

[Home](#) > Towards An Islamic Economy

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# Towards An Islamic Economy

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A research work on the socioeconomic system of Islam.

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- [Muslim Practices](#) [8]

## Editor's Note

Last year the Bunyad Be'thet published "An Introduction to Principles of Islamic Banking" by the late Islamic scholar, Ayatullah Al-Uzma Sayyid Muhammad Baqir As-Sadr, who was martyred at Najaf, Iraq. Now, the Bunyad is able to offer a similar booklet by the same author in the hope that this facilitates any research on the socioeconomic system of Islam.

The contents of this booklet are well-introduced by the author himself. However, one crucial point that remains to be explained pertains to the author's concluding remark to the effect that usury has been abolished in the theory of Marxian Socialism or Communism. This warrants adequate research before any authoritative clarification or elaboration can be, hopefully, incorporated in the next edition of this booklet.

The editorial contributions to giving the final shape to this booklet included revision in parts of the draft English translation produced by the diligent translator. This was found inevitable for reasons of achieving reasonable integrity and cohesion of the main points, avoiding their repetition, and improvement of the overall content of the indirect (Arabic into Persian into English) rendering.

Praise be to God for making this possible.

**M.K.Ali**

Rajab, 1403 AH (S)

## **Translator's Preface**

***"... and it is not (lawful) for us to associate aught (anything/ anyone) with God; This is by God's grace upon us and on mankind, but most people give not thanks." (The Qur'an, 12:38)***

Great thanks and mercy to Allah, that with His help and the leadership of Naeb-el-Imarn Khomeini, the Muslims of Iran could rid themselves of the oppressive regime of the Shah, and replace it with a dynamic Islamic Republic.

Peace be upon Ayatullah Sayyid Muhammad Baqir As-Sadr and his brave sister, who became Martyrs under the Iraqi Bathist Regime's torture.

Praise be to God that in the salutary conditions of the Islamic Republic I have succeeded in translating "An Introduction to the Principles of Islamic Banking" by Ayatullah Baqir As-Sadr earlier, and I have now endeavoured to translate this book by the same author into English. Thus, in a small way I have taken a step in introducing Islam to our English speaking Muslim brothers and sisters.

With every hope for victory of Muslims against all oppressors.

**Mehdi Marzban Rad**

## **Author's Introduction**

Sometime ago requests from my esteemed readers for an additional new and concise' book in the "Islamic Madrasseh" Series became insistent.

I could not have readily complied with them' without first completing the second volume of the text-book: "IQTISADUNA" ("Our 'Economy"). For the proposed new booklet was meant to highlight the text-book-s central ideas. Now that I am able to Offer this booklet, I hope that the readers will find' it helpful even as an outline.

In this booklet, I have debated the question as to whether or no Islam offers a suitable basis for formulating a distinct (social-) economic system that overcomes the inadequacies of both capitalism and communism. By an economic system; I mean one that can harmoniously blend with social justice, in the context of man's economic life. The fact that Islam opposes capitalism and communism both implies its ability to improve the socioeconomic lives of Muslims, who have already begun to seek an Islamic alternative.

The discussion in this booklet revolves around a distinction between a socioeconomic system and the pure science of economics. A socioeconomic system, as already indicated, is supposed to be amenable to social justice, in the processes of production and distribution of wealth, so as to improve the quality of life, Pure economics, on the other hand, can give quantity-oriented assessments of economic life as it is, without going into the question of social justice.

With regard to the academic subject of economics, it primarily represents a branch of knowledge. It will be a mistake to confuse any theoretical knowledge of economics with the more comprehensive matter of a socioeconomic system.

This point, too, is explained with examples in this booklet. A typical explanation is that the capitalist system organizes itself on the basis of economic freedom, or free enterprise, which implies independent fixation of price by sellers of goods, among other things. Pure economists (who take the capitalist system for granted) confine themselves to objective assessments of the market conditions and trends. They do not propose any basic change in the system itself.

After explaining the fine distinction between the approaches of pure economics and any socioeconomic system, we discuss a positive answer to the question as to whether or not Islam offers an ideological and practical framework for a distinct socioeconomic system of its own. We emphasize, inter alia, that the ideological framework of Islam is comprehensive enough not to permit any indiscriminate "laissez faire" in economic activities. Furthermore, we stress the fact that Islam's promise of socioeconomic justice and fair play could not be fulfilled without an appropriate economic system that goes beyond mere theoretical or hypothetical analyses and considerations.

Then, we proceed with refutation of the allegation that Islam has brought us ethical knowledge only, and not any salutary ideological and practical framework for regulating our economic life, so that its practical significance is no more than that of a moralist! At the same time, another skeptical allegation that Islam's purview does not extend from the individual to his society is also denied.

In conclusion, we affirm that Islam does envisage an appropriate socioeconomic system. This is because of the Islamic ideological coverage of all aspects of individual and social living. A major factor in rendering Islam effective is realization of an Islamic economy.

This calls for a better socioeconomic order than what capitalism and communism seek: such as implicit in Islam's emphasis not only on moral rectitude and individual integrity, but really wholesome human interactions.<sup>1</sup>

<sup>1</sup> The points summarized above are highlighted in the topics discussed by the author in this booklet.Ed.

