higher Objectives and Intents of Islamic Law*.

45 Ahmed, "Maqasid al-Shari'ah and Islamic Financial Products."

46 Kamali, *Maqasid al-Shari'ah Made Simple*.

revelation and spiritual motivation.

For instance, Carvalho's analysis of veiling as an economic and identity management tool, while mathematically sophisticated, neglects the deep spiritual significance many women attach to the practice. Similarly, Michalopoulos et al.'s framing of Islamic economic doctrine as a response to geographic inequality potentially undermines the belief in Divine revelation central to Islamic faith. As Lawson argues, such simplifying assumptions can divorce theoretical models from reality, a problem that becomes particularly acute when analyzing religious beliefs and practices.⁴⁷

4.2 Materialistic Interpretation and Spiritual Experience

A fundamental limitation of economic approaches to religion lies in their inability to comprehend aspects of human spiritual experiences that go beyond material considerations. The profound sense of divine connection, the transformative power of faith, and the deep emotional resonance of religious practice operate on levels that conventional economic variables cannot capture. When individuals engage in religious practices—whether prostrating in prayer, fasting during Ramaḍān, or donning the Ḥijāb—they often experience states of consciousness and spiritual elevation that defy quantification or rational choice frameworks.

This materialistic bias manifests differently across studies but consistently misrepresents the fundamental nature of religion. Saleh and Tirole's model of conversion decisions based primarily on tax incentives, for instance, cannot adequately capture the profound spiritual and social implications of changing one's faith.

4.3 The Problem of Historical Context

Economic analyses of religion often make ahistorical assumptions about religious practices and doctrines, failing to account for their development and diverse interpretations over time. This tendency leads to anachronistic interpretations that project modern economic concepts onto historical religious practices. For example, Saleh and Tirole's assumption that historical rulers were primarily motivated by revenue maximization or conversion rates may misrepresent the complex religious and political motivations that shaped Islamic governance.

Moreover, these studies often exhibit selective focus, choosing aspects of religion that fit their

⁴⁷ Tony Lawson, *Economics and Reality*. (London: Routledge, 1997).

theoretical frameworks while neglecting others. This selective approach risks drawing overly broad conclusions about Islam from limited cases. Michalopoulos et al.'s model, based on 7th-century Arabian conditions, for instance, struggles to explain the persistence and spread of Islamic economic principles in vastly different geographic and economic contexts. Moreover, Saleh and Tirole's model stresses out the Jzyh and uniform land tax, but they exclude all other relevant financial obligations in the religion.

5. Conclusion

The application of economic models to Islamic principles and practices presents fundamental methodological and theoretical challenges that extend beyond technical limitations to question the very nature of social scientific approaches to religion. Through our analysis of influential economic studies of Islamic doctrine and practices, we have identified systematic patterns in how economic frameworks transform religion into objects of analysis, often at the cost of their essential spiritual character.

The key limitations we have identified operate at multiple levels. At the theoretical level, economic models consistently struggle to incorporate the transcendent dimensions of religious experience into their analytical frameworks. The assumption that religious behavior can be fully explained through rational choice frameworks and utility maximization fundamentally misaligns with Islamic concepts of divine guidance, spiritual transformation, and absolute moral truth. Therefore, these models often fail to capture the essence of what makes these traditions religious. At the methodological level, these models tend to reduce complex religious beliefs and practices to measurable variables and economic calculations, which reflects broader limitations in applying social scientific methodologies to spiritual experiences. This reductionism is not merely a simplification for analytical convenience but represents a fundamental mischaracterization of religion.

The historical and cultural dimensions of religious practice pose additional challenges for economic analysis. Our case studies demonstrate how economic models often make ahistorical assumptions that project contemporary economic concepts onto historical religious practices. This tendency to view historical religious developments through a modern economic lens risks misunderstanding both the motivations of historical actors and the nature of religious institutions. These findings have significant implications for future research at the intersection

of economics and religion. The current application of economic models to religion requires careful consideration of its limitations and potential biases. Future research in this field would benefit from more interdisciplinary approaches that can integrate insights from religious studies, anthropology, and sociology to provide a more holistic understanding of religion.

Several directions for future research emerge from our analysis. First, there is a need for new theoretical frameworks that can better accommodate both economic and spiritual dimensions of religious practice. Such frameworks might draw on insights from multiple disciplines while respecting the unique nature of religious experience. Second, methodological innovations are needed to develop ways of studying religious beliefs and practices that do not reduce them to purely economic calculations. Third, future research should pay greater attention to historical and cultural contexts when applying economic models to religion. This requires moving beyond simple economic determinism to understand how religious practices and institutions develop through complex interactions of spiritual, social, and economic factors. Finally, there is a need for more nuanced approaches to studying the relationship between economics and religion that can acknowledge both their interactions and their distinct natures.

The significance of these findings extends beyond academic discourse. As economic analysis continues to expand its reach into various domains of human activity, understanding its limitations and potential biases in religious contexts becomes increasingly important. This is particularly crucial given the growing interest in Islamic economics and finance, where the intersection of economic and religious principles demands careful consideration.

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