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ECONOMIC DOCTRINES OF ISLAM

A Study in the Doctrines of Islam
and Their Implications for Poverty,
Employment and Economic Growth

Irfan Ul Haq

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Economic Doctrines of Islam

First Edition
(1416 AH/1996 AC)

**The views and opinions expressed in this work
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Employment and Economic Growth**

Irfan Ul Haq

**International Institute of Islamic Thought
Herndon, Virginia, U.S.A.
1416/1996**

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(Islamization of Economics)

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Dedicated to

Ismā'īl R. al Fārūqī
Fazlur Rahman
Muhammad Asad

for their pioneering efforts
and the legacy of knowledge they have left for us

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FOREWORD

This work has its genesis in the early eighties. That was the period when some of the most profound writings on Islam appeared on the scene like Ismail Raji al Faruqi's *Tawhid: Its Implications for Thought and Life*, Fazlur Rahman's *Islam and Modernity: Transformation of an Intellectual Tradition*, and Muhammad Asad's *State and Government in Islam* as well as *The Message of the Qur'an*. It was also a period of great intellectual turmoil within the Muslim ummah, a feeling of failure and loss in getting its house in order, and a realization of the economic difficulties and backwardness facing the Muslim world. *The World Development Report (1980)* and Paul Streeten et. al.'s *First Things First: Meeting Basic Needs in Developing Countries* had just been published. Results of the past few years of research on poverty and human resource development were now available. The causes and extent of the problems and the solutions/strategies that resolved them were also becoming known and understood.

Ismail al Faruqi, Fazlur Rahman and Muhammad Asad all were calling for looking at Islam afresh to seek guidance in matters of society, polity and economy. It was argued that for finding solutions to their problems Muslims needed to study normative Islam through its original sources—the Qur'an and the Prophet's Sunnah—in a wholesome, integrated and rational way, a methodologically sound way.

The International Institute of Islamic Thought, founded in 1981, had also started the project of the Islamization of Knowledge whose thrust was to remove the stagnation in Muslim thinking and lack of vision by reforming the methodology used to study Islam and its various disciplines.

It was in this background that I chose the subject of Economic Doctrines of Islam for my doctoral dissertation and followed the method of studying the Islamic sources (the Qur'an and Sunnah) taking these as one coherent whole, complementing one another, with the same purposes and world

view. I also began with the assumption that given that Islam is the religion of reason, that it is based on the eternal verities of divine guidance and is meant to be relevant to human life, then it must possess answers to human problems including those of socioeconomics.

Serious work on this project began in late 1987 after I had taken a summer intensive course in Arabic at the University of California at Berkeley so that I could more easily comprehend the Qur'anic language and divine wisdom. The first draft was completed in 1990 while the revised version was submitted and approved in 1992 by the University of California at Davis.

Since then numerous significant publications have come out dealing with aspects of development and the Islamic perspective on it. However, those works have not been noted in this book. One work that needs to be recognized is the outstanding book by M. Umer Chapra *Islam and the Economic Challenge* (U.K.: The Islamic Foundation and IIT, Herndon, VA, 1992). Many of the arguments and approaches used in my work find reflection in Dr. Chapra's volume as well. To me this is a vindication of my efforts.

In writing this book I have accumulated many debts. I would like to acknowledge my gratitude to Professor Elias H. Tuma of the Department of Economics, University of California at Davis, who provided numerous suggestions and improvements, both in content and style, and helped me rethink issues through his critique of this work. I am also thankful to Professor Hamid Algar of the Department of Near Eastern Studies, University of California at Berkeley, for his encouragement and intellectual support.

I am grateful to the Academic Committee of the IIT of approving this work for publication. In particular, credit goes to Mr. Mohamed Salem for seeing this project through publication.

I also owe an enormous debt to members of my family whose gentle encouragement kept me going. In particular, my wife, Rukhsana, gave unwavering support without which this project would not have been completed.

I hope this book helps in clarifying not just the economic task ahead of us but the human task as well. I also hope that it enlargens our horizon about God's vision for an ethical social order which He wants us to create on this earth. To the degree this book achieves those purposes, I believe my efforts will be rewarded.

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Sacramento, California
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PART I

FRAMEWORK AND METHODOLOGY

Chapter 1

INTRODUCTION

Man and Divine Guidance: The Role of Qur'an and Sunnah

Islam takes a particular view of man. Divine guidance through the Qur'an is directly concerned with man. Its function is to help him and society to develop and grow in an ethical-moral way. Islam argues that man has been created by God for a certain purpose or a certain task and function—to realize the divine will which the Qur'an calls worship of God or service to God (*'ibadah*). It states: "I [God] have not created jinn and humans but to serve Me" (51:56), and "[It is] He who has created death and life, that He may try which of you is best in deeds" (67:2). It denies man's existence as purposeless and puts to him this question: "Do you think We have created you in vain, and that you will not be returned to Us?" (23:115). So the realization of the divine will (i.e., the achievement of man's purposive existence) embodies the task that man has to perform. At the individual level, the Qur'an points this task to be the internalization of belief in God and the correlated doing of good deeds (*a'māl sālihah*). At the collective level, this task is to externalize the belief in God and to consequently apply His teachings in the creation of an ethical-moral social order. In other words, it is through willing submission to God (the meaning of the word *Islam*), through belief, worship and good deeds, and through application of faith in societal life (all dimensions of Islam) that man can realize the divine will and successfully achieve his purpose and task.

But what are these good deeds and what are these ethics on which the social order is to be based? In other words, how is man to discover the

divine will? To this end, on the one hand, man has been endowed with senses, reason, understanding, intuition and all the necessary tools (i.e., rational and physical faculties) to enable him to discover the divine will unaided. But still man has to go through a process of trial-and-error and through experimentation to completely find success. Man may also fail in this process and harm himself or others. So to make the task easy for man and out of concern for the welfare and well-being of man, God, on the other hand, has guided him through revelation by which the discovery of the divine will is certain. God, in other words, has not left man without guidance but placed before him revelation since his creation. It has been the function of Prophets, sent throughout human history, to bring the guidance of God to man. This is where the Qur'an, the final revelation of God, comes in. And this is where the role of the Prophet Muhammad, the last Messenger, becomes critical. For the Muslims, the Qur'an and the human example of Muhammad through his Sunnah (exemplary practice, code of conduct) are the sources of all that is ideal, ethical and meaningful. Through the understanding of these sources, the Muslim can unambiguously know what good deeds are, what the ethical social order should be like and consequently how the realization of the divine is to be accomplished.

The Qur'an calls itself "guidance for mankind" and consequently establishes itself as the primary source of value and ethics and as the comprehensive criteria for man's nature-remolding and society-building activities. The Qur'an not only establishes what man has to believe in but also tells him what to do with his life and also how and why. This it does directly through revelation as well as through the deliverer of revelation—the Prophet Muhammad (Qur'an, 10:15-16; 11:12-14; 18:110; 33:21; 46:9; 48:28-9; 53:2-5; 73:1-5, 15; 74: 1-2).

The Qur'an describes Muhammad as the best of mankind, as one exalted in character to be emulated and used as criterion and model for all human affairs (4:59; 33:21; 48:8-10, 18; 58:20-2; 68:2-4). The Qur'anic statement given repeatedly in different contexts "Obey God and obey the Apostle" (3:132; 4:59; 8:20, 46; 24:51-2; 47:33; 54:11-12) testifies to the fact that in spite of being a human being, a creature of God, the Prophet had internalized the divine teachings to such a degree that his judgments, commands and guidance could in no way contradict the divine will but could only proceed from deep God-consciousness (*taqwa*) rooted in his ameliorative and sensitive nature and from his understanding of God's purposes. God was also constantly teaching and guiding the Prophet and directing him toward reforming the old polytheistic and unjust order and toward creating an ethical social order. The Prophet's Sunnah, hence, developed in a living environment, a real sociopolitical, economic, reli-

gious and cultural context in which the people faced the same or similar problems that mankind had faced until then or face up till now. Thus the Prophet's Sunnah was and is the human response to realistic time-space problems. That is why it constitutes, along with the Qur'an, a primary source of values and ethics in all human affairs.

The Qur'an itself is a document squarely aimed at man. In a sense, it is an answer to the prayer with which the Qur'an begins "Show us the straight path" (1:6). The next surah (chapter) begins precisely with the reply "This divine writ—let there be no doubt about it—is a guidance for all the God-conscious" (2:2), and God puts the entire Qur'an before man to think, ponder, understand, remind and act upon. It urges man to internalize its teachings and message as well as to externalize its understanding by behaving and doing according to its precepts, principles and ethics. The Qur'an argues with man in a rational way and makes suggestions to him in a way that man can appreciate. It neither seeks to overpower man nor replace his rational faculties. It aims at helping man utilize his reason and assists him in this process. But it leaves up to him to discover the benefits of the way it suggests. And it gives man the moral choice—to accept or to reject.

It is within this larger framework that this study is being conducted—to look at divine guidance as proposed for man. The reader, when going through this study, should keep in mind the larger picture of the purposiveness of man as well as the divine concern for the welfare of man as pointed out above.

The Problem

It has become apparent that Islam as a rule of life and a system of thought is more popular than ever . . . (The New Activism) shares the same vision of a return to pure, pristine Islam and the same desire that all aspects of life be ruled by Islamic norms.¹

The above statement, made over ten years ago, correctly represented the picture in many parts of the Muslim world at that time and continues to be true to this day. Muslims continue to adhere to the perception that Islam is not only a religion guiding personal aspects of faith and belief, but also a way of life as well as a system of thought. In other words, it is the Muslims' understanding that Islam contains sufficient guidance to reconstruct society, polity and economy on ethical lines and that it embodies solutions to man's multidimensional problems. This under-

1. Elie Kedourie, "Islam Resurgent," *Britannica Book of the Year 1980*, Encyclopedia Britannica (1980), 61-2.

standing has been reflected both in increased activism at the societal level as well as in the increased intellectual output of the Muslims themselves in recent years.²

The economic dimension of Islam has attracted the most attention. The voluminous literature in this area speaks for itself.³ However, in spite of this output, the core of Islam's economic thought has not been fully addressed; or rather, addressed only partially and inadequately. In other words, neither has the larger Islamic economic philosophy been established comprehensively nor has the accepted philosophy been examined systematically. The approach to economic problems, particularly problems of economic development, has consequently been partial, narrow and rather incomplete. The modest effort being made here attempts to fill all these gaps.

Our objective, first, is to examine the primary sources of Islam—the Qur'an and the Prophet's Sunnah—and extract and formalize from them the economic doctrines. Given these doctrines, our task will be to examine their implications for poverty, employment and economic growth. Since the doctrines are not given in isolation or in a vacuum but within a larger sociopolitical framework, or rather a larger moral-ethical world view, they are examined within this integrated organic whole and not outside of it. This study begins with methodology, proceeds to the sociopolitical framework, and then delves into the area of economic doctrines and their implications.

The Importance of the Study

The importance of establishing Islam's economic doctrines (and the social and political framework) is three-fold. First, as pointed out above, there is a gap in the economic literature which needs to be filled. Without

2. This increased intellectual output is not only so in quantitative terms but in qualitative terms as well. Some of the most significant works are products or publications of the 80's and many of them have been used in this study (see section on Sources).

At the educational-institutional level, similarly, several positive changes have taken place in recent years. The establishment of the International Institute of Islamic Thought, Herndon, Virginia; the International Islamic University, Malaysia; the International Islamic University, Islamabad; and the Centre for Research in Islamic Economics, Jeddah, are just a few examples of the results of a heightened awareness and activity in the intellectual field.

3. For instance, see the bibliographies: Muhammad Nejatullah Siddiqi, *Contemporary Literature on Islamic Economics* (1978); Muhammad Akram Khan, *Islamic Economics: Annotated Sources in English and Urdu* (1983); and Tariqullah Khan, *Islamic Economics: A Bibliography* (1984). Numerous other works have also been published since 1984 some of which are noted in our bibliography.

a clear-cut idea of what an Islamic economy is all about—its philosophy, institutions, principles and values—the discussion of Islamic economics remains somewhat partial and truncated. In other words, there is a need for an economic theory of Islam, which, hopefully will be developed in this study.

Second, there are reasons of theology. Since Islam is a divine religion, then it must have guidance in all matters—whether of society, polity or economy. The Qur’an, indeed, calls itself “guidance for mankind” (2:185), “the divine writ . . . a guidance for all the God-conscious” (2:2), and the “criterion” (*furqan*) for distinguishing right from wrong and welfare-promoting from welfare-reducing (25:1). It also speaks of itself as a “firm detailed exposition” or *tafsil* (11:1) as well as a coherent document which has no discrepancy and no inconsistency (4:82 and elsewhere). The Qur’an calls Islam a perfected religion and a favor from God (5:3). Given all this, it then becomes necessary to go back to the document to look for guidance and solutions to human problems including those of economics. In this sense, establishment of the economic doctrines of Islam is an exercise in perception of the divine will and an attempt to find solutions to the problems of the creatures through the guidance of the Creator.

Third, there are arguments for economic development. Most Muslim societies are among the least developed in terms of the criteria of poverty, employment, education and health. Given the assumption that Islam provides guidance in matters economic, this guidance may very possibly prove to be the impetus to start and bring about the required change. Hence the practical importance of the establishment of Islamic economic doctrines. Similarly at the macro-level the doctrines may prove critical in initiating reform, institution-building and policy-making, and in directing economic development.

The Purpose of the Study and its Methodology

The principle objective of this study is to examine the primary sources of Islam—the Qur’an and the Prophet’s Sunnah—historically and analytically, in an integrated logical way so as to derive conclusions about the teachings of Islam in the realm of economics. However, since the economic teachings become fully meaningful only within a larger societal framework, the derivation of the economic doctrines is preceded by the establishment of the Islamic teachings in the desired social and political orders. Only those aspects of the social and political teachings are delineated and explained which affect the working of society and economy in one way or another.

The secondary objective of the study is to examine the position of Islam in the areas of poverty, employment and growth. This is done ini-

tially by looking at the doctrines as they relate to these issues—especially poverty—and later in the study the implications of the doctrines are worked out in detail.

The sources of data that are used in this study—the Qur'an, the Prophet's Sunnah, the historical environment of early Islam—are 1,400 years old. However, the methodology used to interpret the data is such that Islam can clearly relate to the contemporary period and human condition. In other words, the study both assumes as well as shows that the Qur'an and the Prophet's Sunnah are relevant to all time periods. The doctrines are presented in such a way that shows their universality in time and space.

This study is essentially expository. It is theoretical and intellectual in nature. It brings out facts and ideas embodied in normative Islam. It shows that Islam has its own world view which is self-sufficient and independent. In a sense, this study is a reevaluation of Islam. It tries to interpret Islam with rational tools. The reasoning behind Qur'anic statements and principles, if not self-evident, is explained. The same approach is applied to the Prophet's Sunnah. Numerous suggestions are made in certain areas, and revision and reinterpretation are proposed for other areas, in order to keep Islam dynamic and applicable as it was meant to be, as well as to correct misconceptions that have resulted mainly from the pursuit of a non-integrated and non-holistic methodology.

Another purpose of this study is to point out the doctrinal framework in which the economy of an Islamic society is to operate. The doctrines delineated here are meant to be the guiding principles or core principles. This is what Islam provides, leaving the details to be filled in by each society and each generation in their own material-technological contexts. Thus the discussion is largely confined to theory. However, because these doctrines developed in a real material milieu of the early Islamic state, they were applied and practiced. Therefore, the practical dimensions are themselves embodied in the doctrines and explicated where historical evidence is available. In this sense the doctrines are not merely philosophical but arise out of actual practice.

Since no contemporary economy can be called a fully functioning Islamic economy, the doctrines are not correlated with actual contemporary economic practice. Only in the sphere of banking where Islam-based experiments have been conducted in the recent past (in Iran and Pakistan and in some other countries) is the available evidence used to show the functional application of Islam's doctrines. However, in the areas of poverty reduction and employment promotion, research based on experience of recent years has been incorporated.

In a sense this study is based on individual *ijtihad* or research and inter-

pretation predicated on individual effort and reasoning. It has no claims to finality or infallibility. It is open to criticism, reevaluation and reappraisal. It applies an idealistic-rational integrated methodology, i.e., a methodology which takes Islamic ideals delineated in the Qur'an and the Prophet's Sunnah as given and rationally attempts to understand and explain them and consequently apply them to real or potential human situations.⁴ This involves the extracting of principles from the Qur'an as a whole, taking the Qur'an as one integrated, coherent document, as well as through selectively and discriminatingly using the Prophet's Sunnah and separating the immutable from the changeable, the permanent from the temporal, the general from the incidental, and the universal from the particular. Through this methodology, it is suggested, one is able to keep the overall purposes of Islam in view and can then look at problems or issues more objectively without losing his perspective.⁵

Moreover, this study is limited in scope. It is not a comparative study of Islam's doctrines and doctrines of other religions, ideologies, systems or schools of thought. It deals with the normative aspects of Islam, and with the early Islamic period when the doctrines were revealed, applied and practiced. It confines itself mainly to the period of the Prophet, i.e., the period of the revelation of the Qur'an (610 to 632 C.E.) but also incorporates available evidence from the period of the Rightly Guided Caliphs that followed the Prophet (632 to 661 C.E.).

Sources Used in the Study and Review of Literature

The primary sources used in this study are the Qur'an and the collections of *ahadith* (the recorded sayings and practices of the Prophet, sing. hadith), followed by texts on the life of the Prophet and the early Islamic period. Other works have also been consulted covering the explanations of the methodology and contents of the Qur'an, and the structure of Islamic society and its state and government.

To better understand the Qur'an, both in its meanings and the historical contexts of its different passages, the translation and commentary by Muhammad Asad, *The Message of the Qur'an* (1980), has been exten-

4. See the next chapter where this subject is dealt with in some detail.

5. On the need for developing such a method and approach and, in general, developing an Islamic epistemology for social sciences, see Taha Jabir al 'Alwani, *Outlines of a Cultural Strategy* (1989); al-'Alwani, "Taqlid and Ijtihad," *The American Journal of Islamic Social Sciences* 8 (March 1990): 129-42; al 'Alwani, "The Reconstruction of the Muslim Mind: The Islamization of Knowledge," *The American Journal of Islamic Social Sciences* 7 (December 1980): 453-7; and Fazlur Rahman, *Islam and Modernity: Transformation of an Intellectual Tradition* (1982): 141-62.

sively used. In our view, this is perhaps the best commentary available in the English language. The work of A. Yusuf Ali, *The Holy Qur'an: Text, Translation and Commentary* (1983), is also occasionally relied upon for the translation. The numbering of chapters and verses quoted in this study are based on the official Egyptian edition used both by Yusuf Ali and Muhammad Asad. Another work on the Qur'an, that of Fazlur Rahman, *Major Themes of the Qur'an* (1980), has also been used for understanding the background of the Qur'an and its themes.

Among the collections of *ahadith*, foremost reliance has been placed on *Sahih al Bukhari* and on occasion, *Sahih Muslim*. Secondary sources for the traditions, i.e., the works of other scholars, have also been used as all the traditions are not recorded in one place. These sources are cited wherever a hadith is quoted. This secondary source method does not reduce the value of the *ahadith* as these *ahadith* are based on the authentic sources themselves.

Information on the life of the Prophet and the developments in the life of the early Muslim community is embodied in the texts of *ahadith* themselves. However, since the *ahadith* do not always indicate a time frame, the biographies of the Prophet help in placing developments in the appropriate time context. In this study, the excellent work of Martin Lings, *Muhammad: His Life Based on the Earliest Sources* (1983), has been relied upon. Another work extensively utilized here is the study by S.M. Hasannuz Zaman titled *The Economic Functions of the Early Islamic State* (1981). This superb study, the only one of its kind, provides information on early Islamic history, the gradual development of the state and its economic functions, and data on numerous economic indices. It also provides some Prophetic traditions and information on public policies of the Prophet and the subsequent political leadership. Similarly the work by the well-known jurist, Yusuf al-Qaradawi, *The Lawful and Unlawful in Islam* (1980), provides information on the Prophet's Sunnah as well as on the life of the early Muslim community.

Other important works used here, according to subject, are as follows: for social philosophy and overview of Islam—Ismail Raji al-Faruqi, *Tawhid: Its Implications for Thought and Life* (1982); for political framework of Islam—Muhammad Asad, *State and Government in Islam* (1980); for lawful and unlawful in Islam—the work of Yusuf al Qaradawi quoted above; and for political and policy overview—the work of S. Waqar Ahmed Husaini, *Islamic Environmental Systems Engineering* (1980). One book which helped clarify the need and provided the impetus for a systematic extraction of ethics from the Qur'an is the profound work of Fazlur Rahman, *Islam and Modernity: Transformation of an Intellectual Tradition* (1982).

For the chapter on poverty and basic needs (Chapter 12), an important source relied upon is Paul Streeten et. al., *First Things First: Meeting Basic Human Needs in the Developing Countries* (1980). Beyond these sources, other articles or books which have been used or cited are listed in the bibliography.

A perusal of the sources listed above may show a relative lack of reliance or consultation with works on Islamic economics. This should not be taken to mean that important works on the economics of Islam have not been written or that they have been neglected. On the contrary, many valuable and seminal works have been produced in the last quarter century, especially in the last ten years or so. The writings of Muhammad Nejatullah Siddiqi, M. Umer Chapra, Syed Nawab Haider Naqvi, Khurshid Ahmad, Muhammad Akram Khan—to name a few—are widely known and respected.⁶ Earlier works of scholars like Sayyid Abul A'la Mawdudi, Syed Qutb and Muhammad Baqir al Sadr, among others, helped lay the groundwork for the development of an economics of Islam.⁷ All these scholars and their works have positively influenced the development of economic thinking of the present author and many of their ideas can be clearly felt in this work.

However, the present study pursues a somewhat different methodological approach—one that integrates Islam's sociopolitical and economic teachings on the basis of the Islamic primary sources, systematically and holistically, so as to evolve a world view—and emphasizes the solutions to economic development problems through this approach. This methodology has generally been lacking among the works in Islam's economics. So whereas this study is an extension of the preceding works of Islamic scholars and therefore complementary, it is also distinct in the questions it poses, the approach it adopts and the emphasis it places on issues of basic needs, poverty, employment and economic growth. That is why this study does not draw heavily upon the available works on Islamic economics but incorporates them where relevant material is forthcoming and helpful.

6. See the bibliography for some of their important contributions.

7. The work of jurist-scholar Baqir al-Sadr *Iqtisaduna* (Our Economics), originally published in Arabic in 1968 and translated into English in 1984, has been a major contributor to Islamic economic thought particularly in the area of role of the state. Similarly, Sayyid Mawdudi's numerous writings collected in the *Ma'ashiyat-e-Islam* (Economics of Islam) (1969) as well as other works have also been highly influential in the formulation of an economics of Islam. Syed Qutb's contribution in this field comes mainly from his work *Social Justice in Islam* (1953). For further details, see M.N. Siddiqi's comprehensive survey "Muslim Economic Thinking: A Survey of Contemporary Literature," in Khurshid Ahmad, ed., *Studies in Islamic Economics* (1980), 191-269.

Beyond that, and perhaps more importantly, the present work in itself is an inquiry into the primary sources of Islam—the Qur'an and the Prophets's Sunnah—with the assumption that these sources contain enough data to help evolve a coherent world view of its economics. Therefore, the matériel for this work are essentially the Qur'an and commentaries as well as texts on it, the books of *ahadith*, and works on the early Islamic history. Secondary sources including works on Islamic economics play a supportive role rather than a primary role.

It is nevertheless important to review the contributions made by scholars in the realm of Islam's economics and see what has preceded this study in terms of ideas and approaches. We will confine this review, albeit brief, to some of the major texts as well as articles relevant to this study.

S. M. Hasanuz Zaman's *The Economic Functions of the Early Islamic State* (1981), as noted above, is an important study in economic history covering the development of the early Islamic state's economic functions ranging from the *bayt al mal* (the treasury department), *zakah* collection and disbursement, and fiscal policy to agricultural and economic development policies. It points to the dynamic interpretation of Islam and pragmatism in policy-making by the Prophet and the early caliphs so as to maximize social and economic welfare, and also documents the results obtained in consequence of those policies.

The work of Syed Qutb, *Social Justice in Islam* (1953), covers economic and political theory from a historical perspective. Syed Qutb, using the Qur'an and *ahadith*, argues that comprehensive socioeconomic justice is intrinsic to Islam along with basic freedoms and human equality. He establishes the operation of the rule of equity and justice in the early Islamic period through historical precedents and examples. He further points out that even though the institution of popular caliphate was overtaken and transformed into institutional monarchy with its attendant abuse of public funds, the economic teachings of Islam, by and large, continued to operate, benefitting the society. As such, Qutb argues for establishing Islamic social and economic orders through an ethical political leadership if Islam is to have relevance to Muslim life and help society grow meaningfully through the divine teachings.

In the realm of economic theory, three works are notable—M. A. Mannan, *Islamic Economics: Theory and Practice* (A Comparative Study) (1975), Monzer Kahf, *The Islamic Economy: Analytical Study of the Functioning of the Islamic Economic System* (1978), and Afzalur Rahman *Economic Doctrines of Islam* (1980). Mannan's work attempts to introduce Islamic values in the realm of modern economic thought, and proceeds to see what kind of a socioeconomic framework would develop, while often comparing it with the capitalist framework. He covers a large

number of topics ranging from consumption, production and distribution to trade, prices, banking, public finance and planning. While reflecting the difficulties inherent in superimposing Islamic values on a capitalist framework, Mannan's book is a good initial attempt in that it brings out Islamic teachings in numerous areas. It also contains several positive suggestions in the realms of land reform, banking, development planning, and a Muslim world bank.

Monzer Kahf's work, *The Islamic Economy*, deals with the functioning of a theoretical model of an Islamic economy. He builds a consumption and production theory on the basis of the Islamic view of success or felicity (*falah*), a positive emphasis on wealth and enterprise, and maximization of utility and output within the framework of beneficial and useful goods. He argues that Muslim entrepreneurs will freely cooperate within a competitive model to produce socially necessary goods while the state will ensure proper production and distribution of goods and services, the latter particularly through the social insurance mechanism. He defines the 'rules of the game' through which prices are determined by the market within an Islamic economy. Given this, Kahf proposes the macro-monetary framework, whose two key elements are *zakah* and the Islamic banking and financial structure, and looks at the general equilibrium model.

Afzalur Rahman's *Economic Doctrines of Islam* (three volumes) cover a wide variety of topics ranging from basic economic features of Islam in comparison with capitalism and communism to salient features of the Islamic economic system such as consumption, production, distribution, business organization, labor, land ownership and issues related to agriculture, *riba* (usury) and interest-free banking, and *zakah*. This work represents perhaps the best work on the economic system of Islam although significant portions of it are superfluous.

In the realm of development economics, the work of Syed Nawab Haider Naqvi, *Ethics and Economics: An Islamic Synthesis* (1981), stands out. Naqvi establishes a unique approach by using a condensed set of axioms and an axiological system derived from Islamic teachings, and then applies this framework for developing an economic strategy and policy. He proposes four objectives of an Islamic economy—social justice, universal education, economic growth, and maximum employment generation. He argues that initial impediments to income equalization—inegalitarian landed assets in particular—must be first removed so as to ensure an equitable growth through equal education and employment opportunities. Particularly with reference to capital scarce and labor-abundant economies like Pakistan, Naqvi suggests a host of direct controls on investment, income distribution and banking, as well as utilization of monetary, tax and public expenditure policies to achieve the eco-

conomic objectives. Professor Naqvi's contribution lies in delineating the need for a systematic approach to Islam's economic teachings, his work being one such example. Despite raising some controversial issues, his work is a powerful contribution to the Islamic perspective on economic development.

In the context of development theory, two papers also need mentioning—Khurshid Ahmad's "Economic Development in an Islamic Framework" (1979) and Muhammad Nejatullah Siddiqi's "An Islamic Approach to Economic Development" (1977). In his pioneering paper Khurshid Ahmad argues that within an Islamic framework, it is human development that has primacy and economic development plays a supportive, constructive role. Therefore the focus of development effort is on changing human attitudes, incentives, tastes and aspirations through Islamic ethical teachings while promoting human resource development, expansion of useful production and improving the quality of life. He prioritizes as policy objectives, *inter alia*, employment creation, broad-based social security system, and equitable distribution of income and wealth, and argues for balanced development of different regions of the country and sectors of the economy. Khurshid's work is valuable in that he proposes human development as instrumental in promoting overall growth and development and that he suggests a problem-oriented approach within a planned effort, two areas which have been largely neglected in the writings in Islamic economics.

