

ECONOMIC SYSTEM OF ISLAM

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In the world, today, the importance of economics cannot be denied. The basis of its importance is not on a common feeling that one's political and social freedom is of no value without economic freedom and similarly the achievement of solidarity, integrity and contentment is impossible without there being economic justice. But it is important due to certain questions in the human mind regarding poverty, unemployment and indigence causing socio-economic injustice in spite of unlimited wealth and surprising progress in the productive resources of the world. Why is it that about 60% of the people even today are without food, clothing and shelter? Why are we not having collective welfare? This is how the Quaid-i Azam, while addressing the officers and men of the Ack Ack Regiments at Malir on 21 February 1948, expressed his feelings:

“Now you have to stand guard over the development and maintenance of Islamic democracy, Islamic social justice and the equality of manhood in your native soil.”⁷³

He had, also, earlier expressed the same kind of sentiments at Sibi on 14 February 1948 when he said:

“It is my belief that our salvation lies in following the golden rules of conduct set for us by our great law-giver, the Prophet of Islam. Let us lay the foundations of our democracy on the basis of truly Islamic ideals and principles.”⁷⁴

On the occasion of the opening ceremony of the State **Bank of** Pakistan on 1 July 1948, he said:

“We must work our destiny in our own way and present to the world an economic system based on true Islamic concepts of equality of manhood and social justice.”⁷⁵

⁷³ Quaid-i-Azam Muhammad All Jinnah's Speeches (Karachi, n.d.), p. 61. 7. Ibid., p. 56.

⁷⁴ Ibid., p.56

⁷⁵ Ibid., p. 154,

Mr Justice (Retd.Hamood-ur-Rahman, has expressed that:

“Islam is our guide and a complete code of life for us. It is the source not only of our spiritual and moral values but also of our temporal values and as long as Islam remains the basis of our thought and activities, there is a chance of survival for us. It is the most comprehensive, dynamic and progressive way of life in the world providing guidance and instructions for every aspect of life.”⁷⁶

For the creation of a just and prosperous society and formation of healthy trends in civic life, Islam sets forth a comprehensive programme of moral rearmament for the citizens of an Islamic State. Life, from Islamic standpoint, is a unity. In Islam, religion pervades and determines all of its aspects.

The Islamic code of ethics presents a combination of lofty ideals with rationalistic practicability, while retaining at the same time a consistency with human nature. They have full capability of commanding the highest degree of obedience by virtue of their Divine source. All the human activity is conducted according to the will of the Almighty God. There is to be no violation of rules set in the Holy Qur'an under any circumstances.

The Holy Prophet has the unique distinction of being a three-fold founder of the most perfect religion in the world, of an ideal nation and of the largest empire then known to history. Hence his many-fold contributions in each field have to be taken into account to appreciate the magnitude. His contributions, in the field of religion, apart from the laws of the Holy Qur'ān, i.e. the high principles, which he set for himself were as follows:

1. He took the world as merely a place of temporary abode or as a preparation for the next.
2. He, therefore, by justice and fairness in his dealings, sought to acquire as much religious merit as possible.
3. He took upon himself the role of a mere servant of the people and a trustee for their welfare.

⁷⁶ Pakistan Legal Decisions, 1976, p.215.

4. He **loved** for his people what he loved for himself.
5. His doors always remained open for the hearing of grievances and redress of the wrongs.
6. Justice coupled with mercy was the keynote of his policies.
7. He kept a strict eye on his officials, their honesty and activities.
8. He dispensed prompt and speedy justice.
9. He maintained that a just ruler is the shadow of Allah on the earth.
10. He believed that Allah is kind to a ruler who is kind to his people.

There lies a guarantee in the social system of Islam for the welfare of orphans, widows and the poor.

Islam believes in the goodness of human nature. It expects all human beings to be well-wishers of their fellow-citizens, a contradiction and contrast to Marxism which presupposes—as implied in the philosophy of Dialectical Materialism—a perpetual conflict in the antagonistic interests of society. A Marxian holds that the modes of production in the material life determine the superstructure of society in relation to spiritual, moral, social, economic and political process of life. Morality is subservient to and derivative from material factors leading to an undirected expediency, without principles in the socio-economic life. The result is that the society falls.