## Seeking An Islamic Alternative To Capitalism- Communism

After a long experience of living under the colonialistic yoke of capitalism and communism, Muslims have already begun to awaken themselves towards rediscovering Islam. This awakening has not been of the same quality everywhere. Nevertheless, it has been prompted by the increasing sense of inadequacy and disenchantment that all Muslims have felt with regard to the capitalistic and Marxist systems.

Islamic Law (the Shari 'a) is intrinsically and strongly opposed to capitalism and communism that have come to dominate the world today. It is but natural that a Muslim should ask as to whether or not Islam has a socioeconomic system capable of solving his complicated problems. The answer is in the affirmative, since the Islamic Law does contain alternative methods to solve the human problems.

The alternatives offered by Islam include an ideological basis for an appropriate socioeconomic organization. The Islamic ideology is based on the Qur'anic revelations. It encompasses every aspect of human life, so that economic principles, too, can be derived from the same. No wonder, there is wide interest in any viable alternative economy achievable through application of Islamic principles for improving the quality of human living and fulfilling the socioeconomic needs.

In the above context, we may indicate the nature and content of an economy governed by Islamic principles. A prerequisite for understanding "Islamic Economy" is suggested by the need to differentiate between "Socioeconomic Policy" and "Pure Economics". In the Islamic perspective, an economic policy implies a regulatory system capable of progressing a society's economic life in a socially just and equitable manner.

To illustrate the crucial point mentioned above, let us consider an example. Suppose we were to ask a father about any behaviour of his child. We could ask in two ways:

(1) What kind of behaviour would you like for your child?, and

(2) How is the behaviour of your child?

To the first question, the father may reply: "I would like my child to be a good human being, independent, and a believer in God!"; to the second question, his answer would be either positive or negative, depending on his child's actual behaviour.

Similarly, in regard to our socioeconomic life, we may ask "What would be the best way to conduct our economic life?" Alternatively, we may ask "How is our economic life functioning at the moment?" From the viewpoint of Socioeconomic Policy, one may answer the first

question by saying: "The best way to conduct our economic life is to so regulate it as to conform to our ideology and values ...".

On the other hand, the second question can be answered on the basis of pure economics and the economic facts as they exist. Thus, socioeconomic policy ought to take into consideration the quality of economic life, and 'pure economics confines itself to an academic investigation of the actual economic phenomenon and identifies the results in quantitative terms only.

## **Pure Economics and The Socioeconomic Policy -Making Process**

*(Pure economists emphasize a theoretical and objective approach to the existing conditions of an economy. In Islamic socioeconomic practice, the existing conditions are not taken for granted and radical measures, consistent with Islamic ideology, can be expected-Ed.)*

Both Islamic formulators of socioeconomic policy and non-Islamic economists may be interested in a supply-demand -price situation. For instance, a book on Arithmetic is priced at five Tomans in a market governed by free competition. Subsequently, it is selected and prescribed as, a text-book by the competent authorities. Then, its price goes up simultaneously with an increase in the demand. This may be viewed differently by the pure economists and Islamic policy-makers.

In the above case, pure economists tend to take it for granted that prices under free competition are not susceptible to any control or official measures for their stabilization. On this assumption, they would proceed to investigate the relationship between the price and demand increases and fluctuations in supply and demand. Yet, in all probability, their scientific and objective assessments will not basically alter the economic situation indicated in the above example.

On the other hand, formulators of an Islamic socioeconomic policy are likely to evaluate any free market pricing, in terms of its social 'costs' or impact and social benefits. They may seek a just and equitable solution to any problem created by any undue price increases. They may take into consideration the relevant factors, such as supply and demand, without necessarily determining their inter-relationship, with their terms of reference often broader in scope than those of the theoretical economists.

The question as to whether or not any concepts of justice and equity can be reflected in a freely competitive market may be extraneous to the realism of the knowledgeable economists. However, it is crucial to formulators of Islamic economic policy. For they are bound by Islamic principles to so regulate economic activities as to identify and uphold all that is just and equitable for the transacting parties without accepting any status quo in this regard.

On the other hand, economic theorists cannot determine as to whether or not any transactions under free competition have been carried out on a just and equitable basis of meeting the people's socioeconomic needs. They can measure and quantify supply, demand and price trends, as a part of an assessment of the existing free market conditions

only. The protagonists of Islamic school of economic thought may not be able to assess the same in the manner of pure economists.

A classical economist, David Ricardo (1772- 1823), for instance, theorised that a worker's wages, offered independently and not under any government prescription, would not generally attain a level of sufficiency (that leaves a surplus above his living wages - Ed.). Any exception in this regard are said to be of a temporary nature, so that these revert to their earlier state of equilibrium at a below sufficiency level. If and when the normal wage level goes up, one eventual consequence will be excessive supply of labour resulting from earlier marriages of workers in favourable conditions of earning.

This, in turn, causes an inadequacy of the positions and wages offered. Thus, according to Ricardo, the tendency of wages is to return always to a lowest possible level. He implies that low wages increases the mortality rate and eventually reduces the number of workers; so as to raise the wage level before it comes down once again. He calls it the "iron law" of wages.