M. N. Siddiqi, in his brief but important paper, takes a non-traditional approach to development. He regards growth in output, distributive justice, environmental balance and an overall improvement in the quality of life as the four necessary dimensions of development in an Islamic framework. He emphasizes, among other things, the role of popular will and motivation in initiating development, an issue neglected by other Muslim writers on the subject.

One other paper that in the main deals with socioeconomic goals of Islam but also covers development theory is the work of Muhammad Umer Chapra "The Islamic Welfare State and its Role in the Economy" (1979). Chapra suggests in his paper that the state in Islam is democratic in its orientation and committed to enhancing societal welfare, where welfare includes adequate fulfillment of basic material needs as well as realization of Islamic spiritual and social values. He lists six broad functions as essential to the state: poverty eradication and promotion of full employment and a high rate of growth; promotion of stability in the value of money; maintenance of law and order; provision of social and economic justice; arrangement for social security and fostering of equitable income and wealth; and harmonization of international relations and pro-

vision of national security. He argues for planning to help achieve these objectives and points to fiscal measures needed as well. Chapra's work, heavily drawing upon Islamic primary sources as well as works of Muslim jurists (*fuqaha*) and scholars (*'ulama*), reflects the need to take a comprehensive view of Islam's economic teachings so as to find solutions to the economic problem of man and particularly problems of economic development.

Besides these works of Nawab Haider Naqvi, Khurshid Ahmad, M. N. Siddiqi and Umer Chapra, little serious effort has been made in the literature on economic development so as to synthesize it with Islamic ethics and teachings and come up with comprehensive works and texts.⁸ However, some of the recent conferences on Islamic economics have begun emphasizing the field of economic development and it is hoped that fresh works will throw new light on the subject.⁹ Likewise, notwithstanding the efforts of Mannan, Kahf and Afzalur Rahman, there is still the lack of a good text on Islamic economics both in the realm of doctrines as well as in the realm of a general theory. As put succinctly by Taha Jabir al 'Alwani, a leading contemporary scholar and jurist:

In spite of the efforts expended by our Muslim scholars in the field of economics, we still find ourselves completely unable to produce an integrated and methodologically sound textbook on the subject. Nor, for that matter, has any of our economics experts been able to produce a coherent theory of Islamic economics; and this is in spite of the impressive growth of literature on all aspects of economics.¹⁰

The present effort being made in this study may help contribute a mod-

8. Two possible exceptions are the monumental work of M. Umer Chapra *Towards a Just Monetary System* (1985), whose suggested banking and credit reform have a powerful bearing on economic development, and the pioneering work of M. N. Siddiqi in the area of basic needs titled *Guarantee of a Minimum Level of Living in an Islamic State—Basis in Shariah, Rationale and Contemporary Implications* (1983).

9. See the Report by Muhammad Anwar on the Third International Conference on Islamic Economics, held January 28-30, 1992 in Kuala Lumpur, in *The American Journal of Islamic Social Sciences* 9 (Fall 1992): 427-31. Similarly, the fourth International Islamic Economics Seminar, held May 16-17, 1992 in Washington, D.C. was titled "Economic Growth and Human Resource Development in an Islamic Perspective." Selected papers of the latter conference have been published by the International Institute of Islamic Thought under the same title, 1993.

10. Taha Jabir al 'Alwani, "The Reconstruction of the Muslim Mind: The Islamization of Knowledge," *The American Journal of Islamic Social Sciences* 7 (December 1990): 457. This was the keynote address delivered by al 'Alwani at the 18th Annual Conference of The Association of Muslim Social Scientists held October 27-29, 1989 in Brockport, New York.

est beginning in the direction of fulfilling the gap that continues to exist in the doctrinal as well as development realms of Islam's economics. In particular, the methodology chosen for this work—an idealistic-rational integrated methodology—explained in the next chapter, can hopefully meet the requirement of a coherent approach that is so desperately needed to make Islam's economics and its world view more meaningful and relevant.¹¹

Plan of the Study

This work is divided into four parts. The first part of the study deals with the general framework and methodology adopted for this work. Chapter 1 introduces the problem and addresses its importance from a contemporary standpoint. Sources used for the work are delineated along with a brief review of literature. Chapter 2 introduces a methodological approach to understanding Islam, i.e., through the Qur'an and Sunnah. The issue of behavioral norms within an Islamic framework is also discussed.

The second part deals with the larger social and political environment in which this study is set. Consequently, a social and political theory of Islam is introduced here. Chapter 3 looks at the Islamic social order with particular emphasis on the institution of the Muslim Ummah (community) and the roles of family and the individual. Chapter 4 outlines the Islamic political order. It discusses the role and function of *shura* (the principle of mutual consultation), the nature and structure of an Islamic government, and the rights and responsibilities of citizens of an Islamic state.

The third part of the study, comprising seven chapters, deals with the economic doctrines of Islam. Chapter 5 introduces the economic philosophy as well as the foundational principles as taught by the Qur'an. Chapter 6 looks at the means of livelihood and sustenance on earth and the issues of work, wages and worker treatment. Chapter 7 establishes the principles of lawful and unlawful in Islam and consequently applies them to transactions and practices related to economic life. Chapter 8 deals

11. A similar approach in the realm of international relations has been adopted by AbdulHamid AbuSulayman in his work *The Islamic Theory of International Relations: New Directions for Islamic Methodology and Thought* (1987). See also Book Review by Glenn Perry in *The American Journal of Islamic Social Sciences* 9 (Spring 1992): 123-5. In the field of environmental systems engineering and planning, a similar approach has been followed by Syed Waqar Ahmed Husaini in his work *Islamic Environmental Systems Engineering: A Systems Study of Environmental Engineering, and the Law, Politics, Education, Economics and Sociology of Science and Culture of Islam* (1980).

with the issue of *riba* (usury), a major prohibition in Islam, and looks at the rationale for this prohibition. Alternative Islamic banking framework is outlined and actual practice is evaluated. Chapter 9 introduces the principle of public ownership of environmental resources and deals with their utilizational principles in Islam. The role of public sector in Islam is discussed especially with reference to public goods. Then a look is taken at the economic policies in the early Islamic period and their results. Chapter 10 discusses the role of private enterprise and the function of wealth in Islam. Issues of the standard of living and land ownership and land policy are also addressed here. Chapter 11 deals with the fiscal and distributional principles of Islam. General principles of taxation and social spending are established and *zakah* is reevaluated in some detail.

The fourth and last part of the study looks at Islamic development and policy perspectives. Chapter 12 deals with the issue of poverty and its elimination, and establishes a basic needs program directed towards the poor. It also discusses specific policies directed at increasing income opportunities of the poor. Chapter 13 discusses the issue of employment from an Islamic perspective. It shows how Islamic doctrines, if applied, help in creating employment. It also argues for application of other rational policies that contribute to employment. Chapter 14, the last chapter, sums up the study. It provides a summary of the whole work up to Chapter 13. Then it looks at implications of the Islamic doctrines for economic growth with particular reference to certain sociopolitical and economic factors that contribute to growth.

Chapter 2

A METHODOLOGICAL APPROACH TO UNDERSTANDING ISLAM

Introduction

According to the Islamic perspective, the attainment of Islam in human society, i.e., the realization of God's will, is contingent upon man's understanding of his purposive existence and is possible only through a conscious and deliberate process of God-centered change both at the micro and macro levels. This implies the creation of an integrated idealistic-rational human personality and the establishment of a humane, just and welfare-oriented social order concomitant with appropriate institutions and policies. If a human society is viewed as a sociocultural system, it comprises three components: the ideals, ethics, values and norms, or the ideological culture; the empirical vehicles or instrumentalities, or the material-technological culture; and the human agents. The Qur'an and the Prophet's Sunnah essentially provide the first component—the ideals, the moral-ethical foundation, the philosophical infrastructure, and the rationale and direction for progressive change for human society. The Qur'an and the Sunnah also provide some specific criteria and examples for institution-building. But by and large, they leave the human agents to create and develop their own material-technological culture according to their endowments, needs and requirement of space-time. And through the ideals and ethics, they provide the human agents with conscious choice and thereby the ability to grow morally as well as productively.

If one surveys the earliest Qur'anic revelations, two central themes stand out. First is the teaching of monotheism and the second, which is linked to the first, is the theme of humanitarianism and social and economic justice. The two themes remain constant in intensity and volume throughout the Qur'an. In a very early revelation, the Qur'an states: "Have you considered the denier of all religion? It is he who pushes away the orphan, who does not enjoin the feeding of the poor" (107:1-3). Here the denial of public weal is equated to the denial of all religion, faith, creed and law (*din*). Hence from the beginning, the central concern of the Qur'an has been the conduct of man.

As the late Professor Fazlur Rahman of the University of Chicago, a leading contemporary scholar of Islam, has put it:

God is the transcendent anchoring point of attributes such as life, creativity, mercy, and justice (including retribution) and of moral values to which a human society must be subject if it is to survive and prosper—a ceaseless struggle for the cause of good. This constant struggle is the keynote of man's normative existence and constitutes the service (*'ibadah*) to God with which the Qur'an squarely and inexorably charges him. But the substantive or constitutive teaching of the Prophet and the Qur'an is undoubtedly for **action in this world**, since it provides guidance for man concerning his behavior on earth in relation to other men. God exists in the mind of the believer to regulate his behavior if he is religiously experienced, but that which is to be regulated is the essence of the matter.¹

The action-based, welfare-oriented, society-building *weltanschauung* of Islam was reflected in the actions and policies of the Prophet. Professor Fazlur Rahman says that the Prophet's deep-consciousness led him not to the contemplative life "but to sustained and determined effort to achieve socioeconomic justice. He aimed at constituting a community of goodness and justice in the world—an ethically based sociopolitical order 'under God', that is, according to the principle that moral values cannot be made and unmade by man at his own whim or convenience and should not be misused or abused for the sake of expediency."² This brings up the question of the approach of Islam in regulating human behavior and prescribing the principles for reforming and reconstructing society on an ethical basis. In other words, what is the methodological framework of Islam in guiding man as is shown in the Qur'an and as was understood by the Prophet? The answer to this question is important as it provides the background to the socioeconomic principles of Islam and helps to facilitate solutions to economic development problems. In this chapter, the method-

1. Fazlur Rahman, *Islam and Modernity: Transformation of an Intellectual Tradition* (1982), 14.

2. *Ibid.*, 15.

ological approach to understanding Islam through the Qur'an and Sunnah is established. Then the issues of behavioral norms in Islam and the Shari'ah are briefly discussed. Finally, the mechanism of innovation, imitation and assimilation embodied in Islam is delineated.

The Qur'an

The Qur'an was revealed over a period of 23 years in which the Muslims grew from a few in number in Makkah (610-622 C.E.) to a large community in Madinah, and subsequently in Arabia (1/622-11/632) within the Prophet's lifetime. The major Makkan Qur'anic themes were God's unity and transcendence (*tawhid*); the Day of Judgment (*al youm al akhir*) when man's responsibility in worldly life would be judged; socio-economic justice and essential human egalitarianism, the two elements of the basic élan of the Qur'an; and collective responsibility of nations in history and God's judgment upon them. While these themes continue in the Madinan period, it is in the background of the community-state of Madinah, where the Prophet had political and administrative authority, that sociopolitical and economic legislation was given by God and enacted into law and put into practice.³

The process of change according to the Qur'an was one of gradualism in the sense that before a major measure of social reform was introduced, the ground was well-prepared and the people sufficiently motivated to accept it and abide by it. In general, the strategy in social reform followed the sequential process of motivation, education and exhortation, legislation, and lastly the application of sanctions. However, in some cases, in contradistinction with gradualism, radical measures were taken due to their urgency and need. For instance, the institution of *mu'akhat* (brotherhood), where the Makkan immigrant families (*Muhajirin*) were joined with the local Madinan families (*Ansar* or Helpers), was created soon after the Prophet's arrival in Madinah at his behest. The *Ansar* became responsible to host, feed and shelter, and give financial assistance to the immigrant families until the latter were able to establish themselves. This measure reflected the approach and understanding of the Prophet: that where conditions necessitated strong socioeconomic measures for the benefit of society, they could be taken.

When the Qur'an was revealed in seventh century Arabia, it had before it the whole experience of mankind since the beginning of human life on earth. The Qur'an therefore commented on the rise and fall of previous

3. An implication of this point is that it points to the necessity of an organized Islamic state without which it would not be possible to realize the ideals of socioeconomic justice, implement law or create an environment conducive to ethicomoral human and societal development.

civilizations, and pointed to the nature and causes of the changes in their fortunes. It also urged man to travel through the earth and see for himself the end of those civilizations and to learn from their experiences.

The immediate context of the Qur'an was the polytheistic Makkan society. As pointed out by Fazlur Rahman, Makkan social order, although prosperous, was characterized by gross socioeconomic disparities and a pernicious divisiveness of mankind. It had a subterranean world of exploitation of the weak (the tribeless, orphans, women and slaves); a variety of fraudulent commercial and monetary practices; callous uncharitableness and indulgent consumption on the one hand and grinding poverty and helplessness on the other; a singleminded pursuit of wealth and its abuse and an associated absence of belief in higher life.⁴ While the Qur'an condemned these conditions, practices, and policies severely, the ones it persistently criticized were the gross economic disparities and the lack of consideration for the weak because these lay at the heart of the social discord and were the most difficult to remedy. Moreover, the Makkan society was segmented, stratified and institutionally exploitative because a human's position was not determined by his intrinsic worth but by the accident of birth, sex, economic power or tribal customs/practices, etc. Thus, on the one hand, the Qur'an by its criticism established what a society should not be; on the other hand it pointed in a concrete way, through the rest of the revelation, what a humane society ought to be like.

Thus the Qur'an had a specific environment that it was addressing and the revelation came in this and other specific historical contexts, which raises the question of whether the Qur'an was relevant only to a certain place and age. The answer is twofold: while the Qur'an was addressing itself to a specific environment in a space-time context and providing solutions to the then-existing problems, it simultaneously laid the foundation for guiding man in all possible situations for all times. This is precisely why God has declared the Qur'an to be the eternal guidance for man and has Himself ensured its preservation for that purpose. In other words, the methodology embodied in the Qur'an itself shows that the Qur'an is meant to be relevant, understandable and applicable to every age and place; hence the reason for its divine preservation.

Having stated this, the question that needs to be answered is what is this teaching of the Qur'an that makes it relevant regardless of temporal considerations? If the Qur'an is studied carefully and analytically, what it puts forward are essentially immutable or permanent moral-ethical values, i.e., values to distinguish right from wrong, good from evil, moral

4. Fazlur Rahman, *Major Themes of the Qur'an* (1980), 38.

from immoral, and welfare-promoting from welfare-reducing. God, the Law-Giver and Guide, has delineated these permanent values in the form of specific and unambiguous commands or ordinances; a few concise legal ordinances and laws; some general principles; and largely through prescribed solutions to and rulings upon specific historical and concrete issues. These solutions and rulings provide, either explicitly or implicitly, the rationale behind them from which general principles and values can be deduced. The principles, ordinances, laws and the permanent values embodied therein are by their very nature independent of time and space and applicable at all stages and conditions of human development. In other words, the Qur'anic teachings are independent of temporal, sociological and technological considerations. Even when detailed legislation is provided by the Qur'an it invariably relates to those aspects of individual and social life which are independent of all time-conditioned changes, i.e., the basic elements of human nature and human relations.

The Qur'an, as pointed out earlier, is a coherent, consistent and complete document. Therefore, the permanent values embodied in it form a set where the total teachings converge and this set provides the necessary guidelines for the construction of an Islamic polity, society and economy. On the one hand, it is inappropriate and incorrect to view the Qur'an and take its verses in an atomistic, discrete and unintegrated fashion without keeping in perspective the purposes of the Qur'an as a whole and without taking the whole text into account. This error has been made quite often. It is not uncommon among writers on Islam to try to establish their position on an issue using selected and disjointed verses. On the other hand, it is very relevant to understand the historical context in which different passages of the Qur'an were revealed. This is particularly true for those passages where the values or principles are embodied in concrete examples, paradigms or God's rulings on specific cases. Without this background understanding or knowledge of the occasions of revelation, one may not be able to fully comprehend the relevance of what is being taught as normative.

Therefore, to understand the Qur'an and make it applicable to societal needs, not only do the permanent values have to be extracted from it, but also an internal ranking of the values has to be made so as to establish the priorities of Islam. This task has not been performed in the contemporary context as yet, at least not satisfactorily. In this study, a modest attempt is made to extract and establish the Qur'anic permanent principles and values in the realm of economics as well as assign to them a ranking for the possible construction of an Islamic economic welfare function.

Professor Fazlur Rahman points out the importance and the methodology of understanding and extracting the principles (or values) from the

Qur'an, so many of whose rulings or solutions were given in a specific historical context. He states:

In building any genuine and viable Islamic set of laws and institutions, there has to be a twofold movement: First one must move from the concrete case treatments of the Qur'an—taking the necessary and relevant social conditions of that time into account—to the general principles upon which the entire teaching converges. Second, from this general level there must be a movement back to specific legislation, taking into account the necessary and relevant social conditions now obtaining.

This, he concludes, is the only way to obtain the real truth about the Qur'anic teaching.⁵

The thrust of the Qur'an is the amelioration of the condition of man. It therefore operates both at the individual level as well as at the collective level: at the former, by guiding and encouraging the human being to develop his higher potentialities, and at the latter by assigning him the task to create an ethical social order which would ensure a conducive environment for the development of the individual personality through societal interaction and protection, basic need fulfillment, and opportunities for altruistic contribution. Individual and society are correlates where influences and causality move in both directions. Therefore, the effort at reform has to be made at both levels virtually simultaneously. These goals of Islam have to be kept in view in comprehending the Qur'anic teaching.

To insist on (1) the literal interpretation and (2) the literal application of all Qur'anic rules and laws without keeping in perspective the social change that has occurred and that is so clearly occurring at the present can be self-defeating and reflective of a lack of perception of Qur'anic sociomoral purposes, objectives and methodology. Yet both the methodological flaws crop up in writings on Qur'an and Islam.

For instance, the rule/law of payment of *zakah* (the levy on the relatively well-to-do Muslims for social welfare) cannot be interpreted to mean that some people must remain poor in society to give the rich a chance to pay *zakah* and gain reward in the eyes of God. Quite to the contrary, the objective of the Qur'an is to eliminate poverty through human resource development and full-employment. To the extent that needy people are present (i.e., in the interim transformational period), the state/society uses *zakah* funds and other means to meet their needs. Therefore *zakah* should be viewed as an institutional poverty-reduction measure which is legally enforceable. In the ideal poverty-free conditions that Islam wants to create, *zakah* becomes a general social development expenditure. Simultaneously, the categories of *zakah* recipients and its

5. Fazlur Rahman, *Islam and Modernity* (1982), 20.

purposes need to be interpreted not in a pure literal fashion but more meaningfully taking into account contemporary social conditions and the wide category of welfare expenditures it points to. Moreover, the assessment of *zakah* has to be reevaluated under the conditions prevailing now and not exclusively by the categories of wealth it was levied upon in the days of the Prophet.⁶

Similarly, the Qur'anic penal laws are meant to be a deterrent to undesirable individual behavior as well as for protection of society. They cannot be indiscriminately applied in a non-Islamic environment nor without proper education and exhortation. Most importantly, it is necessary for the society that wants to apply Qur'anic laws to ensure to a substantial degree the removal of the roots and causes (especially social and economic) for uncivil and criminal behavior. Neither the Qur'anic teachings of compassion, leniency and forgiveness nor the very strict rules of witness in such matters can be neglected. The point that is being raised here is that the Qur'an is a complete whole—one cannot take parts of it and pass a judgment on that basis without taking into account its other relevant passages and its overall purposes.

The approach of the Qur'an in social and economic matters is holistic and integrated. It proposes an idealistic-rational integrated methodology toward problem-solving. It also supports radical measures for correcting gross socioeconomic problems while in general pursuing a gradualistic evolutionary approach after the initial institutional changes have been made. Making things easier (*taysir*) in hardship, *al 'adl wal ihsan* (justice and beneficence/kindness) and overall public welfare are integral parts of the Qur'anic teachings in all realms of human life.

The Sunnah

Prophet Muhammad, like all Prophets, was essentially a reformer and a teacher. But he also performed the functions of head-of-state, administrator and judge as well as the functions of a legislator in the sphere where the Qur'an did not specify the rules and laws. One of the first measures he took after his arrival in Medina, where he had been given political authority, was the drawing up of a constitution which laid the foundation of an Islamic government and gave genesis to an organized community-state. Over the next ten years, God revealed laws and principles that guided the development of the community. Whereas Qur'anic revelations came whenever God chose to send them, many passages were revealed in response to questions that the people put to the Prophet, and in response to evolving conditions and evolving needs. The Qur'an was also respond-

6. See Chapter 11.

ing and commenting on events that were taking place and on the general situation. It was through the Qur'anic revelations that the goals and purposes of Islam were established. The revelations also became the guiding light for the development of the government, state, and public policy. Thus, the early Islamic state was a purposefully directed state which reflected the effort to realize the sociomoral purposes and the spirit of Islam in a human organization.

The Prophet was constantly being taught and guided by God since the earliest revelation. The body of his teachings, called the Sunnah, provides both a set of ideals as well as guidelines for achieving those ideals. That is why the Sunnah constitutes, as the Qur'anic ancillary, a primary source of Islam. It supplements or rather details and exemplifies the Qur'anic teaching. The Prophet's Sunnah consists largely of his *ahadith* (sing. hadith, traditions/sayings) in the form of guiding principles, commands, ordinances, rulings and decisions; details of his personal deeds, practices and mode of behavior in private and public life; and what he agreed to or tolerated during his life. The Sunnah, in other words, is the documented sum total of Muhammad's conduct in his life as Prophet and in all other capacities. Therefore, the Sunnah embodies the Qur'anic ideals as teachings and sayings, and as concrete examples in practice and application.⁷

For the Muslims, the Sunnah is of three types: that which is morally-legally binding, that which is morally binding, and that which is non-binding. The first type of Sunnah is in the realm of religious obligations and universal ordinances or commands which have a direct bearing on man's social behavior and actions. Also included here are those Prophetic *ahadith* which are not legal in nature (or legally enforceable in and by themselves) but contain moral-ethical principles and lessons. These are in matters within the purview of Prophethood, e.g., morals and ethics, lawful and unlawful, and all such areas that are dealt with by the Qur'an.

7. The Prophetic Sunnah is recorded in several texts of which the most authentic and authoritative are *Ṣaḥīḥ al Bukhārī*, *Ṣaḥīḥ Muslim*, *al Nasā'ī*, *Abū Dawūd*, *al Tirmidhī* and *Ibn Mājah* collectively known as *al Ṣiḥāḥ al Sittah* (the six correct and authentic ones), as well as in the authoritative works like the *Muwatta'a* of Imam Malik and the *Musnad* of Ahmad B. Hanbal. In this study, *Ṣaḥīḥ al Bukhārī*, the foremost of them all, is used as the primary source of hadith. It has an excellent classification system and is available with both the Arabic text and English translation. *Aḥādīth* from the above-mentioned other texts are also used because no one text covers the whole Sunnah. In numerous places, secondary sources are also cited for a hadith. Some biographies of the Prophet are also an excellent source for his Sunnah and *ahadith*. Among the very best is the work of Martin Lings titled *Muhammad: His Life Based on the Earliest Sources* (1983), used and quoted in this paper in numerous places. For further details on hadith literature, see M. M. Azami, *Studies in Hadith Methodology and Literature* (1977).

The second type of Sunnah contains the *ahadith* and actions based on normative judgment, reason and welfare of man. These are the Prophet's administrative rulings, judgments, decisions, rules and laws given in his capacity as head-of-state, judge and legislator. These also cover matters not directly covered by the Qur'an. Most of these decisions were made in specific space-time contexts or on specific matters or issues that were brought before him and involved value-judgments. The Prophet's companions and early Muslims took these decisions as legally and morally binding and abided by them. It should be noted that the Prophet had a "beautiful pattern of conduct" (Qur'an, 33:21) and all his actions, thoughts and sayings were grounded in the ethics and the eternal verities of the Qur'an. As such, it was and still is the ideal criterion for human behavior and human judgment. The Prophet's decisions in public affairs were based on Islamic ideological premises as well as the existing social realities of that time. As for now, the premises and the value-judgments embodied/subsumed in the decisions are ideally immutable or morally binding because they are based on the Islamic permanent values, but the decisions *per se* are amendable, revocable and legally non-binding. For instance, in the case of water laws and tax collection and disbursement, the rules or modes that the Prophet established are not legally binding *per se* because they are time-conditioned but the values they contain are permanent and unchangeable. In other words, this non-legally binding Sunnah has its power in the principles it contains or establishes but not in the specific application, mode or form, although these may be valuable.

This understanding and approach were evidenced by the early caliphs in their modifying, revoking or expanding the decisions of the Prophet according to new exigencies. For instance, when the economic conditions had changed, 'Umar (13/634-24/644) added new categories of goods to the *zakah* tax base. Similarly, when the territory of Iraq came under the domain of Islam through conquest, 'Umar refused to distribute the agricultural land among the Muslim soldiers or community members as had been the policy of the Prophet within Arabia. He left the land with the original farmers and taxed them to generate income for the government and for expenditures on development and welfare projects. This shows that the Prophet's decisions were not taken in a static sense but in a dynamic way, in consistency with the Qur'anic permanent values as well as with keeping the new social needs in perspective.

The third type of Sunnah is the non-binding Sunnah which either deals with matters of universal rational, positive knowledge, or the Prophet's personal preferences, living standard, dress, habits or other personal issues. In the latter matters, Muslims are not obligated to copy or follow them. In other words, the essence is the value embodied in this Sunnah

and not the form or mode. Where the Prophet made decisions or gave advice on matters of rational knowledge, his judgment was that of a common human being. For instance, once when his opinion in a matter of agricultural science was taken as an instruction and did not produce the desired result, he accepted his limited worldly knowledge and said: "I am but a human being. Only when I order you to do something regarding your religious duties will you have to abide by it. But if I issue an instruction upon my personal opinion, then it is a mere guess and I am only a human being. Rather, you may know better your worldly affairs."⁸ Therefore the Prophet's statements involving positive knowledge are non-binding. This was also reflected in the understanding of his companions. Whereas they followed and obeyed him in virtually all matters including religious, state and public matters, on occasion they also questioned him whether an instruction was based on God's revelation or on his own personal opinion. The Prophet also consulted his companions on important matters as commanded by the Qur'an (3:159).

The Prophet did not make precipitate decisions in matters of public policy, but awaited God's revelation. The Qur'an was being revealed throughout his Prophetic career and often revelations came in response to questions, events and problems. The revelations aimed at resolving the problem, correcting the social disequilibrium and restoring justice. The Prophet never gave decisions on purely hypothetical issues or on issues that were never brought to his notice. He was of a reticent nature and did not unduly interfere in people's affairs. But because he was the last Messenger and standard-setter for normative action, his Sunnah spans the entire spectrum of social, political, economic, cultural, private, public and religious life.

This study deals with and incorporates the first two types of Sunnahs—the morally-legally binding and the morally-binding. The third type, i.e., the non-binding Sunnah is left out as it deals largely with issues beyond the scope of this study. Similarly, within the binding Sunnah, only those sayings and practices are quoted and utilized which have a direct bearing on the issues of concern here.

One point needs to be clarified here that carries serious implications for the contemporary understanding of Islam and its application: The Qur'an and the Sunnah form one integral whole, elucidating and complementing one another. "The Qur'an," as Fazlur Rahman has perceptively put it "tends to concretize the ethical, to clothe the general in a particular paradigm, and to translate the ethical into legal or quasi-legal commands. But it is precisely a sign of its moral fervor that it is not content only with gen-

8. S. Waqar Ahmed Husaini, *Islamic Environmental Systems Engineering* (1980), 25.

eralizable ethical propositions but is keen on translating them into actual paradigms.”⁹ The Sunnah itself, in its content and methodology, is an example of the concretization of the ethical, a reflection of the Qur’anic paradigm building. Hence it is an ancillary to the Qur’an—a necessary instrument for the understanding of the Qur’anic purposes. The authentic Sunnah or hadith cannot contradict the Qur’anic purposes or the Qur’anic world view. It only details, explains and concretizes the Qur’anic position. However, since the *ahadith*, the primary source of the Sunnah, give no more than fragments of the sayings of the Prophet or describe isolated incidents, it is necessary to extract all the relevant *ahadith* on a particular issue, place them side by side and/or read them in conjunction with the relevant Qur’anic verse or verses to establish a clear-cut Islamic position on that issue of concern.