Hegel has also confused himself while giving a new set of laws — dialectic forces. A critic points out the hollowness of the dictum in these words:

“The dialectic implied a moral attitude which is at once completely rigid and completely flexible and it offered no criteria of tightness except the success of the outcome.”

The writer is not going away from the topic, but, in view of the current ideological debates, it, would be better to have a glance upon other economic systems also, so as to reach the correct point.

Human nature is a whole of various component parts inter-dependent and overlapping, and morality is the great influencing part of life. But the importance of moral aspect of life was under-estimated by Hobbes and Machiavelli, who presented a very dark picture of human nature. The creation of a just society remains a forlorn hope if these views regarding human nature are taken for granted. Islam, on the other hand, declares mankind as the best of the creatures, where individuals are held together by bonds of love, sympathy and compassion. *We* may, in this context, refer to verse 109 of Sarah Āl-i 'Imrān (iii.) of the Holy Qur'an, which reads as follows:

'You are the best nation sent forth for men. You enjoin good and forbid evil and you believe in God.'⁷⁷

But the Communists present outwardly a very attractive picture of their system. They say that the capitalist market system is a source of exploitation, and in the Communist society of the future, poverty, disease, hunger and pestile ice would be completely eliminated. As such the doctrine had a tremendous appeal to the suffering humanity of the world. There are certain practical aspects of Communism, in the field of economics, which, in the opinion of certain Muslim scholars, has a close similarity to the Islamic system of economics. But there are a number of fundamental principles which are most damaging to human society.

Basically, Socialism is a philosophy of life and a great movement which favours collective ownership of all sources and means of production, a system which claims to cover and provide guidance in every aspect of life. But it interprets history, under the influence of the philosophy of Dialectical Materialism, in a way that the only determining factor of life, in its social, economic, political and cultural aspects, is the economy. It brought about only a few good results, which are accompanied with its own serious evils in society. Moreover, Marx and Engels adopted an extremist attitude while discussing the evils of Capitalism. Their focus is labour only and all other factors of economic activity are ignored.

In the "Communist Manifesto" Marx and Engels have pointed out

⁷⁷ Quoted in *ibid.*, p. 103.

that, in advanced countries, the following ten measures will be adopted to establish a socialist society:

(1) Abolition of property in land and application of all rents of land to public purposes.

(2) A heavy progressive or graduated income-tax.

(3) Abolition of all rights of inheritance.

(4) Confiscation of the property of all immigrants and rebels.

(5) Centralization of credit in the hands of the State by means of a national bank with State capital and an exclusive property.

(6) Centralisation of the means of communication and trans-*port* in the hands of the State.

(7) Extension of factories and instruments of production owned by the State; the bringing into cultivation of waste-lands, and their improvement generally in accordance with a common plan.

(8) Equal liability of all to labour. Establishment of industrial armies, especially for agriculture.

(9) Combination of agriculture with manufacturing industries, gradual abolition of the distinction between town and country, by a more equitable distribution of the population over the country.

(10) Free education for all children in public schools.
Abolition of children's factory labour in its present form.⁷⁸

Socialism talks of the classless society which is not only impracticable but also illogical and ridiculous. This would be a society based on so many illogical ideas, where a person would be rewarded for his working capacity. The logical result of this principle would be that an unfit person will never *try* to improve himself, because he will be getting full reward for his being unfit.

Whereas a fit and capable person will lose his ability, capability and qualifications due to non-recognition of his efforts and qualifications (qualities). Morality is put to its lowest ebb and the doctrine of "end

⁷⁸ K. Marx and F. Engels, *Manifesto of the Communist Party* (Moscow, 1966), pp. 73-74.

justifies the means” is acted upon. The output is use of violence and class war. Friedrich Engels says:

“The whole history of mankind (since the dissolution of primitive tribal society, holding land in common ownership) has been a history of class struggles, contests between exploiting and exploited, subbing and oppressed classes.”⁷⁹

Its whole approach to life and its problems is negative. The Godlessness of the Communist doctrine infuriates every Muslim, as the Muslims believe that faith in God and the message of the Holy Prophet is the only way to rescue humanity from failure and weaknesses of the present-day civilisation.

