



ATTIJARAH
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THE ECONOMIC SYSTEM OF ISLAM

Qasd and **Iqtisad** refer to the discovery of suitable ways of producing wealth and spending it in the right ways, as well as the causes for its destruction and waste.

Ilm-ul-Iqtisad is the knowledge of such ways and means, also known as Economics. It has two parts: **collective economics** and **individual economics**. However, in Islamic Economics, the focus is on **collective economics**, because Islam is a religion that preaches social welfare with individual duties, rights and responsibilities.

The socio – economic order that Islam proposes is free from all flaws that reflect and are generated in other man-made theories and recommended socio-economic systems. It is the best system and when implemented, resulted in peace, prosperity and happiness for one and all in the social setup. It proposes an end to class struggle, concentration of wealth, oppression and satisfies the needs of humanity. The crux of it lies in an ethical life, and a spiritual connection between man and Allah. This solid base of an Islamic economic system remains unaffected even by revolutions and at the same time is resilient enough to offer a solution for every possible situation.

In Islam, one will not find a heading as ‘Economic System’. Some may think that it makes things confusing, but the secret is that Islam boasts itself a religion for humanity, covering all aspects of personal and social life. It is a reality that economic teachings cannot be separated and described, unconnected with other parts of life. Laws of the Creator are followed, which are certainly better than man-made laws, because behind every law a corrupt mind makes, these is some ulterior motive he is trying to achieve. Shah Waliullah, in his book, Hujjatul Balighah, fittingly reflects upon the state of affairs of Persians and Romans, who were in love with their man-made laws. Wearing something inexpensive was considered against their dignity. Consumption and all other expenses were ostentatious and a severe waste of economic resources of the people. Love for singing girls was profound. The kings and nobles, in a bid to further increase their wealth, imposed taxes on those who actually contributed to national output, such as agriculturalists, artisans, craftsmen etc. There was lust for this short-lived life and utter ignorance of the life Hereafter that led to their fall.

Shah Waliullah also comments on ‘Irtifaqat’ that the objective of sending Prophets was not only Divine worship; it was also to discard corrupt social practices and introduce a better social order. Although every individual has the right to benefit from what he earns out of his labor, it is also known that wealth is the worst thing and is the most common cause of envy and competition among brothers. Therefore, to manage these two conflicting thoughts and carve out a path of moderation, Islam proposes its Economic System (Hujjatul Balighah).

Here the question arises how numerous economic theories and systems have failed to achieve prosperity and peace simultaneously. Now, we must discuss the basics of an Islamic Economic System, and its essential elements.

Islam's economic system is based on the following main principles:

- The system must suffice for each and every individual of the society, and must not exclude anyone from the benefits that accrue
- It must destroy all means that can be used for exploitation and tyranny and development of a corrupt system
- It must discourage concentration of wealth and must encourage circulation of all idle resources
- It must ensure a proper balance between capital and labor and prevent one from having undue influence or control over the other.

Conventional economics, which forms the basis of the world economic order today, considers 'sustenance' as the only motive of life, and the basis of all efforts. It is considered the highest value. It also states that understanding other human beings, their needs and the social setup that develops, is understandable only by humans themselves.

Islam's take on this is different. It says that although sustenance is an essential motive of life and no human being can survive without a minimum level, however, it gives this freedom within boundaries, which will be discussed soon. It also says that understanding what is best for humans individually and collectively, is beyond human reasoning and only Allah made laws will lead to individual and collective success.

Whether an economic order is good or corrupt depends on whether the minds working behind it are good or corrupt and whether the intended motive is good or corrupt. What purer minds can one even imagine of that those of the Prophet and his Companions, and what better motive can one intend than that intended by the Creator itself.

PRINCIPLES OF ECONOMICS IN THE LIGHT OF QURA'AN

The first principle is **EQUALITY & ECONOMIC GRADES**. All sustenance is from Allah. It has created the source and means of sustenance. Therefore, one must never consider himself to be the owner of anything he has. It is gifted by Allah, and He decides who gets more of it and who gets less. Although Islam does recognize diversity in grades and wealth (Zukhruf – 32; Raad – 26), that one may be rich and another may be poor, it prohibits such level of disparity that may lead to envy by the poor against the rich, or the rich looking down upon the poor. This is because a rich person has more not because he has earned it, but only because Allah has bestowed more blessings upon him. However, he must remember that he is a vicegerent, a caliph of Allah. Having been awarded such a prestigious status, he must also fulfill the duties and responsibilities of this status. Regarding equality in an economic setup, his duty is that he does not accumulate wealth with himself. Rather, he must understand that the richer he is, the greater is his responsibility towards others not so well bestowed in the society. Therefore, he may keep

with himself that which suffices his needs (including his and his family's immediate needs and some savings for future), and whatever he owns over and above this level belongs to the poor and the needy of the society. This excess wealth is also a form of trial for him, and only he who takes good care of the needs of the poor, thanks Allah for His blessings (Anaam – 165; Nahl – 71). He must ensure that his accumulation of wealth does not become a source of misery for others (Translation of Qur'an by Maulana Abul Kalam)