Ricardo's theory of wages is based on the natural and social realities that tend to stabilize wages at a low and insufficient level. He theorized on the basis of what was happening in reality. He did not propose any method to basically improve the situation. His investigation was confined to the limited scope of classical economics. In contrast, any socioeconomic policy-maker can be expected to conceptualize the phenomenon in the overall regulatory context of meting out socioeconomic justice.

Yet another case in point is that of production.

Economic theorists examine the factors of production, including the relevant specialization and techniques. They try to identify the positive and negative influences affecting production, in theoretical terms such as of diminishing returns.

The socio-economic policy-makers, on the other hand, investigate the very rationale of any free or unplanned production, specially the question as to whether or not any production should be undertaken as an aim in itself, or as a part of a socioeconomic plan seeking higher, including moral, aims.

Furthermore, the policy-makers may, before setting any production targets, resolve issues, such as whether or not any distribution needs should be determined on the basis of actual production, or production should be so planned as to serve the distribution requirements, all in the context of bringing about mutually harmonious socioeconomic effects.

Then, it may involve the question as to how can an appropriate distribution of wealth be achieved, so as to have a positive effect on the productivity of the economy, also, if production is assigned primary importance, it will be necessary to provide incentives for capital investment in that sector, as well as for commercial loans, in any plan that aims at regulating distribution of wealth and which considers the interests pertaining to capital.

If not, they may formulate a distribution programme in keeping with the needs of socioeconomic justice and determine the nature and extent of production accordingly. All these considerations and qualitative or other evaluations are possible within the framework of an appropriate socioeconomic policy-making, and lie beyond the theoretical scope of pure economists.

From the foregoing, we may draw two conclusions involving different guidelines. Firstly, the pure economists' identification of the actual economic realities, and recognition of the underlying laws and phenomena present in economic life. Secondly, the socioeconomic policy-makers' system of evaluating and regulating socio-economic life based on the concept of justice. Thus, distinguishing between "knowledge of economy" and "method of economy" is made easy for us.

The scientific method recognises the motives and achievements and relationship between them, through the investigation of the realities presented. Therefore, 'knowledge' is analogous to a Pair of glasses to look at the actual economic life of a society. Just as a person puts on glasses to look at the existing facts not desiring to add something to it or alter in it any way, likewise, the scientific method plays the role of the glasses in economic life, to reflect economic laws and their dependency. Thus, the general foundation of scientific thought is for discovery recognition.

But a school of thought cannot be compared to a pair of glasses for looking at any existing facts. It represents an abstract concept governing life under a just and equitable socio-economic system.

Therefore, "knowledge of economy" states "what is taking place in reality", and 'method' states "what kind of system is the best to be pursued".

We find similar differences between knowledge of history and moral investigation, because knowledge scientifically viable facts of historic or actual significance, as in the case of pure economics, and moral investigation is similar to socio-economic policy-making and its inductive and deductive, evaluations.

People, without doubt, realise that .knowledge of history is a separate subject from moral investigation. They also know that historians will inform them of historical events, and their causes.

Any branch of knowledge like history investigates the past events and discovers their causes, and explains their relationship to other historical events and the impact on human lives. History confines itself to the discovery of causes and effects of historical events, and under no circumstances does it evaluate these events from the moral point of view.

History is not concerned with the morality of the crusades, or the attack of barbaric Germans on the Roman Empire, and, as such, it does not determine as to whether or not these actions were just or unjust. It is only a moral investigation which can make this kind of judgement.

Moral investigation is able to evaluate these events and decide whether they were just or unjust, correct or deviate, on the basis of a philosophy of justice.

Just as knowledge of history introduces events as they happened, and moral investigation evaluates these events, likewise knowledge of economy introduces the phenomena of economic life, and the socio-economic policy-making process evaluates the phenomena, and produces a system worthy enough to constitute the basis of an economy, which is just.

All branches of scientific knowledge have a duty to discover facts. Thus, there is no difference between an economics professor and other professors, except that the economist deals with the facts of an economy, and other professors deal with their own

subjects involving facts.

For example, physicists investigate the different frequencies of light, sound, etc, and discover the precise equations and relationships concerning the natural phenomena. An atomic Physicist may discuss an atom bomb from the purely scientific and technical point of view, without showing any concern for the immorality of its use for genocide.

Clearly, the role of knowledge of economy is to discover the phenomena of economic life, and the circumstances they depend upon, and the aim of a socio- economic policy-making process is to arrive at a system that can regulate economic life in order to make it just and equitable for society.

Many groups make a mistake when they attribute a subjective difference between pure economics and the socio-economic policy-making process. These groups believe that economics, as a branch of knowledge, may discuss topics, such as production and the factors involved in its growth, and the socio-economic policy-making process involves primarily the question of distribution in an equitable manner, and the relationship which exists between the individual and society on one hand and distribution system on the other.

The examples have shown that a purely economic investigation depends upon the phenomena and facts of an economic situation. If the investigation concerns itself with the concept of justice, and the manner of regulating the economic situation, then it is an ideological or moral investigation.