From the above discussion it becomes evident that the Communist doctrine was a reaction against the evils of Capitalism. In Capitalism a capitalist attains the position of a governor, but in the conduct of affairs he continues to retain the mentality of a business man. He pretends to speak the truth, but his heart is full of mischief and vice. A system based on injustice and corruption would disappear with the realisation that there is something higher in human values than the naked lust for political and material gains.

‘Allamah Iqbal felt that Capitalism was oppressive in nature, and imposed immeasurable hardships on millions of people all over the world. It is completely uninvited for the emerging nations of Asia. In his Presidential Address to the Annual Session of the A11-India Muslim League on 21 March 1932, he explained his point of view in the following words:

“This is the inevitable outcome of a wholly political civilization which has looked upon men as a thing to be exploited and not as a personality to be developed and enlarged by purely cultural forces. The people of Asia are bound to rise against the acquisitive economy which the West has developed and imposed on the nations of the East. Asia cannot comprehend modern Western Capitalism with its undisciplined individualism. The faith which you represent recognizes the worth of the

⁷⁹ Cf. Parveen Feroze Hasan, *Political Philosophy of Iqbal* (Lahore, 1970), p. 233, 8,

individual and disciplines him to give away his all to the service of God and Man.”⁸⁰

On another occasion, in a letter to the Quaid-i Azam Muhammad Ali Jinnah, dated 28 May 1937, Iqbal wrote:

“The problem of bread is becoming more and more acute. The Muslim has begun to feel that he has been going down and down during the last 200 years. Ordinarily he believes that his poverty is due to Hindu money-lending or capitalism. The perception that it is equally due to foreign rule has not yet fully come to him. But it is bound to come. The atheistic socialism of Jawaharlal is not likely to receive much response from the Muslims. The question therefore is: how is it possible to solve the problem of Muslim poverty? And the whole future of League depends on the League's ability to solve this question. If the League can give no such promises I am sure that Muslim masses will remain indifferent to it as before. Happily there is a solution in the enforcement of the Law of Islam and its further development in the light of modern ideas. After a long and careful study of Islamic Law I have come to the conclusion that if this system of Law is properly understood and applied, at least the right to subsistence is secured to everybody.”⁸¹

The Capitalists misuse the right of private ownership. There are minimum restrictions on economic activities and control of business vests almost directly in the owners. Although there is a spirit of competition and attempts are made to increase production, its evils are as glaring that Communists have come with charming slogans against Capitalism. Its glaring evils are injustice in the shape of low wages, monopolies, slavery and nationalist imperialism.

All its edifice is based on interest which is a curse according to the faith of the Muslims.

Capitalists always do their level best to keep the wages low and get more work from the workmen. This thing causes class war. Karl Marx derived his theory of surplus value from the primitive theories of classical economists. Capitalism always proved as a forerunner of

⁸⁰ Ibid., p. 249.

⁸¹ Letters of Iqbal to Jinnah (Lahore, 1974), pp. 17-18.

Colonialism. The Super Powers always try to create their influence zones to get markets for their products in developing nations. The Super Powers, to protect their interests, do not hesitate from suppression and aggression. The Viet Nam and Middle East problems are of the same nature. The history of the past two centuries is full of examples of capitalistic and colonialistic system. No doubt, the strategy and tactics do change with the changing circumstances. At one time the Capitalist Western nations sucked the blood of poor people of Afro-Asia by establishing colonies and dominions. And at present the developing countries are subjected to political conditions when getting economic aids and loans.