It might be said that once a person who owns more than his needs pays Zakat, he is obliged from this responsibility. However, this is incorrect because Zakat is the minimum level of charity that each individual, who owns more wealth than the parameters defined, must give. However, he is certainly not absolved of this responsibility of looking after the poor even after he has paid Zakat. There is some difference of opinion regarding the permissibility of holding wealth above one's needs, though there is absolute unanimity regarding this act not being preferable. The best example is that the Holy Prophet, during his whole life, was never liable to pay Zakat, meaning that he never held surplus wealth with himself. Wealth is a trust of Allah, and everyone has joint ownership of it and an equal right to it. Therefore, any one who owns more than what he requires to satisfy his needs violates this trust and trespasses another's property. (Surah Hajar – 20) (Surah Nahl – 71) (Izah ul Adillah).

Islam even goes to the extent that if resources of the public treasury are insufficient to provide food, shelter and clothing to the poor and needy, the onus automatically falls upon the rich to stand up and contribute from their surplus wealth, failing to do which will certainly be questioned on the Last Day (Mujalla). History has seen a time when people went about with the intention to give charity but could not find a person who would accept charity. Such was the state of prosperity (Al Hidayah-wa-Nnihayah)

HOARDING & ACCUMULATION are another means of concentration of wealth, and Islam disallows this as well. The commandments of Islam focus on spending on the poor and the needy, so that wealth is kept in circulation in the system (Tauba – 35-36; Hashr – 7; Tauba – 60; Munafiqoon – 10; Baqara – 195). Spending wealth on luxuries is not sufficient, because the wealthy class of the society still retains the benefits of this excess wealth. Rather, it should be spent on the poor so that they reap its benefits, their economic problems are resolved and as a result the wealthy save themselves from self-destruction (Baqara – 195).

ESTABLISHING A JUST BALANCE BETWEEN CAPITAL AND LABOR is another objective of an Islamic economic system. Whereas **Capitalism** proclaims supremacy of capital, **Communism** erupted as a result of the tyranny and led to labor revolutions, thus labor unjustly ruling the capitalists.

Islam teaches a moderate solution, where neither is unjustly made subservient to the other. It promotes a just balance between capital and labor, so that both reap the benefits of economic progress. This is why Islam prefers a profit and loss sharing mechanism (Musharaka) over any other mechanism of resource distribution.

Sustenance has been placed in this world, and has been made pleasant and common for all; everyone shares an equal right to it. Thus, Islam teaches us that cooperation, trade and mutual agreement is the only just way of gaining possession. However, even this action should not become a cause of economic suffering for another person. Sustenance is for everyone in common, and each individual has a right to it only to such extent that its use does not unjustly reduce the share available to his fellow beings.

Islamic Economics, individual sustenance and a collective social order

Effort and labor are a prerequisite to earning livelihood, as Islam instructs everyone to strive for earning a just and fair sustenance (Jumua'a – 10; Ankabut – 17; Muzzammil – 20). However, again, to ensure a proper social order, Islam does not allow any step whatsoever that may be taken to earn a living. Whatever is earned will be permissible only when the means used to earn the living are fair and pure (Baqara – 168; Mominoon – 51; Araat – 157). There is no exhaustive list of professions that Islam permits, deeming the rest to be impermissible. Instead, our religion leaves it open for its followers, declaring that all that is earned in an ethical, fair and justifiable manner, with one's own labor (whether physical or intellectual), without involving anything that it prohibits, is permissible. This reflects the religion's total applicability for all times, not in bits and pieces, but in totality.

Now that the issue of earning one livelihood is resolved, Islam also gives us direction into how these earnings should be spent. At the outset, let it be understood that Allah prefers simplicity; in fact, an extravagant and ostentatious lifestyle is strictly prohibited (Arafaat – 31; Bani Israel – 26-27; Furqan - 64) and those adopting such a lifestyle will certainly be questioned about it on the Last Day. Therefore, this should make it clear that spending a lot on oneself, to maintain one's social status, and living a life that the majority cannot afford is not preferred by Islam. As is spending more than necessary condemned, so is spending on unnecessary things also criticized. Moderateness is the key to happiness, and this applies equally to spending as well (Furqan - 64). It has been seen at various occasions that even when Companions of the Prophet wanted to give in the path of Allah, the Prophet advised them to retain something for themselves and their families.

