

Integrating Values in Economics: Challenges and Prospects

Dr. Salman Ahmed Shaikh

Director, Islamic Economics Project

Presentation Outline

- ▶ Need for a Values-Driven Framework
 - ▶ Sustainability Challenges
 - ▶ Income and Wealth Inequality
- ▶ Need to Strengthen Universal Values to Strengthen Commitment
- ▶ Universal Values Emanating from Divine Religions
- ▶ **How Religion Becomes Important for Economics? - 4 Postulates**
- ▶ **Rationale of Divine Economics**
- ▶ Challenges Faced by Divine Economics Framework
- ▶ Possible Answers and Solutions to the Challenges and Paradoxes

Need for a Values-Driven Framework

Sustainability Challenges

- ▶ Species extinction
- ▶ Global warming
- ▶ Climate change
- ▶ Depletion of the ozone layer
- ▶ Massive carbon emissions.
- ▶ Deforestation
- ▶ Sea contamination
- ▶ Frequent heat waves
- ▶ Floods
- ▶ Melting of glaciers
- ▶ Enormous loss of marine and tropical forest species

Need for a Values-Driven Framework

- ▶ **Income and Wealth Inequality**
- ▶ As per Oxfam, the richest 1% grabbed nearly two-thirds of all new wealth worth \$42 trillion created since 2020, almost twice as much money as the bottom 99% of the world's population.
- ▶ Strikingly, according to the Food and Agricultural Organization, for the world as a whole, per capita food supply rose from about 2,200 kcal per day in the early 1960s to more than 2,903 kcal per day by 2014 (FAO, 2015). However, it is ironic that still there are 828 million empty plates in 2021 as per Food and Agriculture Organization.

Need to Strengthen Universal Values to Strengthen Commitment

- ▶ **What We Need?**
 - ▶ Responsible behaviour
 - ▶ Conservation
 - ▶ Preservation
 - ▶ Respecting planetary boundaries
 - ▶ Maintaining a just and congenial relation with ecology and bio-diversity
- ▶ **Problem**
 - ▶ Self-interested paradigm promotes individualism, greed, avarice and accumulation.
 - ▶ Godless worldview justifies this value system through survival instincts.

Universal Values Emanating from Divine Religions

- ▶ Caring for others
- ▶ Establishing justice
- ▶ Ensuring truthfulness
- ▶ Observing fairness
- ▶ Keeping trust.

- ▶ Values given by divine religions are objective and universal. For values to be universal, they have to be shared broadly across time and space.

How Religion Becomes Important for Economics?

- ▶ Postulate 1: Religious values and norms are used in legislation and affect preferences, choices and markets.
- ▶ Postulate 2: Religious institutions help in social intermediation and redistribution.
- ▶ Postulate 3: Economics recognizes time as resource and religious people spend time in religious activities or religiously inspired activities.
- ▶ Postulate 4: Economics recognizes scarcity of endowments and religious people use these endowments in religiously inspired spending.

Rationale of Divine Economics

- ▶ Divine economics is defined as a framework for the study of religion and economics in each other's perspective.
- ▶ Divine economics framework provides an empirical basis of behavioral comparison between religious and non-religious agents with regards to their economic and non-economic choices.
- ▶ Divine economics framework establishes a link for cross communication between mainstream economists and faith-inspired economists by using a universal methodological framework, which is sufficiently scientific, objective and broadly agreeable in academics.
- ▶ This framework also provides a way to see how people substitute time with money to have the desired spiritual fulfillment and well-being.

Challenges Faced by Divine Economics Framework

- ▶ Overlap between Religious and Non-Religious Activities
- ▶ Quantity and Quality Both Matter
- ▶ Dual Hypothesis Problem
- ▶ Market Centric Analysis Put Price Tag on Everything
- ▶ Supply Side Problem in Market Behaviour
- ▶ Observation versus Stated Preferences
- ▶ Lens of Efficiency Regards Religious and Non-Religious Choice Alike
- ▶ Religiosity Level is Net Total of Good and Bad Choices

Possible Answers and Solutions to the Challenges and Paradoxes

- ▶ Embracing Integrative Methodology to Disentangle Market and Non-Market Choices
- ▶ Supply Side and Market for Religious Products is Possible
- ▶ Cross Verification of Self-Stated Preferences
- ▶ Extending Research Beyond Self-Interested Paradigm
- ▶ Shifting Focus from Individual Wellbeing to Societal Wellbeing