This can be further explained by referring again to the contexts of the law of diminishing returns and that of wages, which concern 'production' and 'distribution' situations, respectively. In the case of the law of diminishing returns, it signifies mostly the realities of agricultural production, in which land is a constant factor, irrespective of the ownership and the kind of the overall socioeconomic system affecting the same.

The Ricardian 'iron law' of wages, too, involves a scientific basis of investigation. Unlike the law of diminishing returns, however, it is predicated on a specific kind of-economy. Yet, it cannot be construed as something resulting, exclusively from either scientific or ideological considerations or investigations. While its validity depends solely on a control free (capitalist) economy, it cannot-represent a sufficiently comprehensive basis for any argument that it is more ideological than scientific in nature and content.

A society which follows a free economy, not a society in which the price of goods and wages are controlled by the government and where a fixed wage has been determined for the workers. So we see that free capital itself is the condition for the scientific law to be realised, and this law, in the framework of a capitalist system can give certainty to society. This is what we mean when 'we say the law from the point of View of content is scientific, and the conditions which must be present for it in actual practice could reflect an ideology.

It seems that by not emphasising the differences between the content of the law, and the conditions it is realised in, led some people to say that all investigations concerning distribution are ideological in nature, and scientific investigations would never interfere in matters concerning distribution.

Also, 'in view of the fact, that the scientific law concerning distribution is only realised in a certain economic system caused some groups of people to say that the law is an ideological law, not a scientific one.



From the above discussion we may conclude that:

An economic (scientific) investigation in a purely theoretical framework is different from an ideological assessment of an economic or socioeconomic situation, so as to produce a system for regulating the same in a just and equitable manner. The conclusion, therefore, is that the duty of pure economics is to establish the facts, and the duty of an ideological assessment of a socioeconomic situation is to indicate a just solution to any problem.

Pure economics discusses both production and distribution, just as the socioeconomic study does. Thus, their difference is one of approach to the problem. It does not lie in the subject-matter itself. Accordingly, it would be meaningless to say that their difference concerns microeconomic factors like production and distribution.

Any factual analysis of production that does not take into consideration the kind of the overall socioeconomic system and the regulatory policies represents an academic approach of pure economists. Any extension of this approach to a situational analysis of distribution remains oriented to, the same assumption of a pure economist that any socioeconomic policy regulation should be within the ideological framework of an existing system, such as that of a free market economy. Thus, his assessments can only be specific to the laws of distribution applicable to that socio-economic system.

Further, the difference between the approach of a pure economist and that of socioeconomic policymakers is reflected in their means of investigation. The former employs scientific method to identify facts based on an existing situation, including subjective criteria such as one's observation and experience. At the same time, the scientific investigation is related to general economic laws and relationships.

In the event of finding a problem with no clear-cut definition or decisive outcome, the pure economist will draw on his, experiences of investigations of the past economic events. Then, he scientifically evaluates the probabilities of certain phenomena and makes a judgement with all his personal integrity as to what could take place in a given situation. In this respect, his method is similar to that of a physicist in discovering, say, the boiling point of water. An economist, when he wishes to discover a solution to an economic crisis, which all capitalist societies (cyclically) face, might investigate the relevant events which may have been recurrent throughout man's economic life.

The approach of a socioeconomic policy-maker is completely opposite to the above. It would be rather impossible for him to investigate and come to conclusions in the manner of a pure economist. This is simply because of his concern for socioeconomic justice.

No doubt, (the abstract concept of) justice is unlike the (empirical reality of) water temperature, or even viewing an economic crisis in a historical perspective without involving any scientific basis of measurement. Justice is neither a natural phenomenon to be susceptible to the empirical method and/ or a scientific scale of measurement.

In the above context, let us consider a visualization of justice in a distribution process. Many groups believe, justice in distribution would only come about with a system such as Marxism, in which all members of society have an equitable income and wealth. Also, there are others who believe that justice in distribution can only be achieved when all people have equal freedom (of economic opportunity), although this freedom may yet result in differences of individual incomes and wealth (assuming that all people use this freedom equally in the capitalist system) .

Some groups believe that justice in distribution will come about when all people are guaranteed a fixed income, with provision for earning more, as indicated in Islam.

Now we would like to discover what could be a basis for a just or an unjust distribution system. We would like to discover whether having a system in which all people have an equal income and wealth is just, or whether it is just to give freedom for people to behave as they wish, and allow their incomes to remain at any level. Or is there a third path between these two ways?

To find the most just among these three paths, it is impossible for us to use the scientific method. Because justice is not a natural phenomenon like the boiling point of water, which we are able to see and verify. Also justice is not a historic or social phenomenon, like an economic crisis in a capitalist society, which can be identified from experience, through comparisons between people and recognition of the extent of equality or inequality existing in their attributes and physique.

A pure economist may measure and compare people's income, yet, he will not deem it proper to say: "Justice would be ensured if everybody had equal incomes or unequal incomes". For equality and justice are not the kind of attributes that can be measured on a scientific or physical scale, in the same way as physical quantities and certain natural properties.