When spending on oneself, the individual must remember his responsibility in the social fabric. He is like a limb in the body (society), and each part of the body has a joint ownership of the body. Therefore, the more he earns, the greater is his responsibility to fulfill the needs of the poor and take care of them. The first right on his earning is that of his family, and then those in the society who cannot take care of the needs of their own selves and their families. Selfless giving away is a highly preferred act, and a tradition from Hazrat Abu Zar Ghaffari tells us that the best charity is from his who, though poor himself, gives away something in charity. This is only possible if one thanks Allah for the countless blessings on oneself.

These are Islam's commandments about how to obtain and spend individual sustenance. If these are followed by all Muslims, there would be complete elimination of disparity in wealth distribution. There will not be on the one side those who live in large bungalows

and possess luxuries they cannot even count, and on the other side those who are not even able to afford for themselves the basic necessities of life. This disparity has led to the present day corrupt social order, and replacing it with a just, fair and peaceful social order is only possible if we come out of these class wars, look unto wealth as a trust of Allah with everyone sharing an ownership in it, and follow the simple principle of giving away what we possess over and above our needs, keeping only that which may not make our families dependent upon others. This is the level of humanitarianism that Islam proclaims, and is the only solution to our present day economic and social problems.

In a purely Islamic economic model, taking care of the poor is not the responsibility of an individual. Rather, the onus falls on the government to take care of them, and provide them with the basic necessities of life. However, the government can only fulfill this duty if it has the required resources. This leads us to discuss the sources of revenue for an Islamic government. **Ushr** is tax payable on the produce of land; payable on land belonging to converts to Islam, or cultivated by a Muslim, or belonging to mujahids or that comes in the ownership of a Muslim upon a zimmi's death. **Kharaj** is tax payable by non-believers who have agreed to become zimmi and continue cultivation of land in a Muslim conquered / ruled area. **Jizya** is paid by non-believers of non-Arab countries and by people of Book, for security of their life, honour and property. **Zakat** is to be paid by Muslim on excess wealthy that they may possess in the form of cash, gold, silver or trading inventory. Giving **Sadaqat (charity)** is a highly commendable act, and Islam has encouraged the well-to-do to donate in charity. **Fai** includes spoils of war and land left in possession of non-believers on the condition that they continue paying tax on it. **Khums** is tax paid on spoils of war, buried treasure and yield from mines. **Dara-ib** are taxes applicable on the wealthy, by the Caliphate, at times of famine, unemployment or a calamity. When the Caliphate owns some land, and it gives it out to someone for cultivation, the compensation against it is called **Kara ul Ard**. **Ushoor** are taxes applicable on convoys of non-believers (imports from such countries) who enter Muslim territory to sell their commodities. Except for charity, all other dues are to be paid to the public treasury, and may not be given to any one at a private level. This is to ensure that the public treasury has maximum resources, and can therefore bring maximum welfare to those requiring it.

As apparent from the above description of each tax, these are used as a means to take wealth from the rich and distribute it amongst the poor, with the state playing role of a trustworthy middleman. Additionally, Islam respects diversity, and except for obligatory dues such as Zakat and Ushr, non-Muslims must also be looked after by the public treasury. In stark contrast to this system is today's taxation regime, introduced by the capitalists', which imposes tax on the basic necessities of life. This is just another means of sucking up wealth from the poor, pushing them further into poverty, and distributing it for the welfare of the rich, in the name of economic development. With the state of the poor deteriorating, and the trickle down effect never working, one is forced to ask 'Whither economic development?'

Once these resources have been accumulated in the public treasury, the caliphate must set allowances for those who participate in jihad, government officials, state judiciary and

collectors of Zakat and other dues, education, to compensate for both the students as well as the teachers and the beggars and the needy. This covers people from all spheres of life. However, there is the risk of misuse of these allowances by some young men / women, who despite being able to work and earn a living, do not do so. For them, Islam has regularly reminded that the best labour is that earned through one's own sweat, and allowances are only for those who do not have the resources / capability to do so. Although difficult to monitor at a large scale level, some controls should be in place to take care of any such misuse.