In such a society there are slogans of freedom and liberty, but in fact all is usurped by the rich, and the common man is with-out even the essentials of life. Democracy is a game of money. No poor person can think 'of luxury of the elections. Words like legal equality, civil rights, political freedom and autonomy are nothing but golden traps of the Capitalists. Getting scared from the Socialist *bloc* the West has modified their systems. Uncontrolled economy enables them to enter hoarding, dumping and monopolies. These evils are practised to grab high prices. Sometimes products are even thrown in the sea so that prices should not come down.

Interest (*usury=riba'*) is the blood circulating in the body of Capitalism. Originally the word “usury” meant the act or practice of lending money on interest. It came to mean, in later use, the practice of charging, taking, or contracting to receive excessive or illegal rates of interest for money upon loan.

Those engaged in the accumulation of wealth through usury are referred to in the Qur'an as people who are “touched by Satan” (ii. 275). These people end up by losing all respect for human values. They convince themselves that usury and trade are the same thing. The question is that while people, who devote their labour and talent to the project in which they have invested funds, carry the entire risk of loss, the one who has loaned the capital will receive the agreed amount of interest regardless of the success or failure of the venture. This does not conform to any rational or equitable principle of economics.

In trade there is a reasonable division of the profit between the buyer and the seller. The seller receives a value equitable to the time, material, labour and talent which has gone into production and the buyer derives benefit for himself from the goods or services which he receives. There is no such division or exchange between the borrower and the lender of money. The lender receives an agreed amount of money for a fixed period.

Usury appears to add to one's resources and charity subtracts from them. In fact, usury obstructs moral, spiritual and economic growth and brings about social decline, whereas charity (and this includes loans without interest) helps in the economic and social development of society. Usury encourages selfishness, miserliness, narrow-mindedness and hard-heartedness and, as one pursues usury, these qualities become more profound. Charity results in broadmindedness, sympathy and generosity and the more one practises charity, the more these qualities are developed.⁸²

Ingratitude on the part of man is looked upon with disapproval. Only those persons can indulge in money-lending who have acquired more wealth than their real needs. Such a situation should be regarded by them as a favour of God and, in recognition of this favour, they should adopt an attitude of generosity towards their fellow-beings. If they refuse to do so and part with their surplus funds only to exact whatever they can from those placed less favourably, they are being guilty of ingratitude and their conduct amounts to transgression.

There are two types of people: those who are interested only in adding to their wealth regardless of the rights of others and those who fear God and have a sympathetic and generous attitude towards others. They earn righteously with due regard to the rights of others and act generously not only by helping those who are in need but also by putting funds into projects which are meant for the good of the community. Those belonging to the first category have been condemned because no society can progress with such people. Those in the second category are approved and blessed. They are the ones who help build a progressive

⁸² For certain other aspects of the problems of usury, cf. Maulānā Abul-A'la Maudūdī, *Tafhīm al-Qur'an*, Sūrah Baqarah, pp. 274-81.

society and for whom there is hope and happiness in the Hereafter.

The warning that people who do not give up usury will be treated as “in open hostility to God and to His Prophet” was administered after the conquest of Mecca, but it has been placed in Sūrah Baqarah because of its relevance to the subject. Prior to the revelation of this verse, usury was disapproved but had not been declared unlawful, but with the revelation of this verse, usury became a criminal offence in the Islamic State. The Prophet, through his functionaries, conveyed to those tribes in Arabia that practised usury that if they did not give up this practice they would be treated as at war with the State. The Christians of Najrān were granted complete cultural autonomy within the Islamic State but it was specified in the agreement that if they indulged in usury the agreement would become null and void and they would be considered to be hostile to the government. The last words of this verse persuaded Ibn 'Abbās, Ḥasan Baṣri, Ibn Sīrīn and Rabīd' b. Anas to conclude that “in an Islamic State a person who practises usury should first be compelled to abandon it and if he refuses to do so he should be executed. Other jurists, however, believe that such a person should be imprisoned and kept in detention till he undertakes to give up usury.”⁸³

Finally there is the advice that if a debtor is in difficulties he should be given time' to repay the loan. It has been inferred from this verse that an Islamic court will come to the aid of a person who is unable to repay his loans and will require his creditors to give him more time. In certain circumstances, the courts would be entitled to remit the whole or part of the loan. It is reported that a person who had incurred loss in business and was heavily under debt came to the Prophet for help. A number of people gave him monetary assistance at the instance of the Prophet, but even then the amount was not enough to clear his liability. The Prophet told his creditors that they should take whatever was available and forget the rest. Scholars have suggested that a house in which a person resides, cooking utensils, personal clothing and such instruments as a person needs in his profession must under no circumstances be confiscated towards the repayment of loan.