This also means that since the Prophetic Sunnah developed in a specific historical context, it may be necessary (depending upon the nature of the issue and hadith) to investigate and establish the underlying values embodied in the specific ruling, decision, or principle. In other words, it is important to separate the immutable from the changeable, the universal from the specific, and the general from the particular. This would especially be important in cases which have either not been dealt with in the Qur’an at all or are lacking in detail, and in matters where the Prophet took decisions as a leader and administrator.

The ramifications of the preceding are very significant. Given that Islam is concerned with the welfare and well-being of man, it has to be studied and its principles reinterpreted (to the degree necessary) and reaffirmed by each generation and consequently applied through consensus to specific social situations within their own material-technological culture. In this process, it becomes necessary to establish an axiological hierarchy of values in terms of their source and content. Differentiating the permanent values from the temporary is critical to the process. The Qur’anic values are fixed and of the highest order. They are also generally self-evident. The Qur’an is, in a sense, its own best commentary. However, since the Prophet best understood the Qur’an, his Sunnah performs the invaluable function of explaining as well as concretizing the Qur’anic values and ethics. Therefore, it becomes necessary to study and analyze the Sunnah in the method suggested above.

The Issue of Behavioral Norms

The central moral concept in Islam is *taqwa* which implies God-consciousness. This is the mental state of responsibility toward God and

9. Fazlur Rahman, *Islam and Modernity* (1982), 154.

mankind from which an agent's actions proceed that Islam attempts to induce in man. In other words, it is the state of the heart and mind of a self-actualized person, a fully integrated idealistic-rational human, who responds to God and His teaching and whose entire existence—belief, values and conduct—became proof of possessing such a quality (see, for example, Qur'an, 2:2-5).

Islam views man as possessing both the lower and higher or moral, ethical, altruistic and esthetic tendencies. Within this dual-man, it sees him as having universal basic needs—**physiological needs** (food, clothing, shelter, rest); **safety and security needs**, i.e., protection of life, religion, honor, property and posterity and the guarantee of meeting physiological needs in the foreseeable future; and **social needs**, i.e., the need of belonging and association (love, affection and acceptance through family and community), the need of self-esteem and esteem by others (basic human dignity through work, productivity and being socially useful), and the need of knowledge through education and learning. Innumerable passages of the Qur'an point to all these needs. Islam argues that by ensuring the satisfaction of all physiological, security and social needs, the higher tendencies can be activated thus providing the possibilities of self-actualization. This does not mean that man exhibits the characteristics of a fully grown and mature personality (like social concern, altruism, creativity, etc.) only when basic needs are met—but it does mean that the fulfillment of basic needs is the best guarantee of promoting human and consequently societal development. Man can develop and possess extraordinary higher traits in spite of lack of material need satisfaction or the presence of other handicaps, but these are the exceptions and point to man's ability to rise above all limitations. The Qur'an points to this fact and cites such examples of human behavior in early Islamic history (see 59:7-10).

The Qur'an describes man's nature as being selfish, acquisitive, materialistic, short-sighted, pleasure-seeking, arrogant, ungrateful and petty but it also attempts to rectify these innate characteristics by encouraging him to develop the morally positive aspects of his personality—altruism, sacrifice, farsightedness, humility, thankfulness toward God, open-minded and social consciousness. Numerous verses of the Qur'an testify to both these negative and positive aspects of the human character. It is within this larger perspective that the Islamic ethical norms should be viewed.

Norms are standards of conduct and behavior which individuals follow or should follow in their activities. While norms are enforced by the individual's own conscience, laws and rules are enforced by an outside authority or power—laws by the state and rules by a peer group or organization. Islam views man as accepting the Islamic religion by pure voluntary choice and action (Qur'an, 2:256). Even though a person may be

born into a Muslim home, he/she has the responsibility to affirm faith in Islam voluntarily on becoming mature. Once this covenant with God is made with society as witness, it follows that the individual has made a conscious choice to abide by its norms, rules, and laws. The fact that norms have always existed, explicitly or implicitly, in each and every society throughout human history is not surprising. It is simply because norms are necessary to human existence although they may originate from God or some human authority or evolve historically within the society or through a mix of all these factors.

A problem that arises in the area of ethical norms is on two planes—one of understanding and the other of enforcement. If the norms are ambiguous or not sufficiently clearly defined they become a source of misunderstanding; and when norms are totally left to the individual's conscience, they may not be always or continuously followed. In the Islamic framework, while the origins of the ethical norms lie in the Qur'an, their concretization into particular paradigms or actual human conduct lie both in the Qur'an and the Sunnah, particularly in the latter. This in particular minimizes the source of ambiguity in understanding because the norms were practiced and applied in real human situations. However, it needs to be remembered that the early Muslim society was small, culturally homogeneous, and cohesive.

Given the real possibility that norms may continue to be flouted, either willfully or through misperception (due to the large number problem, the free-rider problem, and lack of specificity), it may be necessary to reinterpret them and translate them into rules and laws, and enforce them through peer or community pressure and legal structure. Islam approves of both these methods. In other words, given that the honor system may not always work or not work in all areas, fresh detailed unambiguous rules and laws may be required to ensure the practice of desired conduct on the part of citizens of the Islamic state. This is particularly true for matters social, economic and political. This implies the need for institutionalization for large communities and for societies in general. This was reflected in the Qur'anic and Sunnatic methodology. While norms were given by the Qur'an in early Makkah, their institutionalization and the creation of laws began in Madinah, where the community size was growing and the environment was conducive to the practice of the laws.

The Qur'an gives only a small number of laws. In the realm of personal conduct and social relations, it gives laws on marriage, divorce, sexual conduct, adoption, slavery, and some other civil and criminal matters like theft, murder and embezzlement of property. In political matters, the Qur'an essentially gives the principles of leadership, *shura* (mutual consultation) and dissent as well as some principles of international relations.

In the area of economics, it provides a few laws or ordinances on the issues of inheritance, *riba* (usury) and *zakah* and on commercial issues like debt, contracts and weights and measures. By and large, the Qur'an and Sunnah give principles, rules, and norms for social and economic problems and issues. Therefore, in order to create an ethical social order where human welfare can be promoted and norms practiced, it is incumbent upon state authorities to create the concomitant and necessary institutional and legal framework. This is particularly important for the present day and age where a long period has passed since the Qur'an was originally revealed, where people have largely lost touch with the Islamic primary sources, where the size of communities has grown tremendously, where life has become complex, urbanized and secularized, and where economies are dealing with new modes, methods and technology.

Guidance in application of rules and norms can be sought in the methodological approaches of the Prophet and the following early political leaders who concretized and operationalized the norms, provided new legislation in matters where there were no Qur'anic laws, freshly interpreted issues which were not discussed by the Qur'an directly, and resolved new problems and exigencies. This they did on the basis of Qur'anic permanent values and principles. Only in this manner can Islamic teaching remain dynamic, applicable, practicable and enforceable and only in this way can the objectives and purposes of the Qur'an be achieved.

The essence, then, of Islam is the moral-ethical values, i.e., the permanent values. They are the crucial pivot of the entire teaching or the overall normative system of Islam. They are the necessary link not only between God and man, but also the basis of law which governs the development of social, political and economic institutions.

The Shari'ah

In Islam, the basic moral-ethical code is known as the Shari'ah. The Qur'an states: "For everyone of you, We have ordained a shari'ah (Divine Principles or Law) and a *minhaj* (an open way)" (5:48). The Shari'ah comprises the explicit ordinances of the Qur'an and Sunnah which are simultaneously moral and legal. The Shari'ah is concise and small.¹⁰ Strictly speaking, it is not law *per se*, although it is often referred to or translated as Islamic law. It is a way of life lived under God's commands and in obedience to His will. Since the Shari'ah embodies the Islamic moral imperatives, Islamic law has to be codified and derived from it.

10. Muhammad Asad, *State and Government in Islam* (1980), 12.

Therefore, the larger part of the time-and-space conditioned legal structure will have to be evolved on the basis of the principles (*'usul*) and commands given in the Shari'ah and will thus be dynamic and responsive to societal needs. In other words, the societal institutions, legal details and policy-making (*minhaj*) is temporal and flexible while the set of permanent values, religious obligations, legal principles and the non-time conditioned moral-legal code (Shari'ah) are immutable, fixed and non-temporal. Thus the Shari'ah is the point of reference for all society-building activities.

Conclusion

As has been stated, God, in a sense, has staked out the boundaries and given a core of values in which the community ought to develop, but has left the details necessary for human progress to be filled by the requirements of time and social conditions. Implied in this is Islam's dynamic view of life and society and the changing needs of space-time, i.e., the law of historical and intellectual evolution to which human society as a whole is subject. It seems that the limited scope of the legal ordinances of the Qur'an and Sunnah (not the scope of values and ethics which is very wide) was meant to provide a deliberate safeguard against legal and social rigidity—that the Law-Giver never meant to cover in detail all conceivable exigencies of life.

It then is the function of the intellectual and political leadership to come up with whatever changes are indispensable and desirable for societal growth and development. The process underscores the necessity of systematically working out Islamic ethics from the Qur'an; a viable set of laws and institutions based on those ethics and rooted in social reality; and a set of policies designed to achieve short-term objectives and long-term goals of Islam.

In this process, no sanctity is attached to the form or structure of any political and economic model, past or present. Contrary to what is sometimes believed, there is no evidence either in the Qur'an or Sunnah that it is necessary to adopt the political form(s), pattern, and methods of the early Islamic state or its economic structure or organization. The early Islamic state (of the Prophet and the Rightly Guided Caliphs) was based on the Qur'anic world view and ethical value-system and the Qur'anic revealed laws. It evolved in the social realities and the natural environment of that time. It used an integrated idealistic-rational approach to policy-making and problem-solving within the given parameters. The task of Muslims of every generation is to use the ratiocinative method and learn from the history and experience of the past generations, particularly from

the history of the Prophetic era and what followed it. Guided, but unhampered by the works of previous generations, each generation is permitted to solve its own problems. These are some of the lessons of the Qur'an.

On the philosophical plane, Islam is not only a state of being but also a process of becoming, not a static mode of existence but a dynamic way of living and attaining goals. Islam is a movement from the lower tendencies to the higher possibilities. It is not a going back in the sense of time but a going back to the divine sources in order to move forward and progress. The Qur'an still exists with all its combative force and logic and the Sunnah continues to guide toward the ideals. Whether Muslims recognize these assets, correctly understand them and put them to use is the critical question.

A Note on the Methodology of Innovation, Imitation and Assimilation in Islam

Any contemporary attempt at Islam-based economic development will have to be made in a creative spirit using all the beneficial tools available to mankind. Muslims will have to invent and innovate, making new departures on the basis of what has been revealed in the Qur'an. This was exemplified by the early Muslims in their enlightened understanding of the Islamic spirit and was manifested in their creation and application of policies. Moreover, part of the Sunnah itself is a matter of originality and innovation, especially in issues dealing with public interest and state policy.

The Qur'anic philosophy and methodology clearly establish that anything that is of utility or value, regardless of its origins, can be imitated and assimilated by Muslims as long as it does not violate the prohibited categories (Qur'an, 5:4-5; 7:32). For instance, the pre-Islamic, democratic Arab institution of *shura* (consultative council or assembly where the will of the people can be expressed by representation) was confirmed and assimilated by the Qur'an laying the principles of mutual counseling and consultation and representation (42:38). The Prophet was instructed to decide matters after consultation with the people (Qur'an, 3:159).

The Prophet also legitimized and absorbed in the emerging Islamic culture beneficial pre-Islamic customs/usages/virtues. But in most cases, he modified or regulated the practices to suit Islamic teachings and then adopted them in Islam especially in the realm of land-tenure and business transactions. His early followers applied the same principle of assimilation when new methods and techniques became known and available. A good example of imitation is the creation by 'Umar of the *diwan* (bureau), a special government department, in the year 20/641 for conducting regular population census. It was on this basis that he started the food-ration

and social insurance scheme.

The Qur'an views knowledge—the creation of ideas and the pursuit of knowledge—as an activity of the highest possible value. After *Allah* (God), *knowledge* including its derivatives is the second most repeated word in the Qur'an. Man's creation and existence, his superiority over all other creatures, is based on his being given the faculty of understanding and knowledge as well as the freedom and ability to use them (Qur'an, 96:1-5; cf. 2:30-3). The function of knowledge is to enable man to lead an enlightened life and to fulfill the purpose of his creation, i.e., the will of God.

The Qur'an itself points to virtually all types of sciences as well as the scientific method (or observation). It refers to the knowledge of nature which has been made subservient to man, i.e., the physical sciences. It refers to history, geography and geology, biology and botany and numerous other sciences. The Qur'an also points to the knowledge of man and society as based on scientific observation, i.e., humanities and social sciences. But most importantly, the Qur'an prescribes that all scientific and technological knowledge be used with a keen moral perception (in accordance with the ethics it gives) for the benefit of mankind and not for man's own self-destruction. Similarly, numerous traditions of the Prophet sanctify education, research and the pursuit of wisdom along with pointing the direction of their use. Thus, all positive knowledge and sciences, i.e., anything that is value-neutral is potentially an integral part of the Islamic scientific-educational culture and should be promoted and disseminated. The Prophet was reported to have said, "A wise counsel is the lost property of the believer, wherever he finds it, he has greater right to it."¹¹

The implication of this philosophy is that knowledge and experience are the common heritage of mankind. Thus everything useful proceeding from this accumulated heritage can and ought to be imitated—and where necessary reformed, amended, improved, synthesized and adapted—and assimilated in the Islamic culture. This applies to all humanistic-social sciences and natural-physical sciences and to technology, government, public administration, business management, etc. This equally applies to human and economic development strategies and policies.

11. The hadith was reported by al Tirmidhī and cited by Husaini, *Islamic Environmental Systems Engineering* (1980), 30.

PART II

SOCIAL AND POLITICAL FRAMEWORK

Chapter 3

THE SOCIAL ORDER IN ISLAM: BASIS, NATURE AND PRINCIPLES

Islam and its Social Theory

Islam takes a unique view of man's social existence. It defines itself as the very business of life—all comprehending and all-inclusive. It talks of man's multidimensional needs and points to their satisfaction through the operation of the natural laws and society. It prescribes normative individual behavior even in minute details and simultaneously gives ordinances, laws and principles for society, economy and politics. It outlines the basis of society and points to the need of organized community and to concomitant community-building activities. It prescribes social ethics and assigns collective responsibilities. It explains human history, the rise and fall of cultures and civilizations through the cause and effect relationship between men, their ideas and their efforts. In short, Islam asserts itself as relevant to all space-time, to the very process of history, to all dimensions of life and to every aspect of society. It sees all these matters not only as concerns of religion but as the very essence of religion.

Since man has a purposive existence ("man has not been created in vain," Qur'an, 23:115), he needs to be guided in a certain direction which is done by the Islamic primary sources (the Qur'an and the Sunnah). His essential purpose is to serve God and Him alone (51:56). On the individual level, it means that man has to worship the one God, behave in an ethical manner and realize his higher tendencies. On the collective level, his task is to establish an ethical social order, the outline and principle features of which are spread all over the Qur'an. Thus, man's life is one

unceasing moral struggle and challenge. It is this task that the Qur'an refers to as the Trust (*amanah*) which man accepted (33:72), i.e., the use of reason or intellect, and the faculty of volition in the attempt to create a moral social order on earth.¹ This operational function, in the Qur'anic perspective, can only be fulfilled when man's actions follow a true understanding of the Faith and are rooted in a deep-seated belief in *tawhid* (oneness and transcendence of God), and the conviction that all normative values and laws come from God. Man's success or failure in the eyes of God is dependent on his intent and the consequent actualization of his operational function. The Qur'an states: "Indeed, We have conferred dignity [or honor] on the children of Adam, and borne them over land and sea, and provided them with sustenance out of the good things of life, and favored them far above most of Our creation: [but] one Day We shall summon all human beings [and judge them] according to the conscious disposition which governed their deeds [in life] . . ." (17:70-1). God is man's helper and guide in his struggle if he makes the necessary effort with sincerity.

The social order in Islam is intricately linked to human existence as the theater or arena which he establishes and where he finds the possibilities of self-realization, growth and service to God and mankind. As such, the social order in Islam has to be based on divine guidance, ordered and designed on Islamic permanent values and ethics with the purpose of ameliorating the lot of mankind and achieving the purposes of the Qur'an and the Sunnah. What the Qur'an wants to prevent is "corruption on earth," i.e., the state of general lawlessness in society—moral, political or social (2:11, 27, 205; 7:56, 85; 8:64; 11:16; 12:73; 13:25; 16:88; 26:152; 28:77). This can happen when men "fall into decadent ways." The Qur'an repeatedly points out the end of previous civilizations as lessons for mankind (30:42 and elsewhere). The Qur'an, in other words, is referring to the social orders that went wayward, that were not established or developed on the divinely revealed values. The function of Prophets and Prophethood was both to teach the divine values as well as to prevent or cure the waywardness that had set in. All this points to the objective of the Qur'an that the task of human societies is ideally to establish social orders which are moral, just, and egalitarian, as will be shown in the forthcoming pages.

Islam argues that life is innocent and good, that every person is born noble and free. Therefore, what is of human nature is desirable, good and to be enjoyed. The Qur'an states: "Say: Who has forbidden the beautiful

1. See Fazlur Rahman, *Major Themes of the Qur'an* (1980), 18.

Also see Muhammad Asad, *The Message of the Qur'an* (1980), 653 n. 87.

gifts of God, which He has produced for His servants and the things clean and pure [which he has provided] for sustenance?" (7:32). It further states: "It is We who have placed you on earth, and provided you therein with means for the fulfillment of your life; small are the thanks that you give" (7:10). These and numerous other verses of the Qur'an point to God's ubiquitous mercy in His creation of innumerable things for the use, earning, benefit and enjoyment of man. The Qur'an calls them wealth or bounties of God (*Faql Allah*), blessings/favors/grace (*ni'mah*), sustenance (*al rizq*), good and wholesome things (*al-tayyibāt*), means of work/fulfillment (*ma'ishah*), and means of enjoyment (*matā'*). It specifically refers to scores of things included in the above-mentioned categories—the night and day, clouds, winds, rain, fire, rivers, seas, grains, fruits and vegetables, animals and birds, means of transportation, places and means of shelter, apparel, natural roads and highways, land, forests, subsoil resources, etc. All these are meant to nourish and sustain man and to provide him with means of work and fulfillment through the use of physical and rational faculties endowed to him.

The Qur'an points out natural human relationships based on love and mercy—parents, children, grandparents, spouses, and kinship at large. It also points to the larger brotherhood of man and to the brotherhood based on faith. It sees these as the basis for founding societies. The Qur'an also points to the creation of men in nations and tribes for the purposes of fraternization and mutual identification.

Since everything that is created or available in nature is for man and is good, it is only natural that its pursuit and enjoyment is good. Therefore eating, drinking, lodging, comfort, friendship, marriage, work, sciences, learning, association, and all society-building and culture-forming activities are intrinsically positive as long as they are done without injustice and wrongdoing to oneself and to others. In short, all human activities, when done without violation of God's commandments, are desirable. If man pursues his activities in consistency with God's teachings and with God-consciousness, he indeed fulfills the function of the vicegerent of God on earth (*khalīfah*) and realizes the divine will.

However, the Qur'an explicitly mentions that material and worldly things that men like, covet and pursue can become a trap and evil if life is exclusively devoted to such pursuits (3:14). Given that virtually all things are inherently innocent and good, the transformation of the praiseworthy activities into disvalues takes place when the believer gives preference to them over God, the Prophet, and self-exertion in His or community's cause, i.e., over his Islamic faith and commitment (Qur'an, 9:24). In other words, when a Muslim refuses to abide by the Divine teachings, assigns them a false order of rank or prefers his narrow self-

interest at the expense of the community, then his pursuits become blameworthy and a source of moral peril and self-injustice (*zulm al nafs*).² If he wants success in both this life and the afterlife, the Muslim should operate within the ethics and values of Islam with perception of their correct rank ordering. Verse. 9:24 states: “Say [O Muhammad] unto the believers: If it be your fathers, your sons, your brothers, your spouses, or your kindred; the wealth that you have gained; the commerce in which you fear a decline; or the dwellings in which you delight—[if all those] are dearer to you than God and His Apostle and the struggle in His cause, then wait till God brings about His decision [or manifests His will]; and [know that] God does not guide the rebellious.” In this passage, on the one hand, kinship ties and material possessions are being rejected as the decisive factors of normative Muslim social behavior. On the other hand, belief (“God and His Messenger”) and its affirmation (“struggle in His cause”) are being postulated as the only valid basis on which a Muslim’s individual and social life should rest. Hence Islamic teachings and values are viewed by the Qur’an as the basis of society, and as the criterion to judge societal relationships and normative human behavior.

It is within this larger and holistic perspective—of human purposiveness, of satisfying human needs and wants, of human relationships, of human enjoyment of things, of the primacy of collective responsibility as well as affirmation of belief—that Islam bases its social theory.

It should be mentioned that, historically, the essential problem of humanity has not been the lack of belief in one God but rather the failure to carry through belief in God to its logical conclusion, i.e., the failure to apply God’s teachings to societal matters. The Qur’anic passages 23:84-

2. The Qur’an views all human acts that deviate from man’s normative nature as an injustice to himself/herself regardless of whether the acts are perpetrated upon oneself or on someone else. In particular, it emphasizes that every wrongdoing is a form of self-injustice (*zulm al nafs*) and even when man deals unjustly with others, it ultimately recoils on himself and is hence reflective. For instance, it states: “and (by their wrongdoing) they did no harm to us—but (only) against their own selves did they do injustice (*zulm*)” (2:57). Or it says: “We did them no injustice, on the contrary, they did injustice to themselves” (2:231). So the term *zulm al nafs* is used for individuals as well as for collectivities or societies (cf. 3:117; 7:160, 177; 28:16; 65:1). This very critical concept implies the necessity of prevention of wrongdoing, evil and injustice on the part of man, individually and collectively, and the necessity of establishing goodness, virtue and justice. This logically fits into the task of the Muslim community to “command good and forbid evil” discussed in the sequel where both the individual and the community are liable for carrying out this responsibility.

90, 29:61-3, and 43:87-8 explicitly point out this problem. Human pride, vanity, and the refusal to accept divine guidance and directives or to comply therewith have been the bane of man. So, in the Qur'anic perspective, the implementation of faith in societal and collective matters (besides personal submission to God) is of paramount significance and the true proof of attainment of Islam. The Qur'an states: "Say [O Muhammad]: Verily all matters [or affairs] are wholly God's" (3:154); "It is He who is God in heaven and God on earth" (6:3); and "The command is for none but for God" (6:57; 12:40). These passages are saying that the basic laws of right and wrong, the basis of any society, have to be none other than those given by God. Thus all normative matters whether social, political and economic laws, moral laws, ethics—rooted in the basic laws of right and wrong—are His domain. In this sense, a social order is ethical and Islamic if it flows from the divine teachings and operates in consistency with the Islamic principles. On the other hand, a social order is not Islamic if it does not flow from the Qur'an and Sunnah or does not operate on the teachings proceeding from these sources. What this means in practical and operational terms for the Muslims is that doctrines, institutions, laws, problem-solving and policy formulation within an ethical social order have of necessity to be based on the body of God's teachings called Islam. Similarly, the ethics of the social order have to arise out of the ethics of Islam.

The Islamic (or ethical) social order can be viewed at three levels: the collectivity, community or Ummah; the family; and the individual. Since this study is essentially interested in the macro-perspective, the Ummah is studied in some detail. Then the Islamic social values and ethics are established along with their implications, particularly for the Ummah. Following that, certain important aspects of the institution of the family and the position of the individual within the larger social order are discussed.

The Community or Ummah: Necessity, Nature, Function

Islam considers the social order not only natural but necessary because it is in this theater that the human finds his growth, development and self-fulfillment. The social order is where the God-given human rights can be fulfilled, duties and obligations observed, and economic goals and policy objectives pursued.

The Qur'an states: "Those [are Muslims] who, when We give them power on earth, establish prayers (*salah*), pay *zakah*, command good and prohibit evil" (22:40). Here *salah*, as elsewhere in the Qur'an, means not only the cardinal duty of prayer but also symbolizes the overall normative

moral-ethical behavior, and *zakah* stands not only for the social welfare obligation alone but is also symbolic of the philosophy of economic justice and support for the weak evidenced throughout the Qur'an. Similarly, "commanding good and prohibiting evil" (*amr bil ma'roof wa nahy an al-munkar*) symbolizes the upholding of the Qur'anic-Sunnatic permanent values in matters social, political, economic and cultural. The above passage while pointing to the actual behavior and ethics of the true individual Muslims and their collectivity also prescribes the desired and normative function of the Muslims as a group.

That Islam takes a holistic and integrated view of life and belief, of prayer and worship, and of social and moral teachings is demonstrated in the following passage:

It is no virtue that you turn your faces east and west [in prayer]. Virtuous are they who believe in God, the Last Day, the Angels, the Book [or revelations], the Prophets, who give of their wealth—despite their love for it—to needy kinsmen, orphans, the poor, the wayfarer, those who ask for financial help and for the freeing of human beings in bondage, who establish prayer, pay *zakah*, fulfill their pacts when they make them, are steadfast in misfortune and hardship and in time of peril—these are the true believers [or truly conscious of God] (2:177).

In another passage, the Qur'an points out the nature of the people of virtue, righteousness and *taqwa* (God-consciousness) and hence the desired nature of Muslim society:

Verily, for all those who have surrendered to God of males and females, those who believe of males and females, those who are sincere of males and females, those who are truthful of males and females, those who are patient of males and females, those who fear God of males and females, those who give in charity of males and females, those who fast of males and females, those who preserve their private parts [from indecency] of males and females—God has prepared for them forgiveness and great reward (33:35).

As these two passages show, Muslim society is meant not only to comprise people of virtuous character but also that God-consciousness of such people should logically move into the social arena and be exemplified in acts of social welfare and ethical social transactions.

It is when these tasks are performed and the character is so molded that the Islamic community becomes the ideal and best community. The Qur'an points this out: "You are indeed the best community (ummah) that has ever been brought for [the good] of mankind: [because] you enjoin the doing of what is right and forbid the doing of what is wrong, and you believe in God" (3:110). This and other passages of the Qur'an where the

characterization “commanding good, forbidding evil, establishing prayer and giving *zakah*” recur (2:177, 9:71, 22:41) amply demonstrate that the task of the Muslim community is to establish an ethical social order on earth where social weal is promoted and injustice abolished. As Professor Fazlur Rahman has put it: “There is no doubt that the Qur’an wanted Muslims to establish a political order on earth for the sake of creating an egalitarian and just moral-social order. Such an order should by definition, eliminate ‘corruption on earth’ and ‘reform the earth.’”³ This task can be performed when Muslims heed the call of the Qur’an to come together and stick together on the Islamic basis: “And hold fast, all together, unto the bond with God, and do not draw apart from one another” (3:103).

The Qur’an also proclaims the function of the Muslim community in the following terms: “Thus We have appointed you as a median community (*ummataṅ wasatān*) that you may be witnesses to mankind and the Messenger be a witness over you” (2:143; cf. 22:78). Here the term witness also implies the meaning of example—that the Muslims should be an exemplary nation like the Prophet was an example-model for Muslims. Historically, the above passage probably meant the function of Muslims as the intermediate/middle nation between the rigidity and fluidity of the then existing communities. But now, by analogy, it can be taken to mean the position of the Muslim community as being one of justly balancing out extremes on the globe in all areas of life—of spiritualism and materialism, of ethnocentrism versus absence of brotherhood and social concern, of totalitarianism vis-a-vis social anarchy, of command economy versus directionless economy. In other words, the Qur’an assigns the Muslims the task of being the community of the golden mean as well as the task of smoothing out social, political, economic and religious extremes on the earth.

The term *ummah* used in these verses implies community although it has no exact English equivalent. It means a group of people bound by a common faith. *Ummah Muslimah* (Muslim community), a novel and unique concept given by the Qur’an, concretized by the Prophet and ideally exemplified in the early Islamic period, is a universal community of voluntary association or membership. In this association, a member’s race, nationality and ethnicity are purely functional categories while faith is the organic bond. Thus loyalty to the community overrides loyalties to one’s family, kinship, race, nation, linguistic group, etc. It does not mean that these institutions or divisions are meaningless or irrelevant but that

3. Fazlur Rahman, *Major Themes* (1980), 62.

Islam regards a Muslim's religion and ideology as the primary source of identification and other human or ethnic relationships or identities as secondary. Thus the *Ummah Muslimah* is an ideological community and a brotherhood of faith and hence of paramount significance.