Since the state must look after the needs of the poor, it is in its own best interest that the state devises such policies and rules which encourage agriculture and thus generate the maximum food for the population as well as revenue for the public treasury. Therefore, land reforms form an indispensable part of an Islamic economic model. Land can be self-cultivated by the land owner. However, if the owner does not intend to cultivate it himself, he may lease it out, either on crop sharing basis, or on basis of a cash rental. In either case of a lease, it is highly commendable that the rent for the land must be kept at such a level that neither the land owner, nor the peasant, is disadvantaged. In case of leasing the land, Islam's instructions to the land-owner bear no similarity with the modern land reforms. Islam says that a rent, once decided, must be recovered and recovering anything above that is impermissible. The rent should be fixed such that the peasant is not put under too much distress and is not left with too little reward for his labour. Also, it is extremely important that the land owner be lenient with the peasant, and if the peasant is not able to pay the rent, the land-owner must allow his sufficient time to pay it at his convenience. This is in stark contrast to the modern-day tyranny based reforms, which treat the land-owner as the peasant's owner as well, and he can dictate his own terms, which the peasant must succumb to.

Since agricultural production is used to fulfill man's primary need of food, Islam places great emphasis on agriculture and encourages adopting agriculture as a profession, not be rule over others, but to be self-sufficient and independent of non-Muslims. Thus, agriculture forms a major medium of subsistence for Muslims.

Another important medium of subsistence is trade. The importance of trade cannot be exaggerated. It is the key to a society's prosperity because it ensures that wealth remains in circulation. Whatever a trader earns, he reinvests the majority of it in his business, thus increasing the wealth in circulation, and therefore beats the capitalist objective of wealth concentration. Islam has laid down a few principles of trade, one of which is that it should be based on cooperation, rather than rule of one over the other. Neither of the parties involved should set such terms of trade which will be detrimental to the other party. Trade is only permissible if the subject matter is not forbidden. Additionally, it should be free of deception, fraud and breach of trust. The seller must disclose the complete facts about the product he is selling, and must not try to hide its defects. Additionally, any transaction that contains some level of uncertainty, potentially leading to future disputes is also prohibited. Making a transaction contingent upon some external / future event is also looked down upon, as it falls into the category of uncertainty. Since Islam is a complete code of life for all times, it is not practical for it to provide an

exhaustive list of profession that can be adopted. Therefore, it may be concluded that all professions that fulfill the general criteria / requirements discussed above can be adopted.

Trade has gone global, and no country can survive in an autarky forever. Therefore, foreign trade is inevitable. Although Islam does allow foreign trade (Fatir – 90), custom duties and other taxes that hinder the free flow of goods is not preferred. This is because merchandise is Allah's blessing, and those without it should get it without any man made hindrances. Additionally, such taxes usually benefit only one party of the transaction, and leave the other to bear loss. This also goes against Islam's concept of universal brotherhood.

A very important distinction between Islamic and Capitalist economic systems is that of currency. The capitalist economic system is based on paper currency. Developed nations use their power to print currency at their free will to achieve motives and show economic progress on paper, at the expense of other countries. There is no room for such corruption in Islam. Paper money's use as a medium of exchange, is totally based upon assumption, since the seller is disposing off his valuable, for a piece of paper, which has no intrinsic value, and is neither backed by a tangible asset, but is only based on sovereign guarantee. The hollowness of such a fictitious system, especially keeping in view the cases of sovereign guarantee defaults, is pretty evident and does not require a lot of commentary. The control of money, if rested in the hands of a central treasury or state, will continue to be misused.

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Islam's take on currency is that printing of currency should be open to public, and must not be used by the state to fudge numbers. Rather, since currency is for the mutual benefit of people, it should be open to public. Whoever possesses bullion must be allowed to get it forged and use it at his free will. However, today, since forging metal coins is no more a practice, Islam defines a basic rule for selection of a medium of exchange by saying that any commodity, that serves as a means of satisfying some need of a person may be used as a medium of exchange. Therefore, such medium of exchange should not be accumulated, or it would be tantamount to accumulation of wealth. The culprit will hold control over a large volume of the medium of exchange, thus reducing the amount available for others to use to satisfy their needs.

Islam denounces all forms of businesses that are based on earnings or making a spread through interest, e.g. banks, cooperative societies etc. However, since Financial Institutions are a necessity of today, given the volume of international and intra-national trade, Islam also gives the possible alternatives to be chosen from. The preferred business model could be based on Equity and Profit Sharing (Musharaka), Profit Sharing, with one partner investing capital and the other his labour (Mudaraba) or several people forming a company through equity participation, thus sharing profits and losses (Muawiza).

It has been elaborated in detail how beautifully Islam accepts the right to individual ownership. However, it has set aside certain things for common welfare, which no individual can retain with himself. These include natural resources such as mines, which are common property, and its benefit should accrue to everyone, without discrimination.

However, if such a natural resource has been made available for use only after considerable labor and hardship on the part of an individual, he may retain that portion which he is capable of taking care of, and the rest must be with the government to be used for common welfare.



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