A believer in a capitalist economy may say that it entitles its constituent people to freedom and treats them equally, even if their standard of living is not uniform. A believer in a communist society may say that it enables its members to obtain virtually a uniform standard of living. They both would be unable to answer a question as to whether or not they can measure social justice in the same way as they do any ambient temperature. For people's rights are not to be measured in the scientific manner of physical properties (such as measurement of sound levels in decibels).

We may conclude, therefore, that neither the socioeconomic policy-making process, nor any purely economic or social theory, can use scientific means to investigate justice and rights of men. The concept of justice can only be derived from the principles of a comprehensive ideology, so as to justly and wholesomely regulate a people's socioeconomic system.

## **The Islamic System of Socioeconomic Regulation**

We may assume that the previous discussion has clarified the meaning and practical significance of pure economics and the socioeconomic policymaking process. Now, we may proceed with an explanation of Islamic economy, and state our reasons for insisting on a specifically Islamic economy.

As we have seen from the previous discussion, Islamic economy is based on its ideological formulation of socioeconomic policy. It is not amenable to a definition within the limited context of pure economics. When we say Islam has a specific concept of an economy, we do not mean that Islam has its own branch of knowledge called economics. For any

discovery of economic phenomena and identification of the relevant causes, effects and the interrelationships need not necessarily be specific to Islam, which seeks primarily to justly regulate the socioeconomic activities and functions.

The economy of an Islamic society has much to do with Islamic ideology, including the concepts of social economic justice. Islam does not propound any economic law on the basis of any scientific discovery pertaining to the actually existing or identifiable realities. Thus, any Islamic economy can manifest a distinct socioeconomic policy, rather than any specific branch of knowledge.

For example, if Islam were to discuss any increase of interest on money among the people of Hejaz<sup>1</sup>, it would then be a matter pertaining to economics as a science. Without involving any scientific approach, Islam evaluates the usurious practice and its socioeconomic effects and recognises it as an unjust system to be proscribed. Then, it prescribes the relationship between capital and ownership of capital on the basis of 'Mozarebeh,<sup>2</sup> not usury. Thus, Islam, when dealing with economic matters, makes use of a moral, rather than purely scientific, investigation.

When we are clear in our understanding of the meaning of Islamic economy and we can recognise Islamic economy as a method, not knowledge, then, it is possible for us to remove the most important obstacle that makes one hesitant in his belief about existence of an Islamic economy. Many groups deny the existence of an Islamic economy. In fact, they fail to recognize the difference between pure economics and the socio-economic policy-making process.

Then, the ask: how can Islam contain an Economic system, when in our study of Islam, we find that Islam does not include any knowledge of economics, such as indicated by the theories of supply and demand, or the law of diminishing returns, and it does not postulate a law, such as the "Iron Law of Wages"? Nevertheless, we are all aware that the investigations of knowledge of economy only came into existence within the last century or so, since economic investigators like Adam Smith became famous.

The opponents to an Islamic Economy may harbour a wrong impression that Islam originated economics of its own.

However, if we distinguish between economics as a branch of knowledge, and Islamic Economy as an ideological system, any wrong impression can be corrected. Furthermore, this clarification would mean that Islamic Economy does not necessarily reflect the economic laws of supply and demand in a control-free economy. What Islamic Economy can offer is a specific program for regulating the socioeconomic conditions in a manner harmonious with its ideology.

We will further discuss Islamic Economy in detail in this book bringing in perceptible reasons and aims given in Islamic traditions. However, the easiest way to prove the existence of something is to make it readily perceptible.

Before we offer the proof of the existence of a socio-economic ideology in Islam, we will only state one reason for its existence, which is derived from the ideological comprehensiveness and structural integrity of Islam so that a broad understanding of the Shari'a (Islamic laws) is required.

One basic and inseparable feature of the Islamic laws (the Shari'a) is their

comprehensiveness and applicability to practically every aspect of human life. The comprehensiveness is derived not only from the Islamic Commandments themselves, but from the practical applications and interpretations in the processes of jurisprudence and in the traditional sources of Islamic knowledge. We may refer to some of these sources now.

Abi-Basir relates about Imam Sadiq (a.s.) that one day the latter was explaining the comprehensiveness of the Islamic laws as imbibed by the knowledgeable members of the Prophet's Household, by saying, inter alia, that Islam has prescribed solutions to human problems encountered in life. Islam has declared certain things to be lawful and prohibited some other. It has prescribed penalties even for a slight abrasion inflicted on a person's body by another person. And with that sentence Imam Sadiq (a.s.) placed his hand on Abi Basir's shoulder and said "Am I allowed" Abi Basir answered: "By all means". Then Imam Sadiq (a.s.) increased the pressure of his hand on the man's shoulder and exclaimed, "Even this action has a price to pay in Islam".

In another text from Imam Sadiq (a.s.) he said: All the matters man faces in his life have been discussed in Islam, there is no matter which is not spoken of, even a penalty for inflicting a scratch on another's hand.

According to Nahjul Balagha, Imam Ali (a.s.) once recalled the advent of the Prophet of Islam and the revelation of the Qur'an through him. The last Prophet came after a long period without an apostle and at a time when mankind had deflected from the right path and human values had become obscure. About the Qur'an, Hadrat Ali (a.s.) is said to have described it as a medicine to heal all human pains and a supremely meaningful guide to living.