The Qur'an states: "O people! We have created [all of] you out of a male and female, and We have made you into different nations and tribes so that you might come to know one another; [otherwise] the noblest of you in the sight of God is the one most possessed of God-consciousness (*taqwa*)" (49:13). This indicates that national/tribal divisions are simply functional for the purposes of fraternization and identification. Also implied in this Qur'anic statement is the essential equality of mankind, i.e., humanity as one large human family with no one possessing inherent superiority over another. It also implies equality in human dignity common to all. It is this equality which is the essence of all human rights and which is assumed, affirmed and confirmed by the Qur'an. The only distinction between humans, in the Qur'anic perspective, is based on their goodness, virtue and moral-productive acts, i.e., *taqwa* as reflected in belief and actions. These teachings were reflected in the Farewell Pilgrimage address of the Prophet in which he stated that nobody has superiority over another except through piety and good action for "We are all children of Adam and Adam was of dust."⁴

God states in the Qur'an: "The believers are indeed brethren to one another [constituting one brotherhood]" (49-10); "Verily [O you who believe in Me], this Ummah of yours is one ummah, and I am your Lord and Cherisher: Therefore serve me [alone]" (21:92); or again "Verily, this community [or brotherhood] of yours is one community [or brotherhood], and I am your Lord and Sustainer: remain, then, conscious of Me!" (23:53). In these passages, the believers are unified into one brotherhood with the same fulcrum and one overall purpose—that of serving God. The oneness of the Ummah is declared to be religious and moral—it is not to be limited by geographic, political, linguistic, ethnic, cultural or national considerations. This means that the Qur'anic concept of Ummah is a transnational, transracial and universal community of believers, joined together by Islamic belief, teachings and values.⁵ It also means that the Ummah, whose membership is constituted by free-will and conscious choice, should not allow discrimination (racial, color-based, etc.) between its members, as it goes against the divinely-willed unity of the Ummah as well as being wrong or unjust in itself. Simultaneously, the concerns of each part of the Ummah should be reflected in the whole Ummah, i.e., the

4. Ibid., 46.

5. Ismā'il Rāḥī al Fārūqī, *Tawḥīd: Its Implications for Thought and Life* (1982), 124-5.

suffering, adversity and hardship of its members should be of equal value and concern to the whole as well as the prosperity, resourcefulness and affluence of its members should benefit those less privileged.

Whereas the Qur'an puts forth the concept of one Ummah as ideal, it does not necessarily mean that the Ummah has to be located in one contiguous region or territory. By definition, all Muslims residing anywhere are members of the Ummah if they identify themselves with Islamic ideals, purposes and goals. Hence the religious unity of the Ummah is reinforced and complemented by other kinds of unity or cohesiveness. The Ummah encompasses many groupings which may be based on the unity of language, geography, culture or ethnicity. Similarly, the collective Ummah can have many administrative or political divisions. Whether these divisions factually exist or are consciously constituted, in either case, they do not diminish the value embodied in the concept of Ummah. In other words, the Muslim community—one in ideals—admits of as many administrative divisions as efficiency or other natural and sociological factors dictate.⁶ What is most important is that Muslims relate to each other as if they were one body or one organic whole with many parts and constituents.

The Qur'an does not envision the Islamic Ummah to be one in religious identity alone but it envisions the Ummah to transcend to a functioning brotherhood of believers, to move toward institutionalization. This means that where Muslims are present, the community must be willed, organized, and established. Mere existence of Muslims in a geographical area without the legal-political structure, without the economic order and without power to establish Islamic injunctions does great injustice to the institution of Ummah as visualized by the Qur'an. Without organization, the Ummah becomes largely a theoretical concept or at best a collectivity of Muslims practicing the personalist aspects of religion.

The ideal Ummah is one that is a corporate, organized and civic body, thereby becoming the appropriate source of meeting the multidimensional human needs as well as the instrument for Muslim self-fulfillment and growth. In other words, to serve the collective needs of the community, the Islamic value of brotherhood has to be operationalized. Whether Muslims predominate in an area or live as a minority, in either case, it is essential that they create their own institutions and actualize the values embodied in the concept of Ummah. Ideally, this means that Muslims organize themselves through the political instrument of the state. Thus, the establishment of the Islamic state or states is a corollary of the fulfillment and actualization of the principle of Ummah.

6. Ibid., 138-41.

It should be noted that the migration of the Prophet and the early Makkan Muslims to Madinah and the establishment of the Islamic state in the latter was motivated, among other factors, by the necessity of living a secure Islamic social and communal life. In Makkah, while the Muslims were able to practice the personalist aspects of faith like worship, they were not able to lead an organized collective life. Lack of power and authority and constant threats and persecution contributed to the vulnerability of the early Muslims. But most importantly, if Islam was meant to serve and guide all aspects of human life, which God through the Qur'an and the Prophetic Sunnah affirmed to be the case, then a state and a government, and a social and an economic order were necessary. So the establishment of the first Islamic state is itself a proof of the necessity of an ethical social order. It is also instructive that the migration was followed by the instituting of the Muslim brotherhood (*mu'akhat*) in Medina, i.e., the institutionalization and operationalization of the value of *Ummah Muslimah*. Similarly the establishment of the mosque, the school and the business marketplace in Madinah by the Prophet were reflective of the measures to satisfy ummatic needs.

Islamic Social Order: Values and Ethics

The Qur'an and Sunnah provide several values or principles on which the social order is to be based, as well as numerous ethics on which it is to be operated. They are discussed here along with some of their implications.

Equality of People

The Qur'an, as pointed out earlier, asserts that people originate from one source; hence, they are inherently equal and should be treated as such. This means that all people, regardless of religion, are equal in essential human freedoms and rights. This also means that people should be treated equally under the law regardless of position or status in society. Discrimination by definition is un-Islamic. This means giving equal weight to the happiness or hardship of people as well as treating people equitably (*al 'adl wal qist*).

The principle of equality implies that non-Muslims living under Islamic rule have all the religious freedoms, economic rights and social privileges as Muslims have.⁷ Non-Muslim communities, therefore, can function as autonomous units with their own religious structure, laws and practices. The autonomous status was given by the Prophet to the Jewish community when he established the constitution of the Islamic state of

7. See Chapter 3.

Medina. Similarly, he granted autonomy to the Christian community when they came under the domain of Islam. The principles of religious tolerance, justice and peaceful coexistence toward all members of the Islamic society were equally followed and applied by the successors of the Prophet (the Rightly Guided Caliphs). Hence the Islamic social order admits of a multiplicity of *ummahs*, Muslim and otherwise, and grants equal treatment to everyone through the law.⁸

Mutual Cooperation for Private and Public Good

The Qur'an views the Muslims as a body of people mutually cooperating, helping and protecting each other in all aspects of life. This principle is embodied in various verses with the words "commanding good, prohibiting evil, establishing prayers and paying *zakah*," in the directives to establish justice and equity, and in numerous verses relating to human transactions. The establishment and maintenance of the ethical social order itself is dependent upon societal cooperation and collective action. But more directly, the Qur'an states: "The believers, men and women, are friends and protectors of one another: They [all] enjoin good and forbid evil, establish prayers, pay *zakah*, and obey God and His Messenger—these are the ones upon whom God is going to have His mercy. Verily, God is Almighty, Wise!" (9:71). Similarly the Qur'an states: "[O you who believe]! Help one another [or cooperate] furthering virtue and God-consciousness, and do not help one another [or do not cooperate] furthering evil and rancor; and remain conscious of God" (5:2). The theme of mutual cooperation is constant throughout the Qur'an and covers the entire gamut of society and developmental activities.

Social Commitment and Actionalism

Islam regards belief as necessary but not sufficient—belief has to be translated into action to have any worth. This is reflected even in the worship aspects of faith like prayers, fasting, paying *zakah* and performing the pilgrimage (*hajj*). Moreover, whereas a small part of the rules/law of Islam have to do with rituals, worship and strictly personal ethics, the larger part of the rules/law deal with the social order.

8. For an excellent discussion of the issue, see the work by the leading jurist Yusuf al Qaradawi, *Non-Muslims in the Islamic Society* (1985). He has made an in-depth study of the doctrinal position of Islam toward non-Muslims in an Islamic state using the Qur'an and Sunnah as sources. He goes beyond the theoretical formulation and views the doctrine in its historical context over the centuries. His study is both profound and scholarly and clearly establishes the humanitarian and egalitarian principles embodied in the divine teachings.

The social order is the realm where personalist values like faithfulness and sincerity (*ikhlas*), justice ('*adl*), truthfulness (*sidq*), modesty (*haya*), trustworthiness (*amanah*), etc. are to be manifested in human dealings and activities. Good deeds (*ihsan*), virtue and righteousness (*al berr*), and God-consciousness (*taqwa*), which are so often repeated in the Qur'an as characteristics of believers, means doing things ethically as well as doing good to others. The ethic of intent (*niyyah*) needs to be reflected in positive social acts: mutual concern and counseling, brothering, cooperating, befriending, teaching, protecting and assisting—financially and materially. In other words, the ethic of action or actionalism is directly correlated with one's commitment or *iman* and the ethic of intent. Virtually everywhere in the Qur'an where belief (*iman*) or believers are mentioned, these are invariably associated with the term *a'mal salihah* (good actions) or '*amilus salihat* (the doers of virtuous deeds) (2:25; 3:57; 4:122, 124, 173; 5:9, 93; 10:4, 9; 11:23; 13:29; and over 50 other references). What this means is that the believers, to be truly believers, have to have corresponding evidence not only through personal acts of worship but also through acts of social and economic welfare, i.e., acts that reflect social concern and responsibility. It is this that helps ensure the healthy survival and social and economic development of the community.

The Qur'an states: "Let there be of you a community who call [people] to virtue, enjoin good and prohibit evil—these shall be the successful ones" (3:103). This passage does not mean that the task of social amelioration is limited to a group of people within the community but rather refers to the task of the Muslim community as a whole, i.e., the building of an ethically based sociopolitical order.

Numerous traditions of the Prophet emphasize the need for social commitment and actionalism in the following way: "By God, you must enjoin right and prohibit wrong, and you must stay the hand of the wrongdoer, bend him to conformity and force him to do justice—or else, God will set the hearts of you all against one another;" and "A community in the midst of which sins [or injustices] are being committed, which could be but are not corrected, is most likely to be encompassed in its entirety by God's punishment."

The important point made in these *ahadith* is the necessity of collective action for the preservation and welfare of society. Unless its members strive to ameliorate the moral, economic and sociopolitical conditions, remove disvalues, and cooperate in society-building activities, there will be little room for human and social development and happiness. The Qur'an makes the same point in a different way: "Verily, God does not

9. Muhammad Asad, *State and Government in Islam* (1980), 81-2.

change a people's circumstances unless they bring about a change in their inner selves [which is reflected in their actions]" (13:11). This is the historical law of interdependence between a people's moral-ethical values and attitudes and their overall well-being which acts both ways. Muhammad Asad points this out: "While an improvement in a nation's moral structure is bound, in the long run, to lead to greater material well-being and political power, moral decay must as unavoidably result in social, economic, and political decay. Any positive change—that is, a change in the direction of moral and social improvement—can come about only if the community becomes aware of its necessity." Pointing out one implication of the foregoing, he states: "Consequently, it is the duty of every thinking Muslim to subject his social environment to continuous, searching criticism, and to give voice to this criticism for the common good."¹⁰

The Prophet has clearly linked *iman* to individual and collective action. He states: "If any of you sees something evil [or abominable], he should set it right by his hand; if he is unable to do so, then by his tongue; and if he is unable to do even that, then he should [abhor it] within his heart—but this is the weakest form of faith."¹¹ Here the emphasis is on correcting the injustice or wrongdoing by action and by criticism, both individual and collective. Similarly, the Prophet once said: "Help your brother, whether he is an oppressor or he is an oppressed one." The people said that it was understandable to help the oppressed one but questioned how was one to be helped if he himself was the source of injustice (*zulm*). The Prophet replied: "By preventing him from oppressing others [or doing injustice to others]."¹² What these traditions show is that the individuals and the collectivity should be aware of social conditions and prevent injustice where it may exist. This is a primary responsibility of the individuals and society.

It should be borne in mind that in the Islamic terminology, oppression (*zulm*), evil and wrongdoing (*munkar*) and their opposites—justice ('*adl*), right and good (*ma'ruf*)—encompass all actions that relate to moral, social or economic life as well as include public policies. So the instruction of "commanding good, prohibiting evil, preventing oppression" includes the entire spectrum of things that relate to or affect human life. Therefore, the Muslim Ummah is responsible for what goes on in society and cannot be absolved of the social burden until serious efforts are made to correct problems where they may exist. The Qur'an affirms this point

10. Ibid., 82.

11. *Ṣaḥīḥ Muslim* 1:33.

12. *Ṣaḥīḥ al Bukhārī* 3:371-2.

repeatedly when it refers to the histories of the past civilizations—especially to the ends of such of them which acted irresponsibly, created sociopolitical injustice and economic oppression, or where they had become numb toward or unconcerned with the fate of the oppressed sections of society. The law of God for mankind (*sunnat Allah*), as the Qur’an points out, has continuously operated in human history through God’s judgments upon previous civilizations (33:38, 62; 35:43; cf. 44:29 and elsewhere). Therefore, in the context of this study, unless conscious, concerted and collective efforts are made to tackle problems of poverty, unemployment, and lack of human resource development—all different dimensions of injustice with somewhat different emphasis—neither will the problems disappear nor be solved. On the contrary, they may self-perpetuate, increase and push the possibilities of their resolution backward.

Organicness and Social Solidarity

The Qur’an views the Islamic social order to be based on the unity of faith, oneness of purpose and social cohesiveness. It states: “The believers are indeed brethren to one another [constituting one brotherhood]: This Ummah of yours is one Ummah and I am your Lord. Therefore, serve Me” (49:10; 21:92). The Ummah’s membership is not a matter of birth or language because these factors are independent of one’s will. It is a religious and moral brotherhood and a free association of individuals who come together for the purpose of actualizing the whole realm of values of Islam.

The Qur’an asserts that historically Muslims came together as a result of God’s mercy, and that they can stay together only through His guidance and through social solidarity:

O you who believe! Be conscious of God with all consciousness that is due to Him, and die not except in the state of submission to Him [i.e., as Muslims]. And hold fast, all together, unto the bond of God, and do not draw apart from one another. And remember the blessings which God bestowed upon you: how, when you were enemies, He brought your hearts together, so that through His blessing you became brethren; and [how when] you were on the brink of a fiery abyss [in consequence of spiritual ignorance], He saved you from it. In this way God makes clear His messages [or signs] unto you, so that you might find guidance. Let there be of you a community who call [people] to virtue, enjoin the doing of what is right and forbid the doing of what is wrong, and it is they who shall attain to a happy state [or be successful]. And be not like those who have drawn apart from one another and have taken to conflicting views after all evidence of truth has come unto them: for them is a dreadful penalty. (3:102-5).

Given that the Muslims’ fundamental link to each other is Islam—as faith and as ideology—it is essential that they relate to each other on the

basis of the Islamic values. In this they can find their strength and their solidarity. So the organicness of the Muslim Ummah originates in Islamic belief and its values. Therefore, whenever the Qur'an addresses the believers, and it always addresses them in the collective including males and females, it stresses ethical-normative behavior and collective responsibilities (along with other religious obligations), as necessary aspects of faith.

The Prophet in innumerable traditions has also described the organicness of the Muslim brotherhood. For instance, he states: "You will recognize the believers by their mutual compassion, love and sympathy. They are like one body: if any one of its parts is ill, the whole body suffers from sleeplessness and fever;" "The faithful are to one another like the bricks of a building—each part strengthening [or re-enforcing] the others;" "A Muslim is the one who avoids harming Muslims with his tongue or hands;" and "No one of you will have faith till he wishes for his [Muslim] brother what he likes for himself."¹³ The Prophet has also stated: "Whosoever fulfills the needs of his brother, God will fulfill his needs; whoever brought his brother out of a discomfort, God will bring him out of the discomforts of the Day of Resurrection."¹⁴ These *ahadith* clearly exemplify the nature of mutual relationships that Muslims should have as well as point to the ethic of mutual need fulfillment. Ultimately, whether these values are upheld depends on the depth of commitment to God as well as the understanding of the teachings of the Qur'an and Sunnah. But it is evident that if the members of Muslim society relate to each other and show mutual concern as God and the Prophet are asking them to, then the Islamic social order can come to possess tremendous strength and open up many possibilities for collective action for social transformation and societal development.

Some may argue that the statements of the Prophet were given within a specific historical context, thus reflect the necessity of that period or were meant for the early Muslims alone. While it is true that there was a specific societal context the Prophet was addressing, the statements in their wording are perfectly general and thus relevant for all periods. Also, it is true that there was need for social solidarity among the early Muslims without which they could not have survived. However, all societies in each space-time context need certain values to develop human relationships such as mutual help, concern and cooperation. Therefore, the import of the Prophetic statements has more if not equal value now given the priority of collective effort and social responsibility. While the Muslim Ummah is

13. *Ṣaḥīḥ al Bukhārī* 1:18-9, 278.

14. *Ṣaḥīḥ al Bukhārī* 3:373.

now much larger in size, more diverse and spread over a larger geographic area, it is all the more necessary to inculcate Islamic social ethics so as to generate operational unity and functional social solidarity. In other words, cohesiveness has to be willed and generated, and the Ummah can come together on a common platform in spite of their ethnic diversity.

Moreover, the Islamic social order is not limited to the Muslim Ummah. Other religious Ummahs can and have been part of such orders in the past. Therefore, the social ethics of mutual cooperation and concern, assistance, justice, mercy, virtue and good human relationships equally apply to relations between the Muslims and the non-Muslims. The Qur'an, addressing the Muslims, explicitly states: "God forbids you not with regard to those who fight you not for [your] faith nor drive you out of your homes [or homelands], from dealing kindly and justly with them: for, verily, God loves those who act equitably [or are just]. God only forbids you to turn in friendship towards such as fight you because of [your] faith, and drive you out of your homes [or homelands], or aid [others] in driving you forth. It is such as turn to them [in these circumstances] that do wrong" (60:8-9). In this passage, "God forbids you not" implies a positive exhortation. It means that Muslims are virtually ordained to keep good relations and dealings of kindness and justice with people of all other faiths, except such as are actively hostile to Islam or Muslims. Given the assumption that the non-Muslim Ummahs living within an Islamic social order are fair-minded and just as Muslims should be towards them, there is no reason why there can't be a larger social solidarity and mutual cooperation in public interest matters. It is part of the responsibility of Muslims, as the Qur'an (60:8) has said, to extend the cooperating hand through virtue and kindness (*al birr*), and equity and justice (*al qist*).

It is important to note the attitude and policy of the Prophet and the Rightly Guided Caliphs toward the non-Muslims, as they contain not only the basis of peaceful co-existence but also embody the principles of Islamic concern for the interest of non-Muslim peoples. Whereas the Qur'an emphasizes the fundamental freedoms or rights of life (5:32), belief (2:251), earning and owning property (all verses pertaining to the earning of wealth), and personal human honor and dignity for all people (all verses on man's nobility), the Prophet emphasized the special protected status of the non-Muslims living within the political domain of Islam. He upheld their divinely ordained rights, and declared: "Those who commit an act of aggression against a member of the non-Muslims, who usurp his rights, who make any demand upon him which is beyond his capacity to fulfill, or who forcibly obtain anything from him against his wishes, I will be his [i.e., the oppressed's] advocate on the Day of

Judgment.”¹⁵ He further said: “He who harms a non-Muslim harms me, and he who harms me, harms God.”¹⁶ These and other statements of the Prophet coupled with the above-quoted Qur’anic injunction clearly establish the state’s duty to guarantee safety and security of the non-Muslim Ummahs. This concern was reflected in the actions of the early caliphs, the teachings of the Muslim jurists (*fuqaha*), as well as in the general policy of the Muslim community.¹⁷

Al-Qaradawi points out the policy of the early Islamic state in upholding economic rights like the right of property, assurance in case of disability and poverty, and freedom of work and profession (within the religiously permitted categories) for non-Muslims, as well as the upholding of their freedoms of belief, worship, and protection of honor.¹⁸ It should also be noted that since all these rights and freedoms are granted by the Islamic *Shari’ah*, they are to be upheld by the state and community under all circumstances because the Qur’an states: “It is not fitting for a believer, either man or woman, to have any option about a decision when a matter has been decided by God and His Apostle” (33:36). Moreover, the establishment of justice for all members of the Islamic society is paramount regardless of religion, since the Qur’an states: “O you who believe! Stand out firmly for justice, as witnesses to God, even as against yourselves, or your parents, or your kin” (4:135). Given this perspective, it is suggested that the Islamic social order envisions a plurality of ummahs living harmoniously with each other, mutually cooperating on the basis of commonly perceived interests, and working together to build and sustain an ethical society. It also envisions religio-cultural autonomy as well as opportunities for sociopolitical and economic participation and growth for all members of society. Hence the Islamic social order is at once liberal and pluralistic as well as ethically motivated to achieve the ideals of social solidarity, egalitarianism, and social justice for all.

Altruism and Self-sacrifice for the Common Weal

Altruism, the doctrine that the general welfare of society is the proper goal of an individual’s actions, is one of the central social teachings or ethics of Islam. Islam does not assume man to be totally selfless. On the contrary, it argues that man be concerned for his personal welfare. But it simultaneously suggests that this welfare is determined both by personal acts of worship as well as by sociomoral acts of social welfare. Hence

15. Yusuf al Qaradawi, *Non-Muslims in the Islamic Society* (1985), 4.

16. *Ibid.*

17. *Ibid.*

18. *Ibid.*, 7-12, 14-5, 27-33.

altruism is integrated with an individual's concern for himself and in this sense becomes an aspect and the social dimension of selfishness. The Qur'an views altruistic behavior as a means for personal growth, as an instrument of promoting societal weal and as a manifestation of the individual's God-consciousness.

Therefore, altruism is a source of human happiness and peace in the worldly life and success in the afterlife—the two dimensions of the term *falah* so often repeated by the Qur'an (22:77; 29:38; 87:14; 91:9, and elsewhere). In economic parlance, the Qur'anic concept of altruism is very much like a move toward Pareto optimality—that it makes at least someone better off without making anyone worse off. For all these reasons and more, the Qur'an continuously appeals to man's heart and mind to urge him to do acts of social weal and actively engage in the promotion of public welfare. It insists on proof of one's belief, and points to the community as the theater where one's actions validate the belief. Consequently, altruism is pivotal to the Islamic value system.

The Qur'an has innumerable passages that urge man to be altruistic and self-sacrificial and conscious of his purposive creation and meaningful existence. In the early Makkan revelations, the Qur'an states:

Have we not given him two eyes, and a tongue, and a pair of lips, and shown him the two highways [of good and evil]? But he would not try to ascend the steep uphill road . . . And what could make you conceive what it is, that steep uphill road? [It is] the freeing of a human being from bondage, or the feeding, upon a day of [one's own] hunger, of an orphan, near of kin or of a needy [stranger] lying in the dust. Then he will be of those who believe, and enjoin patience in adversity, and enjoin deeds of kindness and compassion. Such are they that have attained to righteousness [lit. people of the right side] (90:8-18).

Consider the human self, and how it is formed in accordance with what it is meant to be, and how it is imbued with moral failings as well as with consciousness of God. To a happy state [or success] shall indeed attain he who causes this [self] to grow in purity, and truly lost is he who buries it [in darkness or corrupts it] (91:7-10).

Verily [O men], you aim at most divergent ends! Thus, as for him who gives [to others] and is conscious of God, and believes in the truth of the ultimate good [or the moral imperative]—to him shall We make easy the path towards [ultimate] ease. But as for him who is niggardly, and thinks that he is self-sufficient, and calls the ultimate good [or the moral imperative] a lie—for him shall We make easy the path towards hardship: and what will his wealth avail him when he goes down [to his grave]? (92:4-11).

Verily, We create man in the best conformation [or mold], and thereafter We reduce him to the lowest of the low [as a consequence of his betrayal of his original, positive disposition and his doings and omissions]—excepting only such as believe and do righteous deeds: and theirs shall be a reward unending (95:4-6).

As is evident, since the beginning of revelation, the concerns of the Qur'an have been man's self-understanding of his *raison d'être*, his sociomoral conduct, and his self-realization through acts of social wealth.

In another very early surah (chapter) the Qur'an states:

"Have you considered the denier of all religion (*din*)? It is he who pushes away the orphan, who does not enjoin the feeding of the poor. So woe to the worshippers who are neglectful of their prayer, those who [want but] to be seen [of men], but deny all assistance [to their fellowmen]" (107:1-7).

Here the denial of kind and just treatment of the needy of society is equated to the denial of all religion, and prayers when not conjoined with humanitarian treatment of others manifest the remoteness of the heart from true belief. Some may argue that worship of God is separate from human dealings. The Qur'an is answering that worship of God is incomplete if unaccompanied by self-sacrifice and altruistic works. That is why the Qur'an virtually everywhere mentions *iman* (belief and commitment) with *a'māl ṣāliḥah* (good, beneficial deeds) as the principal characteristic of believers, and repeats the task of the Muslims: "commanding good, forbidding evil, establishing prayers, and paying *zakah*." The "good deeds," in the Qur'anic perspective, are not limited to good ethics in the personal and social spheres of life but include largely those things that can be construed as socially beneficial or deeds of altruism. Similarly "commanding good and forbidding evil" include everything that is necessary and beneficial for society, particularly the establishment of social and economic justice and the removal of the conditions of injustice, tyranny, oppression and poverty. Since Islam is holistic and all-inclusive and everything is relevant, hence the desirability of altruistic behavior in all walks of life.

The highest form of altruism and self-sacrifice is self-exertion for God's or social causes, i.e., the self-exertion for the establishment and maintenance of an ethical social order. The Qur'an calls this *jihād* (lit. to strive, struggle and exert oneself) with "one's wealth and life." "Striving in the cause of God"—in the widest sense of this expression—denotes any moral or physical effort as well as financial expenditure for socially necessary collective welfare. The Prophet described man's struggle against his own passions and weaknesses as the greatest *jihād*.¹⁹ He also strongly emphasized the need for a Muslim to raise his voice against manifest wrongdoing, particularly when the wrongdoer is the established authority: "The highest kind of *jihād* is to speak the truth in the face of a government that deviates from the right path."²⁰

19. Asad, *The Message* (1980), 124.

20. Asad, *State and Government* (1980), 77.

The Qur'an points to the necessity of self-exertion because without it an organized Islamic society with its concomitant sociopolitical and economic order cannot be established. Nor can it be maintained without self-sacrifice especially with problems like deep and widespread poverty, illiteracy, economic backwardness, and ignorance. Similarly, external threats to the very existence of the social order call for collective effort in the following words: "Such of the believers as remain passive [lit. sit at home]—other than the disabled—cannot be deemed equal to those who strive hard in God's cause with their possessions [or financial expenditures] and their lives [or persons]. God has exalted those who strive and exert themselves with their possessions and their lives far above those who remain passive" (4:95; cf. 9:86-9). The Qur'an calls self-exertion a communal responsibility: "O you who believe! Remain conscious of God and seek to come closer to Him, and strive hard in His cause, so that you may prosper" (5:35). The economic order, part of the larger moral-social order, is not an end in itself but rather a means to ensure the creation of conditions whereby the possibilities of prosperity, happiness and well-being for the largest possible number are realized. All facets of the Islamic order—social, political and economic—are meant, in the final analysis, to provide an opportunity for people to serve God, to do good, and hence to actualize the divine will. In it the believer and the believing community find their purpose as well as the theater to carry out the task. It is within this perspective that the instrument of jihad or collective social struggle should be understood. The words of the Qur'an are well worth noting:

O you who believe! Bow down, prostrate yourselves, and adore your Lord; and do good; that you may prosper. And strive in His cause as you ought to strive: it is He who has chosen you [to carry His message], and has imposed no difficulties on you in [anything that pertains to] religion. [This is] the community [or creed] of your forefather Abraham. It is He who has named you Muslims—in the bygone times as well as in this [divine writ], so let the Messenger [Muhammad] be a witness over you [or example for you], and you be witnesses over mankind [or examples for mankind]. Thus, establish prayers, pay *zakah* and hold fast unto God. He is your protector—what an excellent protector and what an excellent helper! (22:77-8).