Poverty has been one of the primary concerns of the Islamic social

⁸³ Altaf Gauhar, Translations from the Qur'an, p. 122.

system. Leaving aside the personal humanitarianism of some Muslim rulers, which is legendary in cases, there are certain fundamental principles of the *Shari'ah* which are basically concerned with this problem. A research scholar in her doctoral thesis has summarized the economic and social principles of Islam as follows:

(1) It is the duty of the State to provide every individual with the necessities of life, which include food, clothing, housing, education and medical assistance. In providing these necessities individual taste and aptitude should be given due consideration instead of uniformity.

(2) The State can fulfil this huge obligation only if the means of production are in its custody.

(3) Every individual should be given an assignment in life according to his capability and the opportunities available in society.

(4) Strictly from the Islamic point of view reward for work belongs to the labour and not to capital.⁸⁴

The above characteristics of the socio-economic system of Islam are based on the interpretation of the Qur'an and Traditions of the Holy Prophet.

“Islam has often been described as a doctrine of Duties, but, more correctly described, the *Shari'ah* is law in terms of eternal transcendental norms to which mankind is necessarily required al-ways to conform. Must of this law to be found in the Holy Qur'an itself, e.g. those relating to ritual, purity, prayer, fasting, alms-giving, pilgrimage, marriage, divorce, paternity, guardianship, succession and even laws of contract, civil wrongs, crimes, evidence and procedure. Islam being a *Din* projects life as a whole and the economic system cannot be discussed separately. The contribution of the Holy Prophet (peace be upon him) himself in this field has by no means been insignificant.”⁸⁵

Summary of the Salient Principles and Features of Islamic Economic System.
The economic system in Islam is based on certain golden principles. Included among these are:

⁸⁴ Cf. Parveen Feroze Hasan, op. cit., p. 236.

⁸⁵ *Pakistan Legal Decisions, 1976, p. 103.*

(1) *Circulation of Wealth.* The principle of circulation of wealth has not only been accepted, but such ways and means have been devised through which wealth continues circulating and does not accumulate. It has adopted all such measures which are helpful in creating an equitable society in which the principle of social justice is implemented and it has closed the doors of all sorts of human and economic exploitation.

(2) *Selflessness and Service to the Community.* One really appreciable aspect of Islamic system and way of life is that it infuses amongst its adherents the spirit of selflessness and service to humanity. It very clearly lays before it that one cannot be a real Muslim unless one loves for all Muslims what one loves for one-self. The Holy Qur'an appreciates the quality of the Muslims by saying that they are those who give preference to others over their own needs. So, an Islamic society prepares selfless human beings as against the selfish ones created by Western civilisation as declared by a philosopher no less than Schopenhauer who says: "a man is wolf to a man," which is a true picture of the man produced by Western civilisation.

(3) *Ethical and Human Values.* The economic system of Islam is based on ethical and human values. This system emanates from God. The Muslims are enjoined upon to implement this system and act in accordance with it, wherein, when a Muslim spends for the welfare of the society, he spends in the way of God, and for seeking His pleasure.

(4) *Welfare of the Entire Humanity.* This system has been organised keeping in view the welfare of the entire humanity.

(5) *A Just, Equitable, Workable and Progressive System.* All necessary steps have been suggested to establish this system as a just, equitable, workable and progressive economic system. It has been provided in Islam that adequate means of livelihood for all citizens be provided and in this respect all opportunities should be equally open to all citizens.

(6) *Freedom from Exploitation.* The doors of all sorts of human exploitation have been closed altogether, thereby freeing a man from the exploitation of any other man.