These are clear examples reflecting the proof that Islam concerns itself with all aspects of human life even the smallest and most insignificant matters are not forgotten. It must be clear that most certainly Islam has presented a program to deal with socioeconomic difficulties and to regulate the life of Man, presented a program to deal with socioeconomic difficulties, and to regulate the life of Man.

If Islam were to ignore the vital socioeconomic aspects of human life by prescribing no guidelines or programme concerning the same, we could, not have legitimately attributed to it any comprehensiveness. It is inconceivable that a religion, which takes care of the need to respect human integrity to an extent that not even the slightest transgression against a person does not go unrecognized and uncompensated, can ignore human rights concerning man's economic activities, including those of a developer of a plot of land for agriculture, or an excavator of a mine, and the like. No wonder, the Islamic laws and traditions do cover the socioeconomic aspects of human living.

In view of the foregoing, it is a mistake to say that the Islamic laws prescribe a code of behaviour for an individual Muslim and not any socioeconomic programme. This is simply because the Shari'ah takes all aspects of human life into consideration. Moreover, it is manifestly wrong to view individual life in isolation from that of his society at large.

The Islamic Laws regulate not only individual life but that of his society. In fact what these envisage for an individual Muslim is equally true for all Muslims in a community. This is something totally consistent with the realities of human life. Accordingly, it is a great mistake to harbour any notion that Islamic regulation is meant for (the private) individual.

Any regulatory system, socioeconomic or political, deals with problems of individual and

social importance. This is a basic requirement for its efficacy.

Capitalism, too, may be viewed as a societal regulation system; it highlights freedom of enterprise as the basis of the society's economic life, inevitably this freedom is reflected not only in the individual behaviour of a capitalist but in the manner of contractual interaction with his agent. This is similar to the nature and content of mutual interaction between an userer and another who obtains a loan from him.

The same is true in case of many other societies, with their overall regulatory or facilitation framework based on, and reflected in, individual conduct of business, or approach to work. However, where Islamic Laws emphasize promotion of wholesome individual procedures, these do necessarily provide for a salutary basis of transactions, such as loan financing and employing others, or getting oneself employed. This implies salutary effects on the society, too. Thus, the laws affect both the individual and his society.

Accordingly, if we wish to separate an individual program from the social program, we will be definitely contradicting ourselves. Islam, in stipulating and enhancing the quality of human behaviour, determines or covers all aspects of Man's work, confirming the existence of a societal regulatory system in its legal and ideological framework. I fail to comprehend those who are skeptical about the existence of an Islamic framework for economy and its suitability for solving the economic difficulties. What do they say about the early Islamic period when the socio-economic problems were successfully tackled by the Muslims, so as to result in positive improvements?

Islam and the Prophet of Islam (S) were instrumental in bringing about the congenial socio-economic (and political) conditions. They had answers to the production and distribution aspects of the economy and society.

It is impossible to imagine a society during the Prophet's time without an economic system. It is impossible that the society did not possess a system in order to improve economic life, and distribute wealth among the people in a just manner. On the other hand, it is inconceivable to imagine an economic system separate and unrelated to Islam and the Prophet of Islam (S).

No doubt, Islam and the Prophet of Islam (S) found the solutions which led to the Islamic socioeconomic system. In other words, they established the basis of Islamic socio-economic policy.

The above explanations may be sufficient for anyone to accept the fact of the Islamic coverage of economic matters. However, it is notable that the Islamic commandments, principles, traditions and laws, although clear in themselves, require to be collected, collated, analysed and consolidated, so as to constitute a distinctive ideological and legal framework for any socio-economic policy- making.

For, instance the Islamic commandments prescribe human brotherhood, justice and equal rights for practice by Muslims in particular, even in the socio-economic sectors of production and distribution of wealth. Then, there are specific legal provisions concerning matters of detail, such as reviving (cultivable) land, extraction of minerals, Rent. Mozarebeh (capitalist-labour Joint enterprise), usury (or interest), taxes (e.g. Zakat, Khoms, Kharraj), and public financing under Bait al-Maal.

In the above context, it is quite possible that any Islamic researcher may not find anything

specifically opposed to economic freedom in principle, as implied in capitalism. On the other hand, he will surely find contrasting evidence (signifying moral conditioning of the freedom), in terms of prohibition of usury, legal provisions against owning land (with agricultural/mining potential) without making it productive, and the Shari'a authority to fix commodity and other prices,' among similar other legal provisions,

1. Hejaz is the Name of a mountainous region along the greater part of the Arabian Red Sea coast.

2. Mozarebeh; a type of transaction, which takes place when a person passes over his property as capital to another person to invest it for him, on the understanding that both the persons will share the resultant profit. It is necessary for the share to be divided on a percentage basis right from the beginning of the agreement, eg., the owner of the capital contracts with the agent that they share the profit equally, or 1/3 for the owner and the rest for the agent, or the other way round, This is a revocable contract between the owner of the capital and the agent.