As is evident, it is within the framework of the task of the Muslim community of establishing the ethical social order (where "doing good, establishing prayers and paying *zakah*, and holding fast unto God" symbolize it) that collective effort has been placed. So the Muslim individual and the community need to understand the necessity of positive human endeavor and sacrifice, and require the ability to see through the consequences of

their actions. Since all collective effort, in the Qur'anic perspective, should be meant for the establishment of an Islamic social order, this provides the direction to society to remove whatever institutional barriers there may be and to construct, build, reform, institutionalize and create the necessary sociopolitical and economic structure for the well-being of all. It is in this endeavor and effort that the Muslim and the Ummah can vindicate themselves, for in the judgment of God, neither do results come about without effort nor can people be distinguished into those who endeavor and those who don't (3:140-2; 4:95; 9:16, 19-20, 24, 86; 29:23; 47:31).

The Diffusion of Responsibility

The Islamic social order, as has been shown, is egalitarian and non-discriminatory, and conducts its internal life on the principle of mutual active goodwill and cooperation. It does not assign higher rank or status to any section or group within society be they the intellectual, religious, political or economic leadership. The function of upholding Qur'anic-Sunnatic values and the commanding of good and prohibiting injustice is the responsibility of all members of society, males and females. However, in this process the religious-intellectual elite, as a functional group, play an important role through the acquisition of correct and meaningful knowledge of the faith and its diffusion through teaching and preaching. The Qur'an states: "Why should there not turn up from every division [of Muslims] a group in order that they might understand the faith deeper and, when they return to their people, they might admonish them so that their brethren can also improve their conduct by desisting [from possible mistakes]" (9:122). Given that faith, in the Islamic perspective, is not limited to religious worship but by and large deals with societal affairs, it is noteworthy that the Qur'an emphasizes the necessity of groups of people who understand the Islamic teachings and then diffuse them to members of society. For without a reasonable understanding of Islam by the citizenry, the likelihood of their carrying out the collective task is small. In other words, education has to precede collective action (aimed at societal transformation) for the latter to be successful.

It also needs to be noted that the Qur'an is not constituting a religious elite as such. It is simply pointing out that there should be groups of people from among the Ummah who need to specialize and develop the knowledge of religion. It is in this functional sense that specialization is important and religio-intellectual scholarship and leadership necessary.

Beyond that, the Qur'an states that the task assigned to man is not overwhelming but in proportion to his capabilities. It states: "God does not burden any human being with more than what he is well able to bear"

(2:286; 7:42; 23:62). This implies that the individuals should try their best in pursuit of their obligations because “in his favor shall be whatever good he does” (2:286). Similarly, if man abdicates his task, i.e., if he does not uphold justice or creates oppression or refuses his responsibility, then he is held liable for whatever “evil he does” (2:286). This ethic of responsibility is central to the Islamic view of man (cf. 6:164; 17:15; 35:18; 39:7; 53:38). As mentioned earlier, the Qur’an addresses the Muslims in the collective. So the task of the establishment of an ethical social order and the realization of the ethicosocial values falls upon the shoulders of the whole community. A Muslim can abdicate this responsibility only at the risk of moral peril and self-injustice.

Islamic Social Order: The Family

One of the basic needs of man is the sense of belonging. This, Islam provides through the Ummah, both regional and universal, and through the family. Family is the basic or foundational social unit on which society is based and from which society emerges. It is also the median between the individual and the community. Its importance has been emphasized by the Qur’an in several different contexts—in the contexts of physical, emotional, social and economic need fulfillment; in the contexts of support of children and spouses and responsibilities toward parents; in the context of inheritance laws; as a source of pleasure and happiness; and as a divine creation. The Qur’an states: “It is of the signs of God that He created from among yourselves spouses in whom to find quiescence; that He established between you and them love and compassion. For those who are rational, this is certainly a great sign of evidence” (30:21). Similarly, the Qur’an states: “They [your wives] are garments unto you and you are garments unto them” (2:187) signifying the multi-dimensional marital relationship.

Numerous Qur’anic verses establish marriage and family not only as good for human beings but also necessary both for individual fulfillment as well as societal stability. Anarchy and lawlessness is totally contrary to the Qur’anic world view, as pointed out earlier. Society must operate within the bounds set by God. Islam also desires in man the prevalence of a keen moral sense in all matters. As such, family becomes the anchoring point whose strength becomes the strength of society. Hence the Qur’an encourages marriage in spite of poverty (24:33). Similarly, family laws in Islam are meant to provide support and protection to orphans through guardianship and to divorced and widowed women through marriage. The Qur’an strongly disapproves monasticism (57:27). Similarly, the Prophet

virtually declared celibacy and rejection of marriage as deviation from his Sunnah.²¹

The Qur'an assigns priority to kinship ("*dhu qurba*") in rights and obligations (2:177; 4:7; and elsewhere). The Qur'anic social ethics of counseling, befriending, consoling, loving, cooperating, educating and helping mentioned earlier need to be extended first toward one's immediate family and relatives and consequently to the larger human family. Similarly, the Qur'an has institutionalized priority to the family through the laws of inheritance.

The Islamic perspective is that if a person, besides fulfilling the immediate family obligations, is able to attend to the needy members of the extended family or the kinship group, then society can very well take care of its less-advantaged people. This is particularly true for meeting basic needs or emergency needs. This is also significant in the situation where a responsible state or government is absent.

In short, family is a positive permanent value of Islam as well as a necessary institution of its social order. Men and women, old and young, all find security, protection and love in the family unit. This greatly contributes toward human self-actualization on the one hand, and toward societal stability through preservation of moral values on the other.

Islamic Social Order: The Individual

Islam does not view the human being exclusively in terms of worker, professional, student, teacher, husband, wife, parent, social worker, etc., but in a wholesome integrated way. Each person can play some of these roles or more but with the ultimate purpose of serving God and mankind. Man's function is the realization of the plenum of values in all yet different aspects of life. Islam gives ethics and values in a way that they are universally applicable to man's variegated existence, i.e., they are meant to regulate his multidimensional life and help him develop an idealistic-rational integrated personality. It neither suppresses human individualism nor wants him detached from societal interaction and social concerns. In this sense, Islam's social philosophy is both individualistic and holistic. The individual has ample freedom to develop his potential for higher tendencies and personal growth. He can find fulfillment in work, career, family, interpersonal relationships, social service as well as worship of God. It is the purpose of society and the function of the social order to create and provide the conditions whereby each can realize the possibilities of growth and fulfillment. It is also the obligation of the individual to use

21. Yusuf al Qaradawi, *The Lawful and Unlawful in Islam* (1980), 172-3.

those opportunities that are made available to him. No one else can do this task for him. And this equally applies to all individuals, male and female.

Islam views men and women as equal but with some role differentiation. In general, it views them as partners and coworkers complimenting each other and helping each other in family responsibilities as well as in ethical functions: “The believers, men and women, are protectors of one another: They enjoin what is just and forbid what is evil, and establish prayer and pay *zakah* and obey God and His apostle. On them will God bestow His grace” (Qur’an, 9:71). The Qur’an assigns men and women equal status in terms of religious and ethical rights, duties and responsibilities (3:195; 9:71-2; 16:97; 33:35). It repeatedly states: “Whosoever does good deeds, whether male or female, while being believers, they shall enter paradise” (4:124; 40:40; cf. 16:97). The Qur’an also gives civil equality to males and females. This equality is the subject of passages 4:32; 5:38; and 24:2. It clearly recognizes the woman’s right to participate in public affairs (60:12) as well as her role in self-exertion for social defense (3:195). Not only that, it equally lays down upon her the duty to “uphold good and prohibit evil”—a critical social responsibility. All this points to human equality at all crucial levels.

Where there are exceptions to the rule of equality, and these are very few, they largely pertain to human functions or responsibilities as husbands/fathers and wives/mothers. The Qur’an, in general, envisages the division of labor. It assigns the overall guardianship responsibility of the household to the male which includes financial support and maintenance, and the protection function (4:34; cf. 2:233). This role-differentiation takes into account the natural physical, psychic and emotional constitutions of the two sexes. While earning a livelihood requires a full-time struggle outside the home for which men are better disposed, child-rearing and home-care also require energy and self-exertion as well as qualities with which women are better disposed. Islam considers both these as complementary honorable functions. One manifestation of this is its asking men and women to honor and to show kindness toward parents (Qur’an, 17:23-4; 29:8; 31:14; 46:15). The role-differentiation does not in any way imply discrimination against one or another. It is simply a divine way of ensuring proper human nurturing and growth. It is also a means but not the only means for both the sexes to find self-fulfillment.

Simultaneously, it needs to be pointed out that there is nothing in the Qur’an against women earning or being economically self-sufficient. The Qur’an only exempts them from the responsibility of supporting a family. It recognizes the full economic personality of a woman; it envisions her as owning a property and lays on her the duty to pay *zakah*. Moreover, neither the Qur’an nor the Prophetic Sunnah place limits on the activities

of Muslim men and women except for the few Islamically-prohibited categories from which both are equally to refrain. This means that virtually all fields of work and activity are permitted to both sexes. Thus, it is left to society in each space-time context to make available education, training, work and career opportunities suitable to needs of all its members.

The Prophet has clearly stated: “Striving after knowledge is a religious duty of all Muslims.”²² The acquisition of knowledge stated here is not limited to the knowledge of religious rights and duties but includes all areas of positive, rational and normative sciences and education. Also knowledge is not of much worth if not applied and used. Therefore, the Prophet’s tradition is very significant because it is laying the principle of Muslim men and women’s obligatory participation in educational pursuits and through it for their participation in a socially and economically productive life.

All this goes to show that Islam does not propose isolating or insulating women from a productive public life. Had this been the case, the Qur’an would not have granted her the right to participate in government and public matters nor assigned her the responsibility of enjoining good and prohibiting evil.

The essential requirement of Islam is that people carry out their activities with God-consciousness and with modesty. Avoidance of the possibilities of immorality and temptation is a high ethical ideal which the Qur’an wants to uphold through preventing indecent exposure as well as through the practice of modesty of the eye and dress. It states: “[O Muhammad] Tell the believing men to lower their gaze and be mindful of their chastity: this will be most conducive to their purity—[and], verily, God is aware of all that they do. And tell the believing women to lower their gaze and be mindful of their chastity, and not to display their charms [in public] beyond what may [decently] appear thereof” (24:30-31; cf. 33:35). As is evident, this passage assumes that social interaction is taking place, that men and women are going about attending to their business or participating in community life.

The thrust of Islam is that each person, male or female, has the responsibility to develop himself/herself, and to contribute as much as reasonably possible at every stage of life toward meeting societal needs and through society-building activities. This one can do through engaging in economic pursuits or creating wealth, through one’s job or profession, by raising a good family, as well as through voluntary activities like teaching and educating, social and community work, or by fulfilling whatever

22. Asad, *State and Government* (1980), 87.

critical social needs there may be. Whereas men become economically productive after reaching a certain age, it is quite difficult for women who are bearing and rearing children to simultaneously pursue economic activities. However, given that the childbearing period does not start until after marriage and does not extend beyond two to three decades, women can pursue work and professional activity during their student days, prior to having children, after child-rearing or even during the child-rearing years where facilities for child-care are available. Work also does not always have to be full-time or outside the home. Facilities for part-time work, self-employment and economically rewarding work-at-home should be available and/or created. Although whether a career or profession is pursued would depend upon factors like family need, level of education and skills, personal ambition and preference and other tradeoffs, it is important that Muslim women be active and take into their calculation societal and *Ummatic* needs. Human resource is a most precious resource which should not be wasted but developed and utilized for the promotion of societal development.

Moreover, Islam places dignity on all types of work. No work is disrespectful and valueless. The Prophet has made this very clear.²³ Also, fulfilling societal needs at the level of sufficiency is paramount. Therefore, it is essential that an environment be created in Muslim society where everyone can engage in work and other socially beneficial activities with safety, security and dignity. Given this, every Muslim woman can be a career woman at least during some part of her life. In this way, she can use her talents and energies to serve the Ummah, enhance her personal benefit and find self-fulfillment.

A serious appraisal of the doctrines of Islam suggests that they provide an appropriate moral-ethical framework for all members of society to participate in collective life and to be productive in a variety of ways. Islam attaches equal value to efforts of men and women, regardless of the field of activity, as has been shown here. It adopts a median way, a balanced approach, to the division of labor. Men carry the larger responsibilities of family and consequently of society. Women, on the other hand, have the basic freedom to work and earn without the livelihood-earning responsibility. Similarly, they have the freedom to participate in public life, yet no more is demanded of them in the social sphere than what they may be able to bear. In this manner, both men and women equitably share the collective burdens without prejudice to the natural role-differentiation as fathers and mothers.

23. *Ṣāhiḥ al Bukhārī* 2:319.

Historically, in the early Islamic period in Medina, Muslim women were active participants in community life. The Qur'an in numerous places evidences this fact (see, for instance 3:195; 24:30-31; 60:12). They used to attend prayers at the mosque, participate in educational programs, own property, give *zakah* and charity, do social welfare and community work, provide support in collective defense, and go about attending to their business in the marketplace. Women are also reported to have been engaged in craft work and other economically productive activities. There are also reports of their helping enhance the family's meager earnings through labor and of their assistance in farming activities.²⁴ This shows that Muslim women were involved in the then-known economic pursuits as well as the socially-needed and welfare-promoting activities. Therefore, the Islamic social order seeks and derives strength from conscious efforts of all members of society. Each person can and should contribute according to his/her ability, whether it be little or much. This is the essential lesson embodied in the social teachings of Islam.

Conclusion

Islam views man as having a purposive existence. His task is to create an ethical social order on earth that is just and humanitarian. Islam's social philosophy is based on the perspective of human purposiveness, the satisfaction of needs and wants and the enjoyment of things, as well as on the primacy of individual and collective responsibility, all within the guidelines given by God and His Prophet.

Islam argues that all people are part of one large human family—hence they are equal and should be treated as such. The diversity of mankind is itself a divinely created phenomenon for the purposes of identification and fraternization.

Islam constitutes the principle of Ummah—a platform of commonality based on faith, values and ethics. It envisions the social order embodying several Ummahs living in peace and harmony. It suggests mutual cooperation for private and public good through the operationalization of social commitment, social solidarity and altruism. It diffuses collective responsibilities among all citizens. Therefore, it becomes the task of all members of society to contribute toward the establishment and maintenance of the ethical social order so as to maximize socioeconomic welfare as well as the opportunities for self-development and personal growth for the largest possible number of people.

24. See *Ṣaḥīḥ al-Bukhārī* 1:80, 2:313, 316; and Martin Lings, *Muhammad: His Life Based on the Earliest Sources* (1983), 161, 168, 337, and *passim*.

If the values and ethics delineated by normative Islam are truly internalized, they should logically lead to the creation of a society that is open and pluralistic, and socially healthy and stable. An underlying purpose of the Islamic social teachings is to create in the members of society a heightened awareness and a sociomoral consciousness which would preclude the prevalence of injustice and oppression. Simultaneously, this consciousness should be reflected in positive collective efforts, in institution- and society-building activities, that promote development, peace and prosperity. It is within this framework that the divine teachings should be viewed—not simply as ends in themselves but rather as the means and foundational principles that lead to the good society, to a just, moral-social order.

The coming pages describe the political and economic dimensions of the Islamic social order. They point out the doctrines and operational principles embodied in Islam which are meant to realize and guide the development of the social order. The sequel, therefore, is an attempt, in concrete terms, to lay the basis of the actualization of the ethical social order while simultaneously pointing toward the benefits embodied in such an order for all its members.

Chapter 4

THE POLITICAL ORDER IN ISLAM: NATURE, PRINCIPLES AND THEIR IMPLICATIONS

Introduction

It has been asserted in this study that in the Islamic perspective, the basic laws of right and wrong—the foundation of any society—have to be those given by God (Chapter 3). In other words, all normative matters, whether moral laws, or social, political and economic imperatives, or permanent values and ethics, lie within the domain of God. This is what the “sovereignty of God,” repeatedly mentioned in the Qur’an, means for Islamic life. The political implication of this philosophy for Muslim society is that their state and government have of necessity to be based on the doctrines that flow from the total body of the Qur’an and the Prophetic Sunnah.

Although the Qur’an does not directly instruct the Muslims to create an Islamic state, the task and function it assigns the Muslim community (Ummah) necessitates the creation and establishment of such a state or states. It epitomizes this function in the following words: “[Muslims are] those who, if We give them power on earth, shall establish prayers, pay *zakah*, command good and prohibit evil” (22:41). This characterization, as mentioned previously, gives the essence of the operational task of the Muslim Ummah and points toward the establishment of a political order for the purposes of creating an egalitarian, just and moral social order. Numerous other passages of the Qur’an, when taken collectively, point in the same direction. The command to obey legitimately established author-

ity (4:59 and elsewhere), the imperatives to establish justice (4:58 and elsewhere) and the ordained social and economic legislation are a few examples which show that the Qur'an assumes the existence of a state as they simultaneously point to the responsibilities of its citizens and government. In other words, when the Qur'an speaks of rules and laws, the very fact that these rules are mentioned and meant for implementation shows that there has to be an authority to carry them out. Therefore, it is proposed that for the Muslim Ummah, the establishment of an Islamic political order or an Islamic state(s) is part of the implementation of the faith.

Numerous Muslim scholars have argued in the same direction. Muhammad Asad, a leading contemporary authority on the Qur'an and hadith, arguing for the necessity of the state and the operationalization of the value of brotherhood, states:

Conscious cooperation cannot arise out of a mere feeling of brotherhood: the concept of brotherhood must be translated into positive social action—"enjoining of what is right and forbidding of what is wrong"—or to phrase it differently, the creation and maintenance of such social conditions as would enable the greatest possible number of human beings to live in harmony, freedom and dignity. This responsibility can be discharged only by a coordinating agency invested with the powers of command (*amr*) and prohibition (*nahy*): that is, the state. It follows therefore, that the organization of an Islamic state or states is an indispensable condition of Islamic life in the true sense of the word.¹

Similarly, another contemporary scholar writes:

The duty of commanding the good and forbidding the evil cannot be completely discharged without power and authority. Without the Islamic state, it is not possible to realize the ideals of Islamic sociopolitical and economic justice; implement Islamic law; establish the Islamic system of education; and defend Islamic civilization against domestic perversions and foreign aggression. Society would be helpless against 'stubborn tyrants' (*jabbar al 'anid*), and Islam abridged to mere worship and platitudes. Islam's promise as the guide for man's happiness in this world and the hereafter would not be true. The Islamic state is, therefore, an effort to realize the spiritual in human organization.²

Historically, this understanding was corroborated by the migration of the Prophet from Makkah to Madinah and his establishment of the Islamic state in the latter—something he possibly could not do in the former under the then prevailing circumstances. In Madinah, the Prophet

1. Muhammad Asad, *State and Government in Islam* (1980), 14.

2. Syed Waqar Ahmed Husaini, *Islamic Environmental Systems Engineering* (1980), 92.

operationalized the Qur'anic sociopolitical and economic teachings, gave them form and substance, and established the rule of law.

The purpose of the Islamic political order or the objectives of the Islamic state can be summarized as follows: to prevent injustice and to establish all-encompassing justice—legal, social, economic and political; to ensure freedom, dignity and equality of all; to enable all Muslim men and women to realize the ethical goals of Islam, not only in their beliefs, but also in the practical sphere of their lives; to ensure to all non-Muslim citizens complete physical security as well as complete freedom of religion, of culture, and of social development; to defend the country against internal subversion and external aggression; and to create an environment conducive to the teaching and preaching of the message of Islam. In other words, the ummatic task of “enjoining of right and forbidding of wrong” implies that the political instrument of the Muslim community—the Islamic state—should ensure the maximization of universal common good (i.e., the promotion of public interest according to Islamic permanent values or principles), establish the rule of equity and law, and arrange social and economic relations in such a way so as to make possible the development of the personality of the maximum number of people in an ethical way. It is in this that the concept of Islamic state finds its justification. It is only when the political order that the Qur'an wants the Muslims to establish is for the sake of creating an egalitarian, just moral-social order that the pursuit of the state is justified.

In this chapter, the salient features of the Islamic political order are discussed. These include the Qur'anic political-constitutional principles and their implications, the rights of citizens and their duties, the issues of differences of opinion and dissent, the political structure of the Islamic state, and the probable attitudes of the citizens toward the state.

Qur'anic Political Principles

The Qur'an gives two fundamental sociopolitical principles—one in the realm of decision-making (*shura*) and the other in the nature and type of leadership (*ulu al amr*). The principle of *shura* was revealed in the late Makkan period. In the context of the people who will find success with God, the Qur'an characterizes the faithful as “those who believe and put their trust in their Lord; those who avoid the greater sins and shameful deeds; and who, whenever they are moved to anger, readily forgive, and who respond to [the call of] their sustainer and establish regular prayers; and whose rule [in all matters of common concern] is mutual consultation (*shura*); and who spend on others out of what We provide for them as sustenance, and who, whenever tyranny afflicts them, defend themselves” (42:36-39).

Shura was a pre-Islamic consultation-consensus principle which the Qur'an confirmed and incorporated in Islam. It was a democratic institution in the sense of a consultative council or assembly where the tribal and political leaders took collective decisions after discussing the matters of social concern among themselves.

The words used in the verse (42:38) "*amruhum shura bainahum*" ("their common affairs are decided by mutual consultation") imply several things. One, Muslims are being instructed by God to conduct their communal business through mutual consultation and consensus. Two, *shura* does not mean that one person asks for advice and the other gives it. What it does mean is that public policy issues should be subject to debate, discussion and resolution among those representing the community. Once a decision is reached or consensus (*ijma'*) made, the representatives should be bound by such a decision. Three, the process of constituting the assembly or council should itself be subject to the principle of consultation in the widest sense of the word. In other words, the community representatives themselves should be chosen through public consultation or elections, i.e., through public *shura*. Therefore, the above verse not only lays down the principle of decision-making through the consultation-consensus model but also implies the need for institutional mechanism for establishing the *shura* council through public participation. That is why this injunction must be regarded as one of the fundamental, operative clauses of Islamic thought relating to statecraft.

Consequently, the Prophet who was the political head of the Islamic state and government in Madinah, was instructed at that time to follow the *shura* method in public affairs. The Qur'an addresses him and states: "And take counsel with them in all matters of social concern; then, when you have decided upon a course of action, put your trust in God. For, verily, God loves those who put their trust in Him" (3:159). Muhammad Asad points out that the Prophet, when asked about the word '*azm*' ("deciding about a course of action") which occurs in this verse replied, "[It means] taking counsel with the knowledgeable people (*ahl al ra'y*) and thereupon following them [therein]." This implies that in public policy matters, not only the will and trust of people are relevant but also that the advice of specialists and technical/functional experts is necessary to reach optimal decisions.

The second fundamental injunction relating to the Islamic political order is given in the Qur'an as follows: "O you who believe! Obey God and obey the Apostle and those entrusted with authority (*ulu al amr*) from among you. If you are at variance over any matter, refer it to God and the

3. Muhammad Asad, *The Message of the Qur'an* (1980), 92.

Apostle, if you [truly] believe in God and the Last Day. This is the best [for you], and best in the end” (4:59). There are several principles being established here as well as certain critical points being made.

First and foremost, Muslims in all space-time situations should pay heed to the teachings of God and His Prophet, i.e., the Qur’an and the Sunnah. This equally applies to all Muslims—those in authority (the government) and those over whom they have authority (the governed).

Second, the Muslim community must always have a duly constituted leadership and government which has the responsibility of sociopolitical, economic and administrative matters. The term *amr* refers to all communal affairs. Moreover the holders of authority or the leadership of the government should be from among the heeding Muslims, i.e., those who obey God and the Prophet. In such a case, the government can rightly demand and expect loyalty and obedience from its constituents.

Third, public affairs should be conducted in accordance with the Islamic teachings (cf. Qur’an, 5:48). Where differences arise, it is essential that the decision-makers go back to the Qur’an and Sunnah. Similarly, where an issue is not directly delineated in the primary sources, the criteria given in the Islamic value system should be rationally utilized in the problem resolution. This is the true test of Islamicity, i.e., the proof of “believing in God and the Last Day.”

Fourth, the government of the Islamic state should be chosen by popular consent. The Qur’anic expression “from among you” clearly refers to the Muslim community as a whole. This means that the assumption of power through non-elective means is neither legal nor acceptable even though the concerned person or persons be Muslim. Similarly, an imposition of power from outside the community cannot be morally binding on the Muslim community. Meanwhile, obedience to a properly constituted government is a Muslim’s religious duty. This is what “obey those in authority from among you” means.

When the above quoted Qur’anic verse (4:59) is read in conjunction with the verse 3:26 which speaks of God as the ultimate source of all moral and political authority, it becomes evident that in the Islamic perspective, (1) political power is to be held in trust (*amanah*) from God, and (2) His will, as manifested in the teachings of Islam and in the ordinances comprising the Law of Islam, is the real source of all sovereignty. It also means that in an Islamic state, the government and the people are all equally under the law. In this sense, the Islamic state is a nomocracy, i.e., where the rule of law is supreme.

Rights of Citizens and Duties Towards the State

On the basis of explicit texts of the Qur’an, all citizens of the Islamic

state, Muslim and non-Muslim alike, have the following freedoms and rights: right to life (5:32; 6:151); freedom of belief, religion, conscience and association (2:256; 10:99; 18:29); right to work, earn and own property (all verses pertaining to earning of wealth and *zakah*); right to personal honor and dignity (all verses referring to man's nobility and dignity); protection against one's religion or person being reviled (6:108; 29:46; 49:11); right to privacy including freedom from surveillance (24:27; 49:12); right to offer advice, opinion and constructive criticism (all verses pertaining to "commanding good and forbidding evil"); right of participation in public affairs (verses on *shura*); right to equal treatment under law without discrimination (49:11-13); right to justice (4:58, 105, 135; 5:8, 42; 7:29; 60:8); and the right to free provision by the state of the necessities of life to the disabled and deprived on any account (all verses pertaining to *zakah*).

There are numerous traditions (*ahadith*) of the Prophet affirming all these freedoms and rights as well as innumerable examples from his own practices (*Sunnah*) manifesting the actual upholding of these values.⁴ Moreover, these rights are not only guaranteed by Islam in the moral sense but are justiceable as well. In other words, the God-given basic human rights are meant to be legally enforced and the state can be taken to court for failure to uphold them.

There are other rights of citizens not explicitly given in the Qur'an but given by the Prophetic *Sunnah*. These include the right to free basic education and the right to be provided with economic security and productive and remunerative work. The Prophet declared it the responsibility of the Islamic state and government to provide its citizens with such social and economic facilities as are necessary for the maintenance of human health, happiness and dignity. This he did by proclaiming: "The *Imam* [or the government] is a guardian of his people and responsible for them [i.e., their welfare]"⁵ In a separate but similarly important tradition, the Prophet stated: "The head of the state is the guardian of him who has nobody to support him."⁶ These and other traditions, when taken together, lead to the conclusion that the Islamic state would have to guarantee, constitutionally as well as through economic policies, (a) a minimum living standard for all citizens, (b) provision of remunerative work for working age and healthy persons, (c) training for such productive work, (d) public health services, and (e) public transportation. Whereas Islam views work as the

4. See Asad, *State and Government* (1980), 69-94; and Yusuf al Qaradawi, *Non-Muslims in the Islamic Society* (1985), 1-37.

5. *Ṣaḥīḥ al Bukhārī* 3:349.

6. Sayyid Abul A'la Mawdudi, *Human Rights in Islam* (1976), 34.

primary means of meeting one's basic needs, both the Qur'an and Sunnah emphasize the provision of adequate nourishment, clothing and shelter for those with insufficient incomes or those disabled due to any valid reason like illness, orphanhood, widowhood, old age, underage, or unemployment arising out of circumstances beyond individual control, and for those engaged in social uplift programs.