(7) *Limited Ownership.* It permits limited ownership and places effective checks on unlimited accumulation of wealth in anybody's hands.

(8) *Dignity of Work and Labour*. Dignity of work and labour is an established fact in the economic system of Islam.

The following steps have been suggested in order to achieve these principles, under the economic system of Islam:

(1) *System of Zakāt*. The paying of Zakāt is a compulsory duty of all the wealthy Muslims. The Prophet of Islam (peace be upon him) very truly remarked that Zakāt is the treasure of Islam, through which the welfare of the community is achieved. Zakāt is an institution which embodies in it the purpose of narrowing down the gulf between the rich and the poor, encouraging social co-operation and stabilising the society. Zakāt is a special characteristic of Islam which encourages social co-operation, helps to balance the rich and stabilises the society.

(2) *Other Sources of Revenue*. Islam has suggested other sources of revenue, included among which are: *Jizyah* (a tax levied upon non-Muslims), *Kharāj* (a tax on agricultural lands belonging to *Dhimmīs*), *Zariab* (a tax levied on the rich people in extraordinary circumstances), *Kura al-Ard* (a tax levied in lieu of land), and *'Ushr* (Zakāt levied on agricultural produce).

(3) *Voluntary Spending for the Welfare of Human Beings*. *Infāq fī sabilillah* is important to such an extent that the Holy Qur'ān instructs its followers again and again to do this good action and there is no limit to spending in the way of Allah. In one of the verses of the Holy Qur'ān, it has been clearly stated that “What-ever you have in excess of your basic needs, spend it in the way of Allah for the welfare of the society.” The Holy Prophet (peace be upon him) has remarked that “if in a locality a man remains hungry during the night, such a locality for its right to be under the protection of Allah”. It is a wonderful fact that such a society was created by the Holy Prophet (pace be upon him), whose members were always willing to spend their wealth for the cause and welfare of needy and poor members of the society.

(4) *The institution of Qarḍ Ḥasanah*. Loaning money without interest (*Qarḍ Ḥasanah*) has been sanctified by Allah the Merciful to such a degree that giving such loans to the needy persons amounts to giving these to Allah.

(5) *Prohibition of Concentration of Wealth.* In one of the verses, Allah has warned those who hoard capital for personal use. "They who hoard up gold and silver spend it not in the way of Allah, give unto them tidings (O Muhammad) of a pailful doom," meaning thereby that unrestricted accumulation of wealth has been prohibited by Allah. Similarly, other malpractices of concentrating wealth, like speculation, hoarding of commodities, games of chance, theft, robbery, adulteration, underweighing and all such other illegal and malpractices have been strictly prohibited.

(6) *Prohibition of All Illegal Gratifications.* Illegal gratifications of all sorts and other practices of earning wealth by foul means have been strictly prohibited by Islam.

(7) *Prohibition of Other Malpractices.* Other malpractices, such as extravagance, luxurious living as well as miserliness, have been prohibited and a middle course has been suggested by Islam.

(8) *Prohibition of Usury.* Usury which sucks the blood of the economy and poor people has been totally banned in Islam, and taking of usury amounts to fighting with the Creator of the universes (Allah), the Prophet (Muhammad) the State.

(9) *Obligations of the State.* The social and economic principles of Islam embody that it is the duty of the State to provide every individual with the necessities of life (food, clothing, housing, education and medical assistance), and to give assignment to every individual according to his capabilities and the opportunities available based on the principle that the reward for work belongs to labour, not to capital. All the sources of the State must be harnessed to the task of providing adequate means of livelihood for all its citizens. All the opportunities in this respect should be open to all citizens equally so that no person should enjoy a high standard of living at the expense of another.

Thus we see that the economic system of Islam is a middle course and a golden mean amongst the two extreme economic systems of the world, namely, Communism and Capitalism. The Islamic system is the only system which guarantees the true welfare of humanity, as has been expressed by 'Allamah Iqbal in his letter dated 28 May 1937 addressed to the Quaid-i Azam, quoted above.