## The Moral Basis Of Economics In Islam

Sometimes it is argued that the socioeconomic aspects of Islam represent only a part of its overall ethical code, rather than any specific methodology of economic significance, since, morality constitutes the basis of the Islamic teachings.

This argument treats the Islamic teachings as no more significant than passive moralizations normal for all religions. It presupposes that the practical significance of the Islamic teachings is confined to their promotion of morality in and among individuals.

Further, it implies that the Muslims' sublime rapport with God and their brotherhood with the co-religionists do not extend to any regulation of the social welfare aspect. In short, the sceptics give an impression that the Islamic teachings serve as mere recommendations. In their judgment, these differ from any secular economic methodology, in the same way as a moralist's exhortation of individuals towards mutually establishing salutary human relationships does from a social reformers planned improvement of his people's conditions and seeking to determine their social rights!

In support of the above argument, the sceptics acknowledge that Islam teaches Muslims to unite and practise human brotherhood. They recognize that Islam enjoins its adherents from doing anything contrary to the divine prescriptions of rectitude, truthfulness, honesty, moderation, consideration, patience, and similar other virtues, on the part of the individual Muslims, or even mankind as a whole.

The alleged absence of systematic content of economic significance in Islam is not borne out by the actual position. The skeptical interpretation in this regard seeks to reduce the idea of an Islamic economy from its real position of a school of thought to an imaginary level of recommendatory, moral exhortations.

No doubt, morality permeates Islam. It's essentially moral teachings are comprehensive enough to render the individual and societal conditions, including the economic status, wholesome; this is made possible through mutually salutary human relationships in the appropriate societal conditions envisaged in Islam.

Islam commands its followers to abstain from and oppose any kind of oppression, selfish exploitation and injustice. The socio-economic aspect of Zakat, for example, is treated not

only in quantitative terms of taxation, but in the qualitative terms of its salutary effects on the tax payer and the beneficiaries. What is more significant is the fact that Zakat has been religiously prescribed as an obligatory act of devotion to God, at par with Namaz (Prayer), the Ramadan fast and the Haj. Moreover, the Islamic teachings repeatedly emphasize that the rich and the affluent must always support and enhance the status of the poor and the needy.

Clearly, the Islamic teachings (commandments, exhortations and guidelines) aim at strengthening the morale of individuals. These are action-oriented and, as such, go beyond any passive moralizations. Accordingly, their comprehensive scope and legal significance extends to realization of a systematic Islamic economy, consistent with their socioeconomic implications.

Yet, it does not mean that Islamic role is that of an advisor only, so that it is incapable of formulating a method and system for society in all its aspects, including the economic.

Islam forbids man's injustice to man, or any persecution arising from violation of human rights. In doing so, it invites people to be righteous and just in honouring each other's rights. This it does by first conceptualizing justice (and human values) in its own ideological perspective, so that the enlightened Muslims can clearly distinguish between what is right and lawful in Islam and what is wrong and unlawful or unjust. Thus, they are meaningfully induced not to exceed the (moral, ideological and legal) limits determined by Islam.

Islam does neither allow others to interpret the moral concepts, human values or rights, nor advocate any existing ones, as advisers normally do. Islam clarifies what it means by justice, and states the general rules concerning matters, such as production and distribution of, and transactions in, wealth. It also explains what it considers to be unjust or an oppression.

The foregoing indicates the difference between a moralist and an economic school of thought. A moralist does no more than invite people to act with justice, and discourages them from unjust acts. He does not determine any standards of justice, nor does he establish any criteria for determining injustice.

He leaves these up to any good sense of his listener or follower.

However, in Islam, any socio-economic methodology presupposes the relevant standards and criteria of justice as applicable to an Islamic economy. Had Islam allowed the people themselves to determine its concepts of justice and injustice, and to come to an agreement on a set of rights by taking into consideration the conditions of their living, their needs, and contemporary values, it would have meant that Islam's role was that of a moralist only. While Islam offers advice to people and discourages them from being unjust, and invites them to justice, it also states clearly its concept of justice and injustice. This is independent of any individual opinions held on these matters.

Islam itself clarifies and distinguishes between the just and unjust paths concerning production and distribution of wealth. For example, Islam regards forcible ownership of (fallow) land, without rendering it cultivable, is an act of oppression. On the other hand, if the land is reclaimed and made cultivable, the developer becomes entitled to own the same. Further, Islam considers it an act of oppression to increase wealth by means of usury. However any increase in one's wealth due to legitimate earnings is treated as just and fair. In these and similar other cases, Islam clarifies the limits of justice and injustice.

It is also true that Islam encourages the rich to help the poor, but it does not stop there. The Islamic government concerned is religiously obliged to upgrade the living standards of poor to a sufficient level.

According to a tradition attributed to Imam Musa Bin Ja'far (a.s.) a Wali al-'Amr<sup>1</sup> has a specific responsibility concerning Zakat. The Imam is reported to have said that it is incumbent on the Wali al-'Amr to collect Zakat and dispense it according to the divine commandments. This would necessitate division of Zakat collection into eight parts, including that of the poor and the needy.