Within this framework, then, according to the explicit texts of the Qur'an, the duties of the citizens are loyalty to the state, cooperation with the government, and compliance with the laws of the land (all verses where "obey God and obey the Prophet" has been commanded). Numerous traditions of the Prophet confirm and affirm the same principle. The Prophet has also stated that when the government fulfills the requirements imposed by the Shari'ah and positively upholds the Faith, i.e., when it operates in consistency and compliance with the Islamic teachings, then the citizens are bound "to hear and obey, in hardship and in ease, in circumstances pleasant and unpleasant."⁷

The limits of allegiance to a government have also been given by the Prophet. He states: "No obedience is due in sinful matters; behold, obedience is due only in the way of righteousness" and "No obedience is due to him who does not obey God."⁸ For such situations as outright immoral and illegal behavior or unjust policies on the part of government, the Prophet has made it virtually obligatory for Muslims to speak up and stand up for justice: "The highest kind of self-exertion (jihad) is to speak the truth in the face of a government that deviates from the right path."⁹ The Prophet has also pointed to the means to correct unjust behavior/policies through individual and collective social action in the following words: "If any of you sees something wrong (*munkar*), he should correct it by hand; if he is unable to do so, then by his tongue; and if he is unable to do even that, then within his heart—this is the weakest form of faith."¹⁰ Both these traditions corroborate the Qur'anic principle and Ummatic function of "enjoining right and forbidding wrong" and exemplify it.

What is noteworthy here is the concern of Islam that the government operate within ethical limits and the legally-constitutionally defined framework of the Islamic state as well as operate to maximize the universal common good. Where deviation or injustice arises, not only do the citizens possess the right to protest but also carry the responsibility for criticism and advice. This leads to the conclusion that the thinking Muslim

7. Asad, *State and Government* (1980), 75-6.

8. *Ibid.*, 76.

9. *Ibid.*, 77.

10. *Ibid.*

should subject his social environment to continuous, searching criticism and use his right to *shura* and advice for the promotion of common weal. In particular, the *ijtihad* (reasoning predicated on research and judgment) of the intellectual leaders and scholars of Muslim society carries a premium and becomes a motive force in the development of a progressive and just polity and economy.

Differences of Opinion and Dissent

In any democratic state, there would always be the possibility of a minority who vote against a popularly elected government or disagree with a public policy or policies. In Islam, the right and duty of such a minority is the same as everyone else—they have their right to opinion but simultaneously are equally bound by the laws of the land and the authority of the state. The Prophet has made it clear that dissent from or dislike of a duly constituted government on the part of a minority does not entitle it to rebellion. When this question was specifically put to him, he replied: “No, as long as they [i.e., the government] uphold the prayer among you!”¹¹ The “upholding of prayer” (*aqam al salah*) in this context has a much wider meaning as manifested by the Qur’an (2:3; 43, 110, 177, 277; 4:77; 162; 5:12; and elsewhere): it means so long as the government operates in consistency with the law (Shari’ah) and promotes public welfare. In the situation when a government flagrantly violates Islamic teachings, or in the words of the Prophet “you see an obvious infidelity (*kufir*) for which you have clear proof from [the Book of] God,”¹² Muslims have been authorized to disobey such orders and encouraged to correct the injustice through social action. In other words, tyranny, gross injustice and violation of basic human rights on the part of a government are not acceptable and should be countered by all possible legal and constitutional means and if necessary, by force. In the final analysis, the Muslim Ummah’s ultimate obedience is to God and His divinely ordained values; the Ummah’s purpose is the creation and maintenance of an ethical social order. Therefore, all social action should be geared toward the achievement of this purpose and goal.

The foregoing should not be construed to mean that rational differences in matters of interpretation of policy among the intellectuals and scholars are undesirable or harmful. In fact, the Prophet has pointed out the positive role of dissent; he states: “The difference of opinions among the

11. Ibid., 77-8.

12. Ibid., 79.

learned of my community are [a sign of] God's grace."^{13*} In other words, he is saying that the stimulating clash/interaction of opinions are important and necessary for intellectual progress in Muslim society because they have a positive, creative value which the society can overlook only to its own detriment. The Qur'an, as noted earlier, admits the possibility of variance in opinions in matters of law and policy but argues that the ultimate criteria for their resolution lies in keeping the purposes of Islam in mind as outlined in the Qur'an and Sunnah. In terms of methodology, differences should be resolved through *shura* by simple or overwhelming majority depending on the nature and importance of the question involved. The principle of decision-making through a simple majority among peers was defined by the Prophet when he told Abu Bakr and 'Umar, who later became the first and second caliphs respectively, that: "If you two agree on a counsel, I shall not dissent from you."¹⁴

Some Comments About the Nature of the Islamic State and Its Structure

Islamic society is a society based on faith. Therefore, the state in Islam is an ideological state. It exists within a certain territory and can encompass one nation or several nations, one Ummah Muslimah and several other Ummahs. Its government is chosen on the basis of communal consent and approved through free public choice or elections, either directly or indirectly through the elected representatives. The exact form or method of election can be whatever best suits the specific space-time conditions so long as the principle of public choice is upheld.

The Islamic state is an instrument of the Muslim community for the establishment of the ethical social order. The state, therefore, must be just, egalitarian, open, pluralistic and the guarantor of the God-given basic human rights. It can neither violate these rights nor abrogate them because they are divinely sanctioned and form the core of Islamic permanent values. The state operates through an institutionalized consultation-consensus model and makes decisions and policies so as to promote public welfare.

The leadership of the state should ideally come from the educated, mature and Islam-heeding people, i.e., people of understanding and insight (*ulu al albāb*) who are responsive to the sociological requirements

13. Ibid., xi-xii.

* This text is considered a fabricated hadith. See al Qari, *al Maṣnū' fi Ma'rifat al Ḥadīth al Mawḍū'*, p. 14 (the editor).

14. Husaini, *Islamic Environmental Systems Engineering* (1980), 95.

of the community in particular, and worldly affairs in general. The leadership also has to operate within the law and be subject to the divine teachings, principles, values and ethics. The Islamic government, therefore, is rule by the best; rule by consent and counsel; rule by consensus, cooperation and conciliation; rule of law; rule of moderation; individual as well as collective or group rule; and rule for the general good.

The actual governmental structure or form in Islam is not fixed. It falls within the domain of each Ummah in each space-time to formulate their own model according to their needs and best understanding. Thus the form/structure of the government in Islam can vary over time and be different from state to state. In other words, creating the optimal political structure would fall within the purview of rational positive knowledge. However, what does not change is the Qur'anic *weltanschauung*, the Qur'anic purposes, the key Qur'anic principles, the ethical value-system and the ummatic function on which the state is to be based. Therefore each Islamic state evolves in the social realities and the natural and technological environment of space-time within the above mentioned parameters.

The state in Islam carries tremendous responsibilities. Besides the traditional functions that most contemporary states perform, it also carries the burden of constantly watching and giving direction to the social fabric so as to mold it along ethical lines. Similarly, it not only has to satisfy the Islamic requirements of goal-oriented results and contents in its decision and policy making, but also satisfy the means and methods requirements of the Islamic political value system.

What might create difficulties in an environment characterized by gross maldistribution of wealth and economic power or widespread poverty and unemployment is the conflict between the elite power groups and society. In such situations, it is the function of the government to abide by the interests of the majority even though such a majority, may tend to be inarticulate in formulating its interests, and assert the goal-and-content-oriented dimension of the Islamic value-system. Given that the objective of the ethical social order is the promotion of public welfare, the government may have to restrict private property rights, socialize some means of production, institute government planning, regulate economic life, and institute wealth-redistributing mechanisms. These and similar measures would then override narrow personal or private interests because the health and happiness of the society and the removal of hardships have priority within the Qur'anic-Sunnatic value framework. For instance, for generating funds for developmental purposes, the Prophet has clearly stated that "there is indeed a *haqq* (right of society/state) on property

apart from *zakah*” and “[wealth] shall be taken from the rich among them and turned over to the poor among them.”^{15*}

In an Islamic political order, the government is expected to anticipate and gratify as far as possible the obvious material needs as well as the latent and diffused needs before they become political demands. Moreover, the decision-makers may have to suppress the pressure tactics of special interests and power groups in the interests of equity and common good. Although altruistic voluntarism may considerably be present within an Islamic society, there are difficulties in assuming generalized voluntarism especially in large societies. So, the state, as the representative of the collective will and the guarantor of public interest, would have to have an active role in matters economic. In particular, the state would become the protector of the interests of the poor, weak and underprivileged groups to the degree that their rights are restored and their needs met. This is precisely the position taken by Abu Bakr after his election as the first caliph of the Islamic state. He stated in his inaugural address: “The weak among you shall be strong with me and, God willing, he will get what is due to him; the strong among you shall be weak with me and, God willing, he will have to surrender the rights of others.” Similarly, ‘Umar, the second caliph, on his inauguration defined the position of the Islamic government as follows: “By God, he that is weakest among you shall be in my sight the strongest, until I have vindicated for him his rights, but he that is strongest will I treat as the weakest, until he complies with the law.”¹⁶ These statements unequivocally state the position of the Islamic government vis-a-vis public interest. Therefore, any contemporary effort at policy formulation within an Islamic framework should manifest a reduction of gross economic disparities, equalization of opportunities for self-advancement and the creation of conditions of justice particularly for the weaker sections of society. That this would be part of the constitutional framework of the Islamic state goes without saying.

Conclusion

A few conclusions may now be drawn about the probable response and attitudes of the citizens toward the Islamic state. First, given that the state is based on a consensus of visions of its citizens, i.e., it arises through their will, values and perceptions; that it is not a rule of pure reason nor

15. Asad, *State and Government* (1980), 91.

* This attributed hadith was described by al Tirmidhi as having a weak chain of transmitters (*isnād*). See his *Sunan al Tirmidhi*, Book of Zakah, Chapter 27 (the editor).

16. Husaini, *Islamic Environmental Systems Engineering* (1980), 108-9.

arbitrary rule but is based on an integrated Islamic *weltanschauung* and is rational in its approach; that its legal structure is not the only guiding, restraining and enforcing mechanism but inner moral compulsion and identification with the rule are the organic bonds, thereby reducing the need for coercion, it would not be unreasonable to assume that (1) the political order will be stable, and (2) when the citizen is subjected to an ethical political socialization, he will respond with value-oriented political behavior.

Second, because political power is distributed fairly equally within society through public participation at all levels (i.e., through institutionalized *shura*), and because the state leadership emerges from within the society through consensus, it can be assumed that the leadership would enjoy the trust of its citizens. On the one hand, this would enable the leadership to find substantial and critical support for implementing their policies as well as enable them to explain their difficulties and justify possible failures. On the other hand, it would enable the government to mobilize human resources on a wide scale and get the needed sacrifice and effort from the citizenry. Therefore, the presence of political trust opens up great possibilities for political stability and human resource mobilization, both of which are essential for any developmental effort.

Third and finally, since the state operates to further the possibilities of material welfare and create conditions conducive for human happiness and personal growth, it can be deduced that under such conditions a large part of the Ummah(s) would cooperate, support and help the process of transformation and reconstruction. In other words, a consensus of action and production would prevail.

All in all, it can be argued that the Islamic state would be a viable enterprise and successful to the extent that it is able to channelize the collective Ummatic energies in an effective way toward the Islamic objectives and goals. Even if it does not fully succeed in achieving its goals and reaching its targets, it would still be a viable enterprise so long as the rule of law and equity prevails and the populace is able to effectively participate in the political process.

PART III

ECONOMIC DOCTRINES

Chapter 5

ECONOMIC DOCTRINES OF ISLAM: INTRODUCTION AND PHILOSOPHY

Introduction

One of the central aims of Islam is to establish an ethical, egalitarian and just social order, the outline of which has been delineated in the previous chapters. Islam also envisions a certain type of economic order within the larger socioeconomic environment which performs the desired economic functions and reinforces the purposes of the social order. The Qur'an delineates this vision in a number of objectives, principles and criteria which, taken together, can be called the economic doctrines of Islam.

These doctrines are not purely of "economics" in the sense of what is commonly understood by that term. These are moral-ethical socioeconomic teachings in the realm of social economics, welfare economics and political economy.

What is meant by social economics here can be exemplified by its definition or realm given by a number of economists/social scientists in an article by Chowdhury.¹ He writes:

Walras viewed social economics as a field of inquiry intermediate between social ethics and economics. In this sense, social economics is a rational socioeconomic study of the application of religious thought to the economic, political and social domain, calling for applied judgments and reforms. Tawney believed

1. Masudul Alam Chowdhury, "The Micro-Economic Foundations of Islamic Economics," *The American Journal of Islamic Social Sciences* 3 (1986): 236.

that social economics as the means of studying society should be guided by a just appreciation of spiritual ends in order to use its material resources to promote the dignity and refinement of the individual human beings who compose it. McKee defines social economics as an economic inquiry that is both related in values and ready to take account of social aspects and consequences of behavior extending beyond what is usually understood as economic.

Chowdhury points out the methodology of social economics, in the words of John O'Brien, as follows:

The new paradigm (of social economics) would emphasize the importance of the public interest, the idea of community. It would place particular importance on man's quest not only for material progress but also for that ethical progress without which man's material progress cannot even be preserved. Social economists would have no compunction therefore about making normative judgments in keeping with the traditional code of morality. Ethical considerations would not be excluded from the study of economic problems.²

He then concludes with his own definition of a new paradigm of the social welfare model:

(It) will emphasize a cooperative socioeconomic model of development as opposed to a purely competitive equilibrium model. It would seek to optimize the efficiency-equity conditions within the milieu of a self-reliant integrated development. In this approach, human resource development, production of proper types of goods and services, expansion of complimentary product needs, attainment of higher employment and productivity, increased incomes and price stabilization, and intercommunal transfer of technology, will lay down the path to a comprehensive well-being and prosperity, for which we may use the term 'total welfare' as a synonym.³

Islam's economic doctrines and methodology, as will be seen, lie squarely within the domain of social economics.

Islam views man as the agent of change through the vicegerency (*khilafah*) task assigned to him and through the accompanying free will given to him. His task is to cut, knead and mold the factors of nature and the sociocultural environment to serve his and God's purposes—this is the challenge of man which has been earlier called the "interference in the flow of nature in space-time" or "service of God" (Chapter 1). Thus all human, physical and institutional factors in the production, consumption and distribution of goods and services must be subject to man's deliberate individual and social choices, e.g., consumer preferences, supply and demand, production functions, mone-

2. Ibid., 236-7.

3. Ibid., 237.

tary and fiscal institutions and policies, educational institutions, job programs, social services, etc. Islam provides the direction of conscious choice through its doctrines and value-judgments or ethics while the Islamic economy is the domain or theater where these choices are actualized.

These doctrines integrate economics with Islamic permanent values or ethics. They emphasize the importance of public interest and the idea of community; they prescribe value-judgments (the ought-to-do) giving direction to economic analysis as well as creating a criterion for economic policy formulation, and are concerned with the nature of process through which socioeconomic goals are attained—hence the common ground between Islamic economic methodology and social and welfare economics as well as certain aspects of political economy. As to positive economics which describes the working of the economy or an economic system and what actually exists, Islam views it as within the domain of universal rational positive knowledge which Muslims ought to imitate, integrate, develop and assimilate with appropriate adjustments where necessary (given the basic objectives and principles).

Islamic economic ethics and norms are founded on Qur'anic-Sunnatic values. However, they are subject to interpretation through *ijtihad* for efficacy and public interest purposes. For instance, the God-granted human rights are permanent and immutable with a given axiological ranking, i.e., right to life, belief and religion, and human dignity, followed by economic and political rights. While the first three rights have to be upheld under all circumstances, under a difficult situation like gross maldistribution of economic resources or property rights, the internal hierarchy of economic and political rights may have to be changed or the economic rights of some may have to be temporarily constrained by overall purposes of Islam.

If an economic system is defined as a socially established mechanism for resolving economic decisions in the key areas of production, consumption and distribution, then Islam does not prescribe a particular economic system *per se*. This is in the sense that the divine teachings do not give the details of the particular mechanism whereby economic decisions are to be resolved. The teachings leave the details to be established by society in each space-and-time context. What Islamic economic doctrines do provide are the core elements that form the basic philosophy of a system or an economy. As will be seen in the sequel, Islam provides the philosophical foundation, the socioeconomic objectives and goals, the principles and criteria for economic welfare of individuals and society, the principles and delineation of property

rights, some key institutions, guidelines for policy-making and a number of behavioral norms. When an economy is constructed on the basis of these principles, values and ethics and operates on the criteria embodied in the doctrines, it can be justifiably called an Islamic economy.

Assumptions or Foundational Principles and Their Implications

The philosophic foundations of the Islamic economy lie in the following principles or assumptions given in the Qur'an:

1. God is the creator and ultimate owner of all resources—human and material (2:107, 115, 117 and over 35 other verses). The Qur'an says: "To Him belongs whatever is in the heavens and on earth, and all between them, and beneath the soil" (20:6).
2. God is the provider and sustainer of all creation—human and non-human alike. He has created the means, i.e., the human faculties, the geophysical laws, the natural resources and endowments and the whole environment so that they may sustain all (2:22, 29 and over 30 verses confirming this principle). The Qur'an says: "How many are the creatures that do not carry their own sustenance. It is God who feeds them and you. For He hears and knows [all things]" (29:60). This means that through God's mercy, the earth always has enough means to support all mankind and other living beings.
3. The human and natural factors of production are bestowed freely upon individuals and nations but differently and unequally (4:32; 6:165; 16:71, 75-6, 17:21; 43:32). The dissimilar physiques of human beings and the different climates, geography and geology in different parts of the earth are a manifestation of this principle.
4. Man is the *khalifah* or trustee of God on earth (2:30; 6:165) whose function is to extract, produce, usufruct, consume, share and distribute in a just manner. And all mankind is equal or have the same rights (49:13; cf. Chapter 3).

The implications of these principles are several, which are also derived from the Qur'an. The first implication is that man can claim only partial credit for what he produces. That is, everything that man brings forth as a result of his labor and "knowledge" (technology and entrepreneurship) is the return on utilization of nature and/or the ability to labor and use knowledge which are all initially God-created. Therefore, God has a rightful claim in the total product which man has to give as God's share to society. Hence not all wealth is rightfully the earner's; the needy and

society have a right too (*zakah*, the welfare tax and beyond). The Qur'an clearly states: "In their wealth there is a definite right of the indigent and the deprived" (70:25; also 51:19).

The second implication is that one cannot do what one pleases with the rightful earning without keeping the moral purposes of man in view (11:87; 90:6).

The third implication is that man ought not to prevent others in society and nature from meeting their basic biological needs. On the contrary, he should ensure that everyone's basic needs are met because this is a right granted by God to all humans at birth as well as being God's will (20:118-19*; cf. 7:10).

The fourth implication is that the different factors of production endowed to people and nations are meant first, to test each person's and nation's ethical worth through their utilization, i.e., whether it is welfare-promotive or welfare-reductive and secondly, to facilitate division of labor, specialization, multiplicity of goods and services, trade and consequently economic activity and growth (43:32).

The fifth implication is that the creation of wealth through work, earning and production is necessary and good. It is the "bounty of God [*fadl Allah*]" (62:10; 73:20) and "good [*khair*]" (2:215, 272-3; 11:84; 22:11; 31:32; 50:25; 68:12; 70:21). What makes wealth bad is firstly, its single-minded pursuit (102:1-2; 104:2-4); secondly, its misuse, abuse, conspicuous consumption, wastage or *israf* (6:141; 25:67), and squandering or *tabdhir* (17:26); thirdly, its exclusiveness to oneself and denial of the share of society (*zakah* and other forms of sharing); and fourthly, the use of socially and ethically wrong or unjust means to produce it—the immoral-prohibited modes, oppressive exploitation of man and creation of ecological imbalance or environmental disruption.

The sixth and final implication is that all people should have equal opportunities, without discrimination, to benefit from environmental and public resources.

The underlying purposes or values embodied in these fundamental principles are basically two: one has to do with human attitude and the other with society. First, through the statement that God is the provider and sustainer all, Islam begins by freeing human conscience from servitude or submission to anyone except God. By guaranteeing him his basic human rights, it removes the fear of livelihood and life. This fear is an ignoble instinct which lowers the individual's self-esteem and often makes him accept undue submission or makes him abdicate much of his natural honor and many of his rights. This is especially true for the bio-

* This refers to life in paradise, not on earth (the editor).

logical need—food. This has been put succinctly in a hadith (saying) by the Prophet: “Poverty may sometimes lead to *kufir* (denial of God’s teachings)”.⁴ This implies that man may turn away from moral-ethical behavior toward socially- and self-destructive behavior due to the stress of poverty. Therefore Islam generates an attitude whereby man can demand the fulfillment of his needs if he is unable to do so himself without compromising his honor, dignity, pride, loss of status, freedom or any of his rights. This is the essence of Islamic humanitarianism—its core ethic.

The Qur’an denounces the attitude of compromise on basic rights as a sign of weakness of faith and of human character. It says:

Those who die in privation and misery and answer the angel’s inquiry regarding them with pleas of oppression, of weakness and impotence, are told: Was not the earth wide enough for you to run away from that predicament? Surely, their abode is Hell, the terrible plight” (4:97).

It seems to be arguing that “could you not have done better than suffer your oppression and weakness in silence and passivity.” Whereas the Qur’an in other places teaches the virtue of patience, perseverance and forbearance in difficult circumstances (103:1-3; 2:153; 3:200; 40:77; 42:42; 46:35), where abdication of basic human rights is concerned or compromise with evil and wrongdoing is involved (*fahsha*, *munkar*, *zulm*), it takes a much stronger and virtually opposite stance and argues for self-exertion, struggle, and self-defense for those rights (4:74-5, 95; 5:35; 22:78; 66:9). And where the circumstances are overwhelming, it favors emigration (*hijrah*) as a last resort which in itself is a form of struggle (2:218; 3:195; 4:97; 8:72; 9:20). Under no condition does Islam want man to abdicate his natural rights or give up his struggle for them.

Life is the very business of Islam. Society and economy lie at the core of its teaching. But what it wants is a particular kind of life, society and economy. Thus, the second underlying purpose of the foundational principles is to ensure the establishment of a balanced way of life, a life of *tawazun* both at the individual level (2:201) and the collective level (2:143). The Qur’an also calls this the straight path or way or *al sirat al mustaqim* (1:5-6; 6:39, 153) and the steep path of rectitude (90:10-18).

On the individual and personal level, it means having good personal and social ethics and maintaining an equilibrium in attitudes. Examples of *tawazun* or the manifestations of *al sirat al mustaqim* in personal life

4. Muhammad Asad, *State and Government in Islam* (1980), 91.

mentioned in the Qur'an are numerous, and only a few are noted here: giving both work and worship their due (24:37; 62:10); equal concern for this world and the afterlife (6:32; 17:18-19; 18:46; 79:38-9); a life neither materialistic (17:18; 53:29) or exclusively self-serving (59:9; 64:16), nor monastic (57:27) or abstaining from the good things of life (7:32); balance between familial and social interests and responsibilities; a life of sharing (2:267-8) and positive, productive, beneficial deeds (*a'mal salihah*); mutual cooperation in good things (work, trade, etc. (4:29)); and social commitment and cooperation in society-building activities ("enjoining good and prohibiting evil" (22:40)).

Taqwa, the central moral concept in Islam, is a negative function of or inversely correlated to unproductiveness (both economic and social), apathy, lethargy and social unconcern. *Taqwa* is precisely that state of balance and equilibrium in a human that generates positive social productivity. The Qur'an states: "Seek with [the wealth] which God has bestowed on you the home of the Hereafter, nor forget your portion of this world; but do good [unto others] as God has been good to you; and seek not corruption on the earth (*fasad fi al ard*), for verily, God does not like the spreaders of corruption" (28:77). The Qur'anic perspective is that life is one continuous movement in time; that the afterlife (*al akhirah*) is an undisputable reality and is organically linked to the present life (*al dunya*) through *iman* or belief as expressed in action; therefore, man has to use the one chance he is given to prove his worth (*iman* and *taqwa*) and this he can do only through his personal and collective endeavors. It is this moral tension and balance in life that in the sight of God is the assurance of success or felicity (*falah*).

Beyond this, man can live his personal life by Islam virtually anywhere if he is sufficiently motivated. But man is not isolationist by nature—he is a social being. His existence without a community would at best be truncated and he would naturally seek like-minded peers to live with, to interact with. Islam, therefore, argues for group-existence (the *jama'ah*) which it provides through the collective institution of the Ummah. It also provides the guidance and criteria for developing the sociopolitical, economic and cultural life of the Ummah. As stated previously, the Muslim umma's function is to be a balanced and median community (*ummatan wasatan*)—a community avoiding extremes in religious and political matters as well as operationally smoothing out social and economic imbalances, injustice and disequilibrium. The balanced way of life on the social-economic plane therefore means the creation and maintenance of such conditions in society through the state in which the individual and community find peace and prosperity—two of the highest blessings of God (106:1-4).

The purpose underlying the foundational principles is precisely this—that in all space-time contexts, society can or ought to maximize peace, prosperity and possibilities of happiness for the largest possible numbers of people. This requires the removal of all such conditions which prevent the collectivity from living in harmony, freedom and dignity. It simultaneously requires the promotion of such conditions that facilitate progress, development and cultural growth. In economic terms, this means the necessity of minimizing and ultimately eliminating poverty, unemployment and gross income and wealth maldistribution and the necessity of promoting human resource development (education, training, skills, etc.) and economic growth.

For doing all this and more, Islam presupposes the removal/absence of all artificial human created barriers as well as presupposes the enforcement/presence of basic human rights, equal or equitable share of all citizens in public resources, opportunities for self-development and so on. That is why the foundational principles (or given assumptions in the context of an economy) of God as Creator and source of nature and mankind, and as Sustainer (*rabb*); man as trustee (*amin*) or responsible agent (*khalifah*) of earth/nature/society; and mankind as equal with the same rights and similar needs are critical, indispensable and relevant. Without these principles, the basis of the Islamic economy falls apart and policy-making loses the necessary objectives and criteria on which it is supposed to be based in the first place. With these given assumptions and larger framework, an attempt can now be made to establish the principles or ethics of the Islamic economic doctrines.

It needs to be noted that the language of the Qur'an, even when enunciating economic principles, is religious and moralistic. The Qur'an tends to present its injunctions, commands and principles in moral terms, concretizes the ethical, clothes the general in a particular paradigm, and translates the ethical into legal or quasi-legal commands. (However, it usually explicates the objectives or principles that are the essence of its laws, rules and regulations.)

The reason for the above-mentioned Qur'anic method and terminology is, *inter alia*, that it wants to appeal to human reason as well as the human heart. Also, because in the final analysis, it sees in everything goodness, virtue, worth and value, i.e., moral content, as well as the potential for the opposite. Moreover, the Qur'an not only intends to achieve its economic objectives through moral discipline of its followers, but also intends to achieve moral and social objectives with the operation of economic principles.

Furthermore, it needs to be noted that the Qur'an is not organized in chapters on economy, politics, morality, society, culture, etc. Yet it con-

cerns itself with all these subjects and more but in its own unique didactic structure and method. Its contents do have a historical context, however, they embody universal non-time conditioned principles (Chapter 2). Therefore to establish the principles, one must take the various verses on a subject, read them together and extract from them those principles keeping in perspective the overall philosophy and purpose of the Qur'an. This method also applies to the *ahadith* (traditions) of the Prophet (Chapter 2).

Conclusion

Islam does not prescribe a particular system *per se* but provides the core elements that form the basic philosophy of a system or an economy. When an economy is constructed on the basis of this philosophy and its accompanying goals and objectives, and it operates in accordance with the criteria of promoting public welfare in consistency with Islamic values, it can justifiably be called an Islamic economy. God, as the Qur'an points out, has ensured the availability of enough means on this earth to adequately meet the needs of all God's creatures. It is then up to the human beings—the vicegerents/trustees/managers of the earth—to amply exploit and utilize the available resources and the comparative advantage in resource endowments to produce the goods they need and distribute them fairly. This process, however, involves ethical responsibilities for human beings—in the realms of what and how they produce, how they consume, and how they distribute. These are some of the areas where the economic teachings of Islam play an important role. The coming pages discuss these subjects as well as other dimensions of the Islamic economy—through the doctrines enunciated by the Qur'an and the Prophet's Sunnah.

Chapter 6

MEANS OF LIVELIHOOD AND WORK IN ISLAM

Introduction

As stated in the previous chapter, Islam takes the view that God, the creator of all resources, has provided all the means necessary for man's sustenance—human faculties as well as the natural environment. Man's function then is to apply his faculties rationally and utilize the resources to produce enough to meet his needs and satisfy his wants. In this chapter, the Qur'anic perspective on basic human needs is established. Through concrete examples, the means for man's livelihood are pointed out. Following that, it is shown how work and labor-effort, the natural corollary of man's existence, are emphasized by the Qur'an and Sunnah along with their view of issues related to work.