The dispensation should be so made as to provide an allowance (to the authorized person) that is sufficient to take care of his household needs for one year. If, at the end of a year, it is found that some amount of the Zakat allowance is still left, it should be returned to the authority concerned. Then, if the poor continue to be in need, the authority concerned has a duty to provide the necessary subsistence allowances.

Clearly, the social responsibility and the necessity of securing a good life for everybody is deemed to be an Islamic duty. This is definitely more than mere advice. It involves compliance with a socio-economic requirement as a matter of social responsibility, which is treated as one of the major responsibilities of Wali al-'Amr in Islam, so that the Islamic authorities are duty-bound to look after the poor and the needy by all means. This represents just a small part of the foundations of a socioeconomic system in Islam,

Islam envisages appropriate practice of whatever it preaches. To illustrate this point, let us consider an Islamic tradition and the relevant Islamic practice. The tradition says: "Those who go to sleep, after dining to their hearts' content, and in a state of insensibility to the sufferings of their neighbour(s), who remain hungry and restless through the next morning, do not actually believe in God and the Day of Final Judgement."

The relevant Islamic injunction lays down that a Wali al-'Amr is charged with the responsibility to under-take the maintenance of the poor and the needy until the latter- are no longer in need of help.

While the above Islamic tradition may be construed as even a moralization, the relevant practice cannot evidently be treated as such. No doubt, the Islamic practice is action-oriented to a vital aspect of socioeconomic welfare.

Furthermore, it may be recalled that Zakat has been treated as an important act of worship (in that the tax-payer obeys not only the divine commandment in this regard, but earns virtue in this world for the hereafter), while its practical socio-economic implications, too, are emphasized.

The foregoing explanation shows that the overall responsibility of Wali al-'Amr concerning Zakat and its dispensation is rendered practicable through the relevant provisions, so that Zakat represents not only a significant individual act of devotion, to God,' but a vital socio-economic methodology, of Islam, too.

<sup>1</sup> the highest authority dispensing justice under Islamic laws. --Ed.



# Concluding Remarks

In conclusion, I reiterate my inability to understand how those who dismiss the Islamic socio-economic methodology as no more significant than a set of moral exhortations can bestow a distinctive importance to capitalism and communism as socioeconomic system! Specially, we have a right to ask how capitalism and communism are entitled to, or deserve to be called "systems", while denying the same title to the socioeconomic methodology of Islam?

The Shari'a laws of Islam are geared to improving the same conditions which capitalism seeks to improve under its own rules. This is notwithstanding the fact that the Islamic judgments differ from that of capitalism. Then, how can anyone legitimately proclaim capitalism to be an economic system, and the Islamic socioeconomic system to be only a collection of moral orders and advices

In the above context, let us 'consider two' more examples to prove that the Islamic views on the economic matters are at least as efficacious as those of the other economic, schools of thought. The first example concerns the question of private ownership, around which the main differences between the economic or socioeconomic systems revolve. From the point of view of capitalism, private ownership is the principal consideration or the general rule, while public ownership is a subsidiary or exceptional matter.

This can mean that all kinds of wealth and the natural resources, should be privately owned, unless any exigency of circumstances demand public ownership of some of these, On the other hand, Marxism favours public ownership as the principal consideration, Moreover, it rules out private ownership of natural wealth and industrial raw materials production, unless and until private ownership becomes inevitable.

In contrast, Islam prescribes a different method, in that it allows private-cum-public ownership, within clearly defined limits. The Islamic treatment of the socioeconomic problems evidences at least as much discernment as that of capitalism and communism. Even so, the perspicacity of these three schools of socioeconomic thought has resulted in the emphasis on private property in one, public ownership in the other and private-cu-public ownership in the third one. The reasons for which are rather intriguing!

The second example concerns profit, interest, or other income realized through ownership and rental, or loaning, of real assets and means of production, as in capitalism. Earnings of this kind involve no actual work on the part of the earner and, as such, are prohibited in communism.

Thus, what is admissible in capitalism is inadmissible in socialism or Marxism, so that usury and rental are basic to capitalism and antagonistic to Marxism, Islam chooses a third alternative, in the sense that it considers income derived from ownership and rental of some real assets and means of production as legitimate, and some others as illegitimate. For instance, it prohibits usury and earnings derived from it, while it treats some other income derived from rents as legitimate.

Thus, capitalism and Marxist Socialism (communism) are at loggerheads with regard to endorsement of usury and rental (earnings without work). Capitalism bases its approach on the principle of man's economic freedom. Marxist Socialism, on the other hand, considers

work to be the determinant of the legitimacy of one's earnings, in as much as a property-owner who does no work is not entitled to any wages or rental. The Islamic approach, too, is based on its own ideology concerning wealth production and distribution. While Islam prohibits a capitalist from seeking an increase in his wealth through usury, it permits a landowner rental from his tenants.

The Capitalist, Marxist (socialist, communist) and Islamic approaches, explained above, involve different points of view, all concerning the question of wealth distribution, Then, how come the capitalist and the Marxist positions, and not that of Islam, are regarded as "systems"!

Notwithstanding what the sceptics say or do not say, the fact remains that Islam does represent a socio-economic school of thought of its own distinct from that of the others.

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