Basic Needs

The Qur'an explicitly points out the basic needs of man. In a verse addressed to Adam, the first human, it states: "There is therein [enough provision] for you not to go hungry nor go naked nor to suffer from thirst nor from the sun's heat" (20:118-9). So the Qur'an firstly establishes the physiological needs of man—food, clothing, water and shelter—which are universal. Secondly, it suggests that man, from his inception, has been divinely assured of the availability and sufficiency of means to satisfy the basic needs. Therefore, it can be safely deduced that at all times, there are enough resources available to meet the basic needs of all human beings.

Means of Livelihood and Sustenance on Earth

The Qur'an points to man's livelihood embodied in and available in nature. It states: "On earth will be your dwelling place and your means of livelihood for a time" (2:36; same in 7:24). This repeated verse is spoken to Adam, but is perfectly general and applicable to all mankind for all times. It further says: "It is We who have placed you [mankind] with authority [or ability] on earth, and provided you therein with means of fulfillment of your life (*ma'ayash*): small are the thanks you give" (7:10). Similarly, "And [We] have provided therein means of subsistence for you [mankind] and for those for whose sustenance you are not responsible" (15:20) and "Made the day as a means of subsistence [for you]" (78:11).

The Qur'an repeatedly mentions *al rizq* (sustenance) and *al tayyibāt* (good and wholesome things) as the divinely created sources of nourishment and food for human beings and others (2:22, 57, 60, 168, 172, 212; 3:27, 37; 4:39; 5:5, 88; 6:142 and over fifteen other references). It says: "Eat of the sustenance which God has provided for you, lawful and good (*halalan tayyiban*), but be God-conscious" (5:88). It further says that virtually everything that has been created for man's use is good and permitted: "Say [O Muhammad!] Who has forbidden the beautiful gifts of God which He has produced for His servants and the things, clean and pure, for sustenance (*al tayyibāt min al rizq*)?" (7:32). And the Qur'an reminds man to understand and recognize his source of sustenance: "O mankind! Call to mind the grace (*ni'mah*) of God unto you! Is there a Creator, other than God, to give you sustenance from heaven or earth. There is no God but He" (35:3). Here reference to sustenance from heaven and earth means not only the divine source itself but also implies the laws of nature and the whole natural phenomena that are embodied in the universe which serve man and nourish him. The Qur'an in numerous places has asked man to observe the laws of nature as well as his own creation and see and judge for himself whether it could all come about without an agency who has planned it.

The Qur'an specifically mentions many things created for the use, benefit and comfort of man of which a few are: *shade, homes, shelter, garments*, (7:81; cf. 7:26, 31, 80); *means of transport on land and sea* (17:70); *roads, channels, and means of communication* ("He it is who has made the earth a cradle for you, and has made roads [and channels] for you in order that you may find guidance" (43:10; also 20:53; 21:31; 22:27; 23:22, 27; 71:19-20); *food* ("The produce of the earth which provides food for man and animals" (10:24; also 80:24 and numerous references to food items in nature); *water* ("Say: what do you think? If all of a sudden your water were to vanish underground, who [but God] could

provide you with clean flowing water?” (67:30); “And We have distributed the water amongst them . . .” (25:50; cf. 25:53 and all references to rain)); and *fire* (“See the fire which you kindle” (56:71; also 56:72-3)). The ultimate point being made is this: “He it is who has made the earth easy [or manageable] to live upon: Go about, then, in all its regions and partake of the sustenance which He provides, but [always bear in mind that] unto Him you shall be returned” (67:15). The Qur’an asserts that the earth has been made subservient to man so that he may work and find conveniences of life in it (26:7-8; 45:13; 79:30-3).

It should be clarified here that when the Qur’an states that each person’s sustenance depends on God, it means two things: one, that God being the ultimate source of nature and natural laws, it is from Him that everything comes and secondly, that man cannot sit and wait for his sustenance to fall into his lap, but rather that he has the means of livelihood embodied in his body (intelligence and physical strength) and in nature and society, and has to apply his capabilities to earn his living. If he cannot do so for some reason, then society has enough to take care of his needs through sharing. So it is through the working of the natural laws as well as through human effort and mutual concern that each person’s subsistence is guaranteed. The individual family and the larger human family are the means for the satisfaction of each person’s basic needs.

Work: Necessity, Means and Value

The Qur’an uses several terms implying work: *amal* (work), *kasb* (earning), *sakkhara* (to employ or utilize), *ajr* (wages or reward) and *ibtighā’a faql Allah* (seeking God’s bounty or creating wealth). It sees work, both manual and intellectual or a combination of the two, which is the usual case, as the primary means of earning and acquiring income, property and wealth. It insists that man should work: “Command [O Muhammad]! Work (*i’malū*), soon will God observe your work . . .” (9:105). This command to work is universal, non-time conditioned and applicable to everyone. As is evident from this verse and 34:13 (“Work you! . . .”), all work has positive moral value because all action is accounted for. Therefore, work is necessary not only to meet personal and familial needs and wants, but also to prove one’s moral worth.

The Qur’an explicitly points out that the day is created for earning purposes: “It is out of His mercy [or grace] that He has made for you the night and the day, so that you may rest therein and that you may seek of His bounty [respectively]; and [He has given you all this] in order that you may be grateful” (28:73; also 17:12). However, it does not limit work to hours of the day only: “And among His signs is the sleep that you take

by night and by day, as well as your [ability to go about in] quest of some of His bounties: in these, verily, there are signs for people who [are willing to] listen” (30:23).

The Qur’an, as pointed out earlier and evident above, calls the earning and creation of wealth as God’s bounty, grace and good (*al khair*). It even permits the combining of work with religious duties like hajj or pilgrimage (2:198). For the day of communal gathering (*yوم al jumu’ah*) where the Friday prayers are collectively performed, it states: “And when the prayer is ended, disperse freely on earth [for worldly pursuits] and seek the bounty of God but remember God often, so that you may attain to a happy state [or prosper]” (62:10). The Qur’an is also saying that all seven days are open for work, except the hours of Friday prayer. Similarly, the Qur’an does not ask man to abstain from work during the month of *Ramadan* (the ninth month in the Islamic lunar calendar) in which fasting from dawn to sunset is an obligation upon all healthy adult Muslims (2:185).

The Qur’an points to the division of labor and specialization by stating:

“It is We who portion out between them [people] their livelihood in the life of this world; and We raise some of them above others in ranks, so that some may command [or utilize] work from others. But the mercy of your Lord is better than the [wealth] they amass” (43:32).

The essential Qur’anic principle is that “man can have nothing but what he strives for” (53:39). This has both a spiritual meaning and a worldly principle—that man’s earnings come through his work and when he works, he will see the fruit of his effort and thus will be completely rewarded (53:40-1). The principle of worldly labor-and-reward should not be taken to imply that only the working age people and their dependents will be fed, clothed, sheltered. It may happen, as often happens, that in spite of hard work people may not earn sufficiently to meet their familial needs, or there may be those who due to infirmness or age or any other handicap may not be capable of earning and not have an ascendant or descendant to take care of their needs; for such people and other financially-strapped categories, God has directly intervened and has specifically provided means of livelihood through the law of *zakah*, a religious and legal obligation on Muslims.

What Islamic doctrines try to weed out is parasitic living and beggary as a habitual profession. In many traditions, the Prophet has warned in severest possible terms the consequences of such a lifestyle.¹ He has equated begging or asking without need to “eating fire” and declared it unlawful and sinful. The need criteria given in the *ahadith* is based on

1. *Ṣaḥīḥ al Bukhārī* 2:318-20; *Ṣaḥīḥ Muslim* 2:495-8.

physiological needs (especially food) or on the circumstances where a calamity destroys a person's property leaving him without means to support himself and his family or some such dire necessity situation. In such instances, an individual can rightly ask for private or public assistance until the temporary difficulty is removed.² The Prophet has also explained the Qur'anic reference to "those who do not ask importunately" (2:273) as being such people who may be occupied in social causes like voluntary teaching or who in spite of working are not able to fulfill the basic needs or are lacking means for self-support and yet do not ask for assistance out of shame—such people are truly deserving of financial assistance and should be found and helped.³

Beyond this, the Prophet has taught the dignity of labor—any kind of labor—and the indignity of depending on the dole of others: "It is better for anyone of you to take a rope and cut the wood [from the forest] and carry it over his back and sell it [as a means of earning his living] rather than to ask a person for something and that person may give him or not."⁴ What is most remarkable is that when the Prophet took the oath of allegiance to Islam from certain people, in addition to their pledge to observe the obligatory duties and teachings, he asked them not to ask of people for anything.⁵

What one finds in the Hadith literature are numerous traditions praising different types of work, which leaves no room for doubt that all work is good and honorable as long as it does not involve anything unlawful. The Prophet especially emphasizes the dignity of manual labor as perhaps this was considered the lowest type of work in the then existing society. He also pointed out that he himself worked for wages in Makkah as a shepherd.⁶ His numerous companions also worked as manual laborers.⁷ The *ahadith* reinforce the Qur'anic references to different kinds of work that man performs which points to the basic value of all kinds of work except the few prohibited professions (see next chapter). Therefore, Islam requires that man earn his livelihood and not live on charity for in the words of the Qur'an: "Men shall have a benefit from what they earn, and women shall have a benefit from what they earn" (4:32), and in the statement of the Prophet: "Charity is *halal* (permitted) neither for the rich nor for the able-bodied."⁸

2. *Ṣaḥīḥ Muslim* 2:498.

3. *Ṣaḥīḥ al Bukhārī* 2:332; *Ṣaḥīḥ Muslim* 2:496-7.

4. *Ṣaḥīḥ al Bukhārī* 2:319.

5. *Ṣaḥīḥ Muslim* 2:498.

6. *Ṣaḥīḥ al Bukhārī* 3:162-3, 253.

7. *Ibid.*, 162.

8. Yusuf al Qaradawi, *Lawful and Unlawful in Islam* (1980), 25.

The emphasis in Islam is on those types of professions, industries and services that are socially necessary and essential, i.e., the “obligations of sufficiency” (*fard al kifayah*). The special position of *fard kifayah* in the Islamic Shari‘ah means that each Muslim society in each time period must try to ensure the availability of those goods and services which are necessary as well as sufficient for fulfilling the basic requirements of society in terms of human needs, social health and self-protection. These praiseworthy professions, sciences and industries must be created, provided and sustained by the collective Muslim community and their representative government. In this sense, Islam does assign a higher ranking to professions fulfilling priority needs, not necessarily in terms of moral content but in terms of their utility.⁹

The above-mentioned perspective of Islam is explicated in the Qur’an and *ahadith*, which assign scholarship, teaching and the creation of knowledge as the highest level of human activity, because without a strong moral, intellectual, scientific and educational foundation, a society cannot sustain itself. The Qur’an stresses the need for education, instruction and learning as well as scholarship in this way: “If a group from every division [of Muslims] remained behind, they could devote themselves to studies of religion and admonish the people when they return to them that thus they [may learn] to guard themselves [against evil or possible mistakes]” (9:122). Although this verse is specifically referring to a group of people asking them to devote themselves to acquiring a deeper knowledge of faith and to teach it to others, it should be noted that the Qur’an does not draw any dividing line between spiritual and worldly concerns but rather regards them as different aspects of the same reality. Consequently, this verse has a positive bearing on every kind of knowledge.¹⁰ It also needs to be noted that the knowledge mentioned in this verse has a rider attached to it (“that they may learn to guard themselves”). This implies that knowledge or science should not simply be theoretical but practical as well, i.e., it should be functional and purposive as well as individually and collectively necessary. Therefore the Qur’an is establishing the criteria for ranking educational needs for each time period giving first priority to those needs that are socially obligatory to fulfill at a sufficiency level (*fard kifayah*), and then to all realms of knowledge which promote development and an overall better life for society.

It is within this larger context that one finds numerous *ahadith* extolling and emphasizing the pursuit of knowledge. It is very significant

9. See Chapter 9 for more details on *fard al kifayah*.

10. Muhammad Asad, *The Message of the Qur’an* (1980), 285 n. 162.

that the Prophet has declared that “Striving after knowledge is a sacred obligation for every Muslim.”¹¹ This is the call of Islam for learning, science, research, technology, self-improvement and self-development as well as for creating the opportunities for all these pursuits. Therefore, it implies the creation and maintenance of programs of education, training, skill development and all such things that enhance the opportunities for advancement in personal and professional life. Given this perspective of Islam and its value-structure in the ranking of human activities and priority needs, it is suggested that sufficient direction is available that can help guide the process of institution-building and policy-making in the areas of education, work and worker improvement programs.

Similarly, having a sound agricultural base that can satisfy public needs is not only a major goal of development policy in general, Islam also assigns it a very high value. The otherwise secular work of a cultivator, in the Islamic framework, becomes praiseworthy and a source of worldly benefit to him and society, as well as a source of eschatological reward. The Prophet states: “There is none among the Muslims who plants a tree or sows seeds and then a bird or a person or an animal eats from it, but is regarded as a rewardable *sadaqah* (or a charitable deed) for him.”¹²

The *ahadith* emphasize that any sort of work that fills a need of society or brings real benefit is good provided it is done in a proper manner as is required in Islam, i.e., without injustice or exploitation of others and violation of Islamic principles, and done efficiently. Without injustice here means paying fair or just wages to employees (see below) and having concern for proper working conditions and safety of the worker as well as not taking advantage of weaker persons or their needs; without violation of Islamic principles means avoiding the prohibited categories of professions as well as using proper work and business ethics; and working efficiently means avoiding wastage and producing a good product or service.

Wages and Worker Treatment

On the question of wages for work, the Qur’an is silent. It therefore means that this matter has been left to be decided in each time-space context by the involved parties (employer and the employee) and perhaps the state—with the state playing the role of the guardian of society as the Prophet has declared it to be.¹³ Whereas the forces of supply and demand

11. Ibid.

12. *Ṣaḥīḥ al Bukhārī* 3:295. Also in *Ṣaḥīḥ Muslim* with similar wording.

13. *Ṣaḥīḥ al Bukhārī* 3:438.

will be the primary determinant of the wage structure, we suggest here that wages include a minimum wage or sufficiency wage component.

The Qur'an emphasizes the ethical values of justice ('*adl*), kindness (*ihsan*), compassion and consideration (*rahmah*) for all human relationships. This is one of the major themes of the Qur'an. For instance, it states: "And worship God [alone], and do not ascribe divinity, in any way, to anyone beside Him. And do good (*ihsan*) unto your parents, the near of kin, and unto orphans, and the needy, and the neighbor from among your own people, and the neighbor who is a stranger [human beings at large], and the friend by your side [spouse and fellow traveler], and the wayfarer and those under your protection rightfully" (4:36; cf. 2:177). And it says: "Behold, God enjoins justice and the doing of good, and generosity towards [one's] fellow-men; and He forbids all that is shameful and all that runs counter to reason, as well as envy; [and] He exhorts you [repeatedly] so that you might bear [all this] in mind" (16:90; cf. 7:29; 4:58; 5:8). The *ahadith* also stress compassion and just treatment of all human beings. For instance: "Human beings are all God's family, therefore, the most beloved of people in the eyes of God are those who do good to His family."¹⁴ The *ahadith* specifically mention workers and subordinates as deserving of economic justice, human consideration and equitable treatment.¹⁵ And they also give an idea as to what wages should be like.

Before proceeding to the discussion of wages, a clarification is needed about the types of work or workers the *ahadith* deal with. It should be noted that in the Prophet's Madinah, the local population was by and large involved in agriculture while the Makkan immigrants were primarily traders. The *ahadith* also report the presence of craftsmen. So the overwhelming majority of the working population was self-employed which seems to have been the norm. However, because the emigrants had little or no capital or goods for trade, having left most of it in Makkah, and did not possess any land in Madinah, several of the Prophet's companions (including three of the four later caliphs) worked as sharecropper-cultivators getting a share of the total produce.¹⁶ Other Muslims (both male and female) are also reported to have worked as temporary hired-help to relieve the stress of poverty.¹⁷ Beyond that, labor on land when not performed by the land-owner or the sharecropper was done by bonded workers/slaves, or they were used for additional help. Also, what are now classified as

14. Muhammad Nejatullah Siddiqi, *The Economic Enterprise in Islam* (1972), 27.

15. *Ṣaḥīḥ al Bukhārī* 3:434-8.

16. *Ibid.*, 298-300.

17. Martin Lings, *Muhammad: His Life Based on the Earliest Sources* (1983), 168.

salaried employees did not exist until very late in the Prophet's tenure and that also in only a few instances. Hence the following tradition deals with the treatment of bonded employees.¹⁸

The Prophet states: "Your employees are your brethren upon whom God has given you authority. So if one has one's brother under his control, one should feed them with the like of what one eats and clothe them with the like of what one wears. You should not overburden them with what they cannot bear, and if you do so, help them [in their job]."¹⁹ The assumption here is that the employee already has shelter and is a single person. This gives an outline of what minimum wage ought to be for a single person—it should be sufficient to cover living expenses or to meet basic materials needs. Whereas both the Qur'an and the *ahadith* strongly encouraged freeing those in bondage through numerous charitable-institutional means, to the extent that such persons were existing at that time, both sources of guidance demanded and urged their honorable and equitable treatment and regulated the human relationships in this realm.²⁰ One hadith also points to the desirability of educating one's employees.²¹ In the context of household help, the Prophet has reiterated the necessity of equal treatment of such workers with oneself in material things.²²

As it was probably not uncommon in those days to exploit people through different means, the Prophet directly intervened on behalf of this weakest group of workers as mentioned in the above-quoted *ahadith* and also said that he will be an opponent of three types of people on the day of Resurrection of which one category is "one who employs a laborer and takes full work from him but does not pay him for his labor."²³ These *ahadith* not only reflect the particular concern of Islam for the weaker sections of society, but also show the translation of Qur'anic calls for justice to concrete examples. And the books of *ahadith* in particular and other available literature on the early Islamic period document the appli-

18. For the background on the existence of bonded employees in the early Islamic period, see the note on the institution of slavery in the next section.

19. *Ṣaḥīḥ al Bukhārī* 3:434.

20. See the note on slavery, the chapter on the manumission of slaves in *Ṣaḥīḥ al Bukhārī* 3:419-46, esp. 433-7, and the Qur'anic verses 90:1-20 and 2:177 where freedom of slaves is dealt with within the context of ethical and compassionate treatment of all weaker segments of society. See also the comment by Muhammad Asad, *The Message of the Qur'an* (1980), 36 n. 146.

21. *Ṣaḥīḥ al Bukhārī* 3:435.

22. *Ibid.*, 439.

23. *Ibid.*, 258.

cation and practice of the normative teachings and their consequent beneficial results.²⁴

The other group of employees for whom some information is available are the state employees who were first appointed around the year 8/629. These were essentially the *zakah* collectors who often also doubled as teachers and judges, particularly in the areas away from Madinah. For them the Prophet stated: “Whosoever gets an office in our administration he may marry if he is unmarried; he may get a house if he does not possess it; he may keep a servant if he does not have one. But if anyone hoards wealth [with government funds], God shall make him rise up as the one who misappropriates or who cheats us.”²⁵ It needs to be pointed out that the appointees usually had to travel quite a bit and thus were absent from their homes—hence the probable reason for allowance for house-help for the family. Also, housing was very simple and modest at that time and most people owned their own homes and renting was very uncommon. The hadith does not mention any living expenses (food and clothing) which means they were to be given (or taken by the *zakah* collector) separately. In one reported case of an appointee in Makkah, the Prophet fixed a small salary to cover living expenses.²⁶ “‘Umar, the Prophet’s [*zakah*] collector in Madinah, said that the Prophet assigned him some work and paid for it.”²⁷ By and large there was no salaried class of people in the Prophet’s time which could give a concrete idea of the wage-structure. But it is evident that the emoluments assigned to the appointees were meant to cover the basic expenses. When Abu Bakr became Caliph, he was assigned wages to cover the living expenses for food and clothing for his family as well as housing, at the average standard of living of that period. Similarly, when ‘Umar became Caliph, he said: “Two suits for the year are permissible to me: one in winter, another in summer; and a riding animal for pilgrimage, and meal for myself and for my family of the standard of an average Quraishite. After all, I am only one of the Muslims. I shall get what the others get.”²⁸ These reports not only point out the living wages of the caliphs but also reflect their concern with equity and their self-identification with the common person.

Beyond this, beginning from the Prophet’s migration to Madinah, edu-

24. See, for instance, S. M. Hasanuz Zaman, *The Economic Functions of the Early Islamic State* (1981), passim esp. 322-32.

25. *Ibid.*, 350.

26. *Ibid.*

27. *Ibid.*, 143.

28. *Ibid.*, 350.

cation and literacy-training for children and adults were free and primarily provided by the state.²⁹ Madinah was also attracting people from different parts of Arabia who would come to learn and be part of the new community and who usually had no means of self-support. The Prophet's Mosque became the housing for many such people (the *ahl al soffā*) where they were provided food by the Prophet's family, and through the state resources when these were available, and through voluntary contributions of the neighboring Muslims.³⁰ In the later years when the state's financial resources increased, the stress of poverty that prevailed in the early years was substantially reduced and everyone benefited from these increased resources. Thus the state was able to fulfill the basic needs of all or most of the needy classes—the poor, the refugees, the deprived and those without guardians. This was done in accordance with the principle of responsibility of the state which was established by the Prophet: “The leader [or government] who has authority over people is a guardian and responsible for them.”³¹

From the foregoing it can be concluded that in an Islamic state, the kind of minimum wage structure that should prevail would take into account the basic need fulfillment factor. Moreover, those who are handicapped from earning due to some reason and do not have sufficient means of support would be taken care of by the state.

A Note on the Institution of Slavery

It may not be out of place here to establish the Islamic perspective on the existence of the institution of slavery in that period. Slavery, as an institution and practice predated Islam, and was deeply entrenched in the Arab society and other parts of the globe. Islam viewed it as a moral, social and economic problem and a source of human subjugation and exploitation. Therefore, the Qur'an from the earliest years of its revelation opposed it, urged the freeing of those in bondage and equated such action with the manifestation of belief. In an early Makkan revelation, the Qur'an states: “Have We not given him [the human being] two eyes, and a tongue, and a pair of lips, and shown him the two highways [of good and evil]: But he has made no haste on the path that is steep. And what will explain to you the path that is steep? [It is] to free a slave . . . Such are they who have attained to righteousness” (90:8-18). The Qur'an did

29. Muhammad Mustafa Azami, “The Authenticity of the Sunnah” in M. Tariq Quraishi, ed., *Some Aspects of Prophet Muhammad's Life* (1983), 30-1.

30. Martin Lings, *Muhammad: His Life Based on the Earliest Sources* (1983), 167.

31. *Ṣaḥīḥ al Bukhārī* 3:438.

not abolish slavery in clear, direct language probably because it was not possible to do so in one stroke in the then existing circumstances. For instance, Muslims did not possess political power or authority in Makkah. Nonetheless, they used their wealth to buy the freedom of as many slaves as was possible at that time.

When the Prophet along with other Muslims migrated to Madinah, the problem of slavery was present there as well. The Prophet, on numerous occasions, emphatically stated that in the eyes of God, the unconditional freeing of a human being from bondage was among the most praiseworthy acts a Muslim could perform.³² Consequently, his followers continued to voluntarily free slaves of their own as well as through buying the freedom of such who were owned by others. It was also not uncommon for a person to emancipate his slaves on his acceptance of Islam.³³ The Prophet also banned and declared as a sin the taking of a free person into slavery.³⁴ Through this process, slavery, as a social institution, would perhaps have withered away had a new situation not developed. This was the problem of the captives who were taken in the battle between the pagan Makkans and the Muslims at Badr (2/624).

So, in view of the overall situation, the Qur'an started providing various legal-institutional means for the emancipation of slaves (*al riqab*, both the captives as well as the bonded workers), besides continuing to exhort the Muslims to spend of their wealth to free them.³⁵ The Qur'an, firstly, allowed those in bondage/captives to earn their freedom through a written contract (*al mukatabah*) and commanded the masters to grant it to them (24:32); secondly, it asked the Muslims to free slaves as legal expiation for certain transgressions and sins (4:92; 5:89; 58:2-4); thirdly, it urged the integration of the captives into the community through marriage (4:3, 25; 24:32); and fourthly, it categorized the utilization of *zakah* funds for the emancipation of slaves (9:60). If one takes these measures in conjunction with the chronology of verses dealing with slavery, it becomes evident that the objective of Islam was to eliminate slavery. That is why in the 32 Qur'anic passages that deal with slavery, there is not a single verse that encourages it. On the contrary, they either point to ways of emancipation of the slaves or deal with their good treatment.³⁶

32. Asad, *The Message* (1980), 36.

33. See *Ṣaḥīḥ al Bukhārī* 3:419-20, 425-6, 429.

34. *Ibid.*, 236.

35. See, for example, the Qur'anic verse 2:177 which was revealed in Madinah.

36. For further detail on this subject, see Fadel Abdallah, "Islam, Slavery, and Racism: The Use of Strategy in the Pursuit of Human Rights," *The American Journal of Islamic Social Sciences* 4 (September 1987), 31-50.

It is within this larger framework that the traditions of the Prophet dealing with bonded employees should be read. The Prophet is simply pointing out the desired equitable treatment of those who were in bondage to the extent that such persons were present at that time. For our purposes, the tradition reflects the necessity of need fulfillment for such who may be at the lowest echelon of society in social or economic terms. In other words, it manifests the principle of the minimum wage a person can be paid as well as the amount of work that can be assigned to an employee.

Conclusion

The essence of the Islamic teachings in the realm of livelihood and work is that firstly, the entire natural phenomena including the laws of nature and all of earth's resources are specifically designed to nourish and sustain mankind—to meet human physiological needs as well as comforts and other wants. However, human beings have to make the effort to exploit and utilize earth's resources to “earn their bread.” Thus, secondly, work, labor-effort and the seeking of God's bounty are placed at the center of Islam's ethical teachings and made a core ethic. In this process, Islam places no upper limit on how much one can earn or produce, however, it does place a lower limit on what one can pay to others when their labor is utilized—an amount sufficient to cover essential expenses or a living wage.

Beyond that, Islam sees dignity and goodness in virtually all kinds of work and occupations, emphasizes giving priority to such occupations that promote both economic and social wealth of a society, and argues for institutionalizing opportunities for self-development and human resources development.

In short, an Islamic society should encourage and facilitate the maximum development and utilization of its resources, both human and material, in order to meet its economic requirements as well as human needs and wants, and make the subservient earth embellish human life for which it has been created in the first place.

Chapter 7

THE LAWFUL (ḤALĀL) AND UNLAWFUL (ḤARĀM) OF ECONOMIC LIFE IN ISLAM

Introduction

Islam embodies a set of legal principles on the basis of which the lawful and the prohibited of economic life (and all aspects of life) are determined. These apply, *inter alia*, to realms of work and earning, business transactions, consumption and production, and all human relationships and behavior. However, these exclude regular religious worship of which the forms are clearly defined. In this chapter, the basic principles of the lawful and unlawful in Islam are outlined along with the prohibited categories of things and economic practices. Then some key areas of economic relevance are discussed where these rules apply, such as advertising, credit and forward transactions, debt and deficit financing. Finally, Islamically-consistent principles of business organization are outlined and the institution of endowments is discussed. It may not be out of place to mention here that while the Qur'anic rules of lawful and unlawful give the essence of Islam's normative view of life including economic life, the precedents of the Prophet were established in a relatively simple economy and as such cannot be expected to entirely cover the complex problems of a modern economy. Yet there is sufficient basis in these Qur'anic rules and sufficient rationale in the Prophet's precedents that together they can provide guidance for a wide spectrum of possible situations in all space-time.

Basic Principles

The first principle (*aṣl*) is that since the things created by God in nature are for man and his benefit, they are *halal* or permitted (Qur'an 7:32-33). Nothing is unlawful unless specifically prohibited by the Qur'an or the Sunnah through a clear and explicit text (*naṣṣ*). Therefore, all work, earning and economic transactions are naturally permissible unless explicitly prohibited. The sphere of prohibited things is very small while that of permitted things is very large. The Qur'an points this out: ". . . He [God] has explained to you in detail what He has made *haram* (forbidden) for you . . ." (6:119). The Prophet confirms it in his hadith: "The *ḥalāl* is that which God has made lawful in His Book and the *ḥarām* is that which He has forbidden, and that concerning which he is silent He has permitted as a favor."¹

The second principle is that the prohibition of things in Islam is due to their harmfulness to the individual or society or both. In terms of the effect of the use of prohibited things, the harmfulness can be to the human body, human judgment, human self-development or a combination thereof. In terms of the nature of prohibited things, these embody moral-ethical disvalues and/or something wrong and unjust or lead to injustice for the individual and/or collectivity.

The Islamic criterion is that if something is entirely beneficial it is *halal*, if it is entirely harmful it is *haram*, and if the benefit outweighs the harm it is permissible, while if the harm outweighs the benefit, it is prohibited. For instance, the Qur'an states: "They ask you concerning intoxicants and gambling. Say [O Muhammad]: In them is great evil (*ithmun kabirun* or sin) and some benefit for man (*manafi' u li al nas*); but the evil which they cause is greater than the benefit which they bring" (2:219). Otherwise the general rule is the permissibility of all things wholesome and beneficial for man. This is implied in the Qur'anic verse which states: "They ask you what is lawful to them. Say [O Muhammad]: Whatever is good (*tayyibat*) is lawful to you . . ." (5:4). Although this verse is mentioned in the context of food, it is perfectly general and the principle is valid and applicable to all things because the following verse (5:5) affirms and substantiates it by applying it to human relationships.

In matters of diet, the Qur'an generally does not give the precise reason for its prohibitions but requires the Muslim's unconditional obedience to the prohibition. However, it either assumes man's knowledge of the harmfulness embodied in the prohibited items through history and tra-

1 Yusuf al Qaradawi, *The Lawful and Unlawful in Islam* (1980), 15.

dition or leaves it to man to determine the reason for its harmfulness through research and scientific study if and where proof is needed and is not obvious. In social and economic matters, the rule of prohibition is based on injustice to society and in certain cases explicates the underlying cause or implies it in moral-ethical terms in the statement. Since Islam wants to prevent social disruption, disharmony and unnecessary litigation, it goes to the root of the matter that may lead to such disvalues and prohibits it.

The third principle is that making things lawful and unlawful is the prerogative of God (Qur'an 19:59; 16:116; cf. 7:32; 43:21). The Qur'an declares: "O you who believe! Make not unlawful [or deprive yourselves of] those good things of life (*tayyibat*) which God has made lawful for you, but do not transgress the bounds of what is right [by excess]: verily, God does not love the transgressors of the bounds of right. Thus partake of the lawful good things (*halalan tayyiban*) which God grants you as sustenance and be conscious of God, in whom you believe" (5:87-88). However, given the progression in time and the development of new products, techniques and practices, Muslims now have to use the principle of analogy (*qiyas*) to demarcate what is permitted and prohibited in these matters. In particular, in the realm of economic transactions, it is the responsibility of the doctors of law or *fuqaha* (jurists) and the scholars of Islam (ulama) to make *ijtihad* (informed intellectual effort) and to come up with precise definitions, guidelines and details as to what is exactly prohibited and/or undesirable, especially where there may be some ambiguity. These guidelines are necessary for moral social development as well as to provide facility and ease for man—both being the functions of Islam. The Qur'an states: ". . . God intends every facility for you; He does not want to put you to difficulties . . ." (2:185). This Qur'anic philosophy of facilitation is embodied in its rules for worship like prayer, fasting and purification (e.g., 2:183-5; 2:238-9; 4:101-4; 5:6); for marriage (2:235; 4:3, 23-8, 35) and divorce (2:228-3); and in its rule of leniency in the situation of dire necessity (2:172-3; 5:3; 6:119) and rules of expiation.

The Qur'an is strictly against human authority to arbitrarily declare things lawful and prohibited. But it is more strict with respect to those who voice prohibitions because these result in hardship for human beings and unjustifiably narrow what God has made spacious for His people. The Prophet condemned such religious extremism, and fought against pseudo-pietism and zealotry by every means when it arose in his time, and gave this warning to those who indulged in it with the words: "The zealots will perish" repeated three times.²

2 Ibid., 21.

The fourth principle that comes by deduction is that whatever leads to prohibited or unjust things or is conducive to individual or social immorality (*ithm, munkar*), inequity and injustice (*zulm*) is also *ḥarām* and therefore to be shunned. For instance, the Prophet has clearly stated that “Poverty may sometimes lead to unbelief (*kufr*).”³ This means that a hungry person or someone in dire need may be forced to act in ways contrary to human dignity or against the interest of society. Therefore, the root cause of or a path to irresponsible social behavior (i.e., poverty) must be eliminated and means provided to satisfy the basic human needs. This also means that policies that create and promote poverty and injustice must be checked with all means available to society. Similarly, given that human beings need leisure, recreation, relaxation and entertainment, *ḥalāl* means should be developed and provided by society and culture to satisfy these needs. This would also help to prevent social disvalues from developing. Needless to say, meeting recreational needs of individuals and families is not only permitted in the Islamic teachings, but is also squarely within the Prophet’s Sunnah, and many examples from the Prophet’s family and social life are available and indicate the happy blend of life he and the early Muslims maintained. The reports also point to some of the sports, games and activities which the early Muslims participated in, including numerous occasions where the Prophet would join them and encourage them.⁴

Besides these four principles, what the Qur’an is saying is that whatever has been declared *ḥarām* is unnecessary, dispensable and superfluous and the rest which is *ḥalāl* is sufficient, with enough choices for man to live in ease, comfort and good health. Furthermore, good intentions do not make the prohibited permissible unless dictated by the necessity of life preservation. Similarly, one’s position or status does not exempt him/her from the rules and laws of Islam. The Qur’an and Sunnah have made this very clear. Both have unequivocally stressed the importance of the universal application of law in society.⁵

As for matters which are clearly in the gray area and remain unclarified, Islam takes a cautious approach and suggests that avoiding them is better.⁶

Within this framework, some of the Qur’anic prohibited categories are: occupations promoting immorality (*fahshā’* and *bighā’*) (2:268; 7:33; 24:33), intoxicants and drugs (2:219; 5:90); professions dealing in pro-

3. Muhammad Asad, *State and Government in Islam* (1980), 90-1.

4. al Qaradawi, *Lawful and Unlawful* (1980), 292-304.

5. *Ibid.*, 30-1.

6. *Ibid.*, 32-3.

hibited food (2:173); gambling or games of pure chance (2:219; 5:90); usury or *riba* (2:275-9); criminal activities like theft (5:38), taking innocent lives (2:178-9; 5:32), misappropriation and embezzlement of private and public funds, and fraud in weights and measures (2:188; 3:161; 4:10; 26:181-3; 83:1-6); and creating *fasād fī al arḍ* (corruption on earth) which stands for any state of affairs that embodies or leads to general lawlessness and oppression—political, economic, moral or social (2:11, 205; 4:33; 7:56, 85; 11:116).

The Qur'an also prohibits certain acts like accepting gifts, favors and bribes to make unobjective decisions (4:58, 135; 5:42; 7:29; 55:9) and withholding what is due to others through embezzlement of property or through unfair compensation (4:2, 10; 17:34). In particular, the Qur'an stresses avoiding business deals or contracts that involve coercion, exploitation of the weak or contracts made under stressful circumstances. It states: "O you who believe! Do not devour one another's possessions wrongfully—not even by way of trade based on mutual agreement—and do not destroy one another: for behold, God is indeed a dispenser of grace unto you" (4:29). Muhammad Asad remarks in his Qur'an commentary that this verse stands for avoiding such business dealings that exploit the deprived or weaker party even when the latter may agree to such terms.⁷ Similarly, Yusuf al Qaradawi, a leading contemporary *faqih* (jurist), remarks on this verse that whereas business transactions must be made by mutual consent, they must be ethical, fair and beneficial to the parties involved without theft, cheating, fraud and misrepresentation and making someone suffer in the process.⁸ Therefore, the legal and economic system must ensure justice in business and commercial dealing and contracts as well as enforce business ethics. Where external diseconomies or spillover costs of individuals or firms are concerned, the Qur'anic principle of justice and equity imply the right of society to penalize and/or tax and be compensated.

Certain economic transactions not directly covered by the Qur'an have been declared illegal by the *ahādīth*. It should be noted that after the Prophet's migration to Medina, he not only established a mosque as a place of worship and as a school and educational institution, he also established a marketplace and "himself organized the rules of business dealing, explaining and teaching its various aspects."⁹

The Prophet regards hoarding of goods particularly foodstuffs and necessities as condemned by God.¹⁰ This does not mean that inventory

7. Muhammad Asad, *The Message of the Qur'an* (1980), 108 n. 38.

8. Al Qaradawi, *The Lawful and Unlawful* (1980), 146.

9. *Ibid.*, 140.

10. *Ibid.*, 256.

carrying is wrong—it cannot be wrong because it is necessary for business operations. What is outlawed is the purely speculative activity of hoarding for the specific purpose of raising the market price and thus making a large profit. This also implies that monopoly power which allows certain producers or distributors to corner the market should not be allowed to persist in an Islamic economy. Moreover, the wealthy should not be allowed to monopolize certain trading activities especially in food-stuffs. The Prophet states: “If anyone withholds goods until the price rises, he is a sinner,” and “He who brings the goods to the market is blessed with bounty but he who withholds them is cursed [by God].”¹¹ The Islamic perspective is that real economic activity—production, trade, buying and selling—is beneficial to society, therefore, whatever is harmful financial speculation or slows down the velocity of circulation of goods is undesirable. In other words, excess profiteering (the value implied in usury) by subjecting the market to excessively high prices is to be shunned.

Another value implied in these *ahadith* is that because hoarding leads to higher prices for the consumers and particularly reduces the purchasing power of the poorer people, it is to be shunned. The implication for policy is that after clearly establishing what hoarding and excess profiteering mean in theory and practice, the government would have to act as an overseer (*muhtasib*) and enforce this principle because of its likely prevalence in the private sector of a market economy. On the other hand, the government can eliminate the problem by either fixing prices of basic food items and ensuring sufficient supply at those prices through the market, or by taking over distribution operations, or by simply nationalizing grain trading. In other words, price and direct controls are legitimate if needed. Although the Prophet did not interfere with market prices when the prices once rose in his time (probably due to natural factors), this cannot be taken as a binding precedent.¹² While markets in general should operate freely, protecting society is the prime concern of Islam and therefore price control or direct distribution of necessities under certain circumstances may be necessary to ensure satisfaction of basic needs. It also needs to be noted that ‘Umar, the second Caliph, in his time had fixed a monthly allowance of wheat sufficient for two square meals a day from the government storehouse for every person in the country.¹³

11. Ibid., 256-7.

12. Ibid., 255-6.

13. Asad, *State and Government* (1980), 92.

Business Transactions

Islam urges man to base his business transactions on Islamic moral teachings and ethics. The Prophet has stated: “The seller and the buyer have the right to keep or return the goods so long as they have not parted or till they part; and if both the parties spoke the truth and described the defects and quality [of the goods], then they would be blessed in their transaction, and if they told lies or hid something, then the blessings of their transaction would be lost.”¹⁴ In particular, the Prophet in numerous traditions has emphasized avoiding false advertising and promotion of a good without informing the buyer of known defects, a tendency more likely to prevail. He states: “It is not permissible to sell an article without making everything [about it] clear, nor is it permissible for anyone who knows [about its defects] to refrain from mentioning them.”¹⁵ The Islamic philosophy is that man can and should pursue his profit-making activities through honest means but if he does not do so, he undoubtedly pays for it in the long-run (afterlife) if he is not already caught in the short-run by the society and state. Therefore, integrity and truthfulness in business dealings, beneficial for all members of society, not only require ethics but also imply protection of the consumer.

In the realm of economic practices, the Qur’an permits “transactions involving future obligations in a fixed period of time” (2:282). These include loan transactions, credit transactions or sale for deferred payment, sale for deferred delivery or any other form of dealings involving the future.

On pure need-based personal and consumption loans, the Qur’an forbids charging pure interest (*riba*), simple or compound. On business loans or money-money transactions, Islam offers profit-sharing as a viable alternative, as detailed and explained in the next chapter. For credit or future transactions involving goods or services (money-goods exchange), Islam permits operation on commission, service charge and/or mark-up. The Prophet has indicated in his own dealings that the fixing of or suggesting a price for an item is the domain of the seller or the supplier of the product.¹⁶ It can then be mutually agreed upon between the seller and the buyer. Therefore, as Yusuf al Qaradawi points out, mark-up sales, whether for present payment or deferred payment, are permitted because of the permissibility of things and because no clear text exists prohibiting

14. *Ṣaḥīḥ al Bukhārī* 3:166-7.

15. Al Qaradawi, *The Lawful and Unlawful* (1980), 261.

16. *Ṣaḥīḥ al Bukhārī* 3:181.

them.¹⁷ However, in case of deferred payment, he adds that the mark-up should be reasonable and “not to the extent of blatant exploitation [of one’s need] or clear injustice, in which case it is *haram*.”¹⁸

In a lengthy passage (2:282), the Qur’an states:

And be not loath to write down every contractual provision, be it small or great, together with the time at which it falls due; this is more equitable in the sight of God, more reliable as evidence, and more likely to prevent you from having doubts [later]. If, however, it be a transaction which you carry out on the spot among yourselves, there is no blame on you if you do not reduce it to writing. But take witnesses whenever you make a commercial contract, but neither scribe nor witnesses should suffer harm, for if you do [them harm], behold, it will be sinful conduct on your part. And remain conscious of God who teaches you—and God has full knowledge of everything.

Evidently, the Qur’an wants to ensure equity to the involved parties as well as to suppress the possibility of future litigation and conflict. In the next verse (2:283), it permits the creditor a tangible guarantee in the form of a collateral or mortgage (*rahn*) where deemed necessary by the involved parties or in substitution of a contract when for some reason it is not written. This was explicated by the Prophet who once bought some grain from another person at a pre-agreed price, promising payment at a specific time, and pledged one of his personal possessions as collateral.¹⁹

In the context of forward transactions, which were practiced in Madinah, the Prophet stated: “Whoever pays in advance the price of a thing to be delivered later should pay it for a specified measure or specified weight for a specified period.”²⁰ This means that when contracts in futures are written, the quality and specification (where applicable) price, quantity and payment period should be specified with the other terms and conditions. However, where uncertainty is greatly involved, i.e., where there is no reasonable guarantee that the seller can deliver the goods for which he is to receive payment, for instance, in the case of unripe fruits or unplanted or unripe grain (as was the case in the agrarian economy of that time and equally applicable to the present), the Prophet forbade such transactions²¹ and further stated: “If God spoiled the fruits, what right would one have to take the money [or property] of one’s brother?”²² So

17. Al Qaradawi, *The Lawful and Unlawful* (1980), 269.

18. *Ibid.*, 270.

19. *Ṣaḥīḥ al Bukhārī* 3:247-8.

20. *Ibid.*, 243-4.

21. *Ibid.*, 219-21, 246-7.

22. *Ibid.*, 221.

except in matters and goods with obvious and substantial uncertainty and likely injustice to either of the two parties—such specifics being determined by experience and custom and, where needed, delineated by law—all forward transactions are permissible within the rules given by the Prophet and/or rules established by Islamic authorities.

In the domain of intermediaries and brokerage, Islam permits them because they are essential for any modern economy and nothing in Islam prohibits it. The broker can charge a fixed fee or a percentage of the transaction or whatever is agreed upon between the involved parties. What the Prophet had discouraged was an unnecessary and unproductive intermediary practice that existed in his time since it was contrary to public interest as well as against the interest of the producer.²³

Avoiding Waste of Resources

One of the key things the Qur'an has emphasized is moderation in living habits (consumption and spending) and thriftiness in financial affairs. Waste (*isrāf*) of personal and public resources and extravagance is strongly discouraged (6:141). Similarly but more strongly, squandering (*tabdhīr*) of personal wealth is condemned (17:26-7). These values are difficult to define precisely and their understanding may vary from person to person and from society to society, nevertheless, the Qur'an and Sunnah do explicate some of their dimensions and leave the rest to one's moral-ethical judgment as well as to the ethical-legal judgment of society in each time period. The Qur'an states: "And give his due to the near of kin as well as to the needy and the wayfarer, but do not squander [your wealth] senselessly. Behold, the squanderers are indeed the brethren of the devils [the evil ones]" (17:26-27). Later in verse 29, the Qur'an exhorts Muslims to "be balanced and help the needy financially but do not stretch yourselves to a point that you may become destitute and not be able to take care of familial needs." Besides helping those in need, the emphasis here is on having savings and avoiding the situation of being in debt.

Debt, Borrowing and Deficit Financing

Being in debt was considered such a disvalue that the Prophet would often say in his prayers, "O God, I seek refuge with you from all sins and from being in debt." When he was asked why, he replied that "One who is in debt tells lies and breaks promises."²⁴ He also reportedly

23. Ibid., 206-7.

24. Ibid., 342.

equated financial indebtedness with leading to *kufṛ* (rejection of God's teachings) or immoral-unethical behavior. Since being in debt was almost always a sign of poverty or implied an attitude of squandering one's private funds and both of these were not only undesirable situations in and of themselves but could also lead to compromising behavior, hence the equation with the possibility of *kufṛ*. The Prophet also strongly urged those able to repay the debt they had incurred quickly and without delay.²⁵

The purpose of the Prophets's statements, *inter alia*, is that man should avoid poverty, live within his means and preferably have savings. Consequently, he has said: "The upper hand is better than the lower hand, [i.e., one who gives in charity or spends for social welfare is better than the recipient]."²⁶ The essence of this statement is that one should work and earn and not be dependent on others to the degree this is possible.

The economic implication of these traditions is that indebtedness being an undesirable state should be avoided or minimized. Or if one borrows, assets should be greater than liabilities or one should have positive net worth. This applies to households and firms as well as to governments. Therefore, an Islamic society should not be a high consumption society, but one with a high saving and investment rate. Resources for households should be generated through reduction in unnecessary or superfluous consumption, avoidance of luxury goods and through increased work and savings.

Similarly, firms ought to be efficient, profit-maximizing and/or cost-minimizing through technological progress and creative management. When additional resources are needed, the priority should be to generate them internally. However, when and where borrowing is necessary and is the efficient or optimal option, it can be pursued. (It should not be concluded that borrowing is not permissible—on the contrary it may be necessary and beneficial in certain situations; what is being said is that arbitrary over-extension is not a healthy practice.)

Avoiding indebtedness on the part of a government should also be the norm. Deficit financing as a matter of routine can be hazardous for the health of an economy. While governments can cut waste, costs and unnecessary expenditures, they can also use special or specific tax measures in times of need as well as raise funds for specific projects through public equity participation. For special welfare needs, besides *zakah* funds, voluntary contributions can also be raised (perhaps coupled with tax-breaks) and a progressive taxation structure can also be invoked. It is notable that

25. *Ibid.*, 343.

26. *Ṣaḥīḥ al Bukhārī* 2:292.

the Prophet used to raise funds for general welfare needs by appealing to people and he was reportedly never let down.²⁷ So if the populace is sufficiently motivated for specific social needs, this source can play a substantial role in reducing governmental burden.²⁸

The foregoing is simply being argued to point out that the Prophet's teaching on avoidance of debt is important, that societies have to learn to live within their means and preferably have a high saving and investment rate, and that except in abnormal circumstances or where borrowing is beneficial, deficit-financing should be avoided.

Principles of Business Organization

In terms of principles of business organization, the Islamic literature, besides owner-proprietorship, specifically mentions two types of partnerships and/or equity-participation principles: *al muḍārabah* and *al mushārahah*. *Al muḍārabah* or *al qirāḍ* is the partnership between capital and labor or sleeping partnership where one or more persons provide the finance while others provide entrepreneurship and management to carry on any business venture, whether trade, industry or service for the purpose of earning profits. While the profit is shared by the financier(s) and entrepreneur(s) in pre-agreed proportions, the loss is borne by the financier(s) in proportion to the share in capital and the entrepreneur(s) loses his profit-share proportionately. Generally, *muḍārabah* arrangements are for short-term commercial-contractual ventures.

Al mushārahah is the partnership between two or more persons where they share the profits or losses according to their proportion of investment, and where they may also operate as entrepreneur-management or hire the management to run the venture for them. Such partnership arrangement can be project-specific or firm-specific but is generally used for long-term projects mainly involving production activities but also including trade and service businesses.

The essence of non-single-owner businesses is the principle of equity-participation and profit-sharing. Therefore, business ventures, firms and cooperatives can be organized on these principles. Beyond that, whatever modern business organization offers as an efficient and equitable principle or alternative can be integrated into an Islamic economy with adjustments where needed.

By and large, business and public organizations evolve over time

27. S. M. Hasanuz Zaman, *The Economic Functions of the Early Islamic State* (1981), 103-4.

28. See Chapter 11 where the role of voluntary contributions is dealt with in depth.

according to societal needs and level of development. The function of the Islamic state is to help create the appropriate conditions for the growth of private business, and the role of Islamic ethics is to guide the development process in all areas of economy and society. Where Islam can play a critical role is in the development of the public sector, and public and development policy.²⁹

Endowments

One of the institutions that finds mention in the *ahadith* is endowments (*awqāf*, sing. *waqf*). This term is used both in the sense of a public-benefit or income-producing institution, as in the case of the lands of Khaibar whose income was equally distributed among members of the community at the behest of the Prophet,³⁰ and also in the sense of a public charitable trust or foundation. An institution of the latter type was also established at the behest of the Prophet when he said to ‘Umar: “Give those trees as a whole in *waqf* so that those might not be sold but their fruits can be spent and given in charity.” Consequently, “Umar gave those trees in charity [or established the charitable endowment].”³¹ Other instances of the founding of public *awqaf* through private support are also reported from the Prophet’s period, especially for satisfying basic needs like drinking water.³² Hence public welfare endowments can be a useful and beneficial instrument in satisfying different societal needs.

Conclusion

Islam’s concern is with welfare and well-being of man. As such, its laws reflect the theme of prevention of harm to humans and facilitation and promotion of everything that is socially beneficial and useful. On this basis, it prohibits certain disvalues (goods as well as practices) while leaving a very large area open for human activities. In the realm of economics, Islam points towards application of ethics in business transactions, avoiding waste of resources and avoiding unnecessary debt, and provides the *muḍārabah* and *mushārah* principles for business organization in contrast to the *ribā*-based economic mechanism. Through the application of these teachings and principles, Islam sees the economy operating ethically and fairly promoting human welfare.

29. See Chapter 9.

30. *Ṣaḥīḥ al Bukhārī* 3:304.

31. *Ibid.*

32. Hasanuz Zaman, *Economic Functions* (1981), 103.

Chapter 8

THE ISSUE OF RIBĀ AND AN OUTLINE OF RIBĀ-FREE BANKING

Introduction

Among the things declared prohibited in Islam, none has generated more controversy and debate than the issue of *riba*, which for want of a better term can be translated as usurious interest or usury. The question that has been raised is whether interest as practiced by modern banking is *riba* and if so, whether all interest-based transactions are illegal. To answer this question, issues involved have to be clarified. Initially, the term *riba* is explained within its historical context and following that the Islamic perspective of a financial system is established along with an analysis of interest rate. The conclusions that emerge lead to a proposed outline of *riba*-free banking that also includes some evidence from actual practice.

Ribā in Historical Perspective

The term *riba* literally means an “addition” or an “increase” over and above the original size or amount. In Qur’anic terminology, it essentially refers to the practice of lending money for a prefixed rate of return or interest. Historically, in the pre-Islamic and early Islamic period, capital owners used to lend money having no legal concern for the purpose for which it was lent or the manner it was used but remained contractually assured of gain irrespective of any losses which the borrower may have suffered in consequence of this transaction. Moreover, the debt doubled

and redoubled when the borrower failed to make payment of the capital plus interest on time. This led to virtual enslavement of borrowers to the lenders because the exponentially increased sums were almost impossible to repay. The Qur'an testifies to such then-existing conditions in Arabia (year 3/625): "O you who believe! Do not gorge yourselves on *riba* (usury), doubling and redoubling it—but remain conscious of God, so that you might attain felicity" (3:130). This highly exploitative money-lending business without social concern or risk participation made victims of insolvent business people and poor people who borrowed for consumption purposes.

Before this revelation, the Qur'an had already discouraged usury in Makkah (around 615-616 C.E.): "The wealth you invest in usury so that it should grow at the expense of other people's wealth does not grow in the eyes of God, but whatever wealth you spend on welfare (*zakah*)—supporting sincerely the cause of God—it is multiplied several-fold" (30:39). It should be noted that the phrase that *zakah*-expenditure brings several-fold growth has the practice of usury in view.

For people who were in need of funds to meet basic needs (the poor and needy), the Qur'an had already laid out the framework of social assistance through grants (*zakah*). For business purposes, there existed the principles of *muḍārabah* and *mushārahah* on the basis of which people could and did participate in business ventures, i.e., through equity, risk and reward participation. However, despite its discouragement, the usurious moneylending business continued until the Qur'an directly intervened in the year 11/632 and finally and unequivocally banned usury. The Qur'an rejected the equation between lawful commerce and *ribā* which people used as justification and stated: "... They say: 'Trade (*bai'* or buying and selling) is like usury,' but God has permitted trade and forbidden usury" (2:275). It permitted taking back the capital sums (2:279) with the rider that "if the debtor is in difficulty, grant him time till it is easy for him to repay. But if you forego even that it would be better for you—if you only knew" (2:280). These verses were the last verses to be revealed along with the moral rejoinder: "And be conscious of the day on which you shall be brought back unto God, whereupon every human being shall be repaid in full for what he has earned, and none shall be wronged: (2:281). The above verses on usury were a legal confirmation of the principle of prohibition of *ribā* which had been proclaimed by the Prophet in his last major sermon on the occasion of pilgrimage to Makkah (10/632) and in numerous *aḥādīth*.¹

1. *Ṣaḥīḥ al Bukhārī* 3:168-9.

The prohibition of usury was essential for social welfare—to eliminate the source of misery and enslavement of the weaker sections of society, to reinforce social expenditures for the needy (the opposite of *ribā* in Qur’anic perspective), and to restore business principles to equilibrium through profit-sharing, equity participation and justice to all concerned. In another sense, the Qur’an disallowed unearned income, and the transfer of unjustified and instantaneous property rights from the borrower to the lender which the power of lending money on fixed return or fixed rent created. The Qur’an seemed to be saying that money had to be subject to risk and time participation to earn a return.

Furthermore, what the legal ban on usury and usury-based practices meant and still means is that there should be no rentier class in Islamic society, and that investors and entrepreneurs are the desired normative business groups and should be promoted. For the contemporary situation, the ban also implies the replacement of usury-based institutions with equity-based banks, financial institutions and businesses.

Islamic Financial System

The larger Islamic perspective on the financial system is discussed here briefly. It is well known that money serves the functions of means of transactions, unit of account and store of value. Islam argues that money should not be hoarded but kept to the extent of satisfying the need for liquidity, payments or transactions, i.e., in the form of cash and current accounts or demand deposits. What Islam wants is first that money as capital or savings, by and large, should not be kept idle and should be invested in the economy with the resultant positive benefits of increased output, employment, productive capacity and hence economic growth. All cash holdings, deposits and virtually all invested funds and assets are taxed at a fixed rate of 2 1/2% after the individual’s net worth reaches a minimum level (*niṣāb*). As is evident, idle funds bear a greater burden because they do not bring any monetary return. So *zakah* tax is an inducement to invest one’s capital into productive channels for one’s personal profit as well as for the benefit of society.

Second, investment of loanable funds in any part or sector of the economy should be based on risk-and-reward. This can be done indirectly through banks or financial institutions in the form of investment accounts or time deposits (with different maturities), and directly in enterprises through self-proprietorship, *muḍārabah*, *mushārah* and/or through shares, securities and so on. However, in the case of deposits with banks, the government and/or the central bank can minimize risk and thereby

encourage saving and investment by guaranteeing the amount of the principal up to a maximum limit.

Third, it is one of the responsibilities of an Islamic government to ensure stability in the value of money. The Qur'an speaks of maintaining honest and stable standards of value in society. In the context of giving commandments for faith and social behavior, the Qur'an states: "... Give measure and weight with [full] justice . . ." (6:152) and "Give just measure and weight, nor withhold from the people the things that are their due . . ." (7:85; cf. 11:84-85; 17:35; 26:181). These verses specifically point to the criteria of integrity and justice in weights, scales and measures, i.e., yardsticks that determine the value or content of goods, commodities and other things. Therefore, by analogy, money being a measure of value should also have a stable purchasing power. One cannot take a dogmatic or unrealistic position on this issue—some inflation may be unavoidable due to circumstances beyond a state's control. On the other hand, an increase in purchasing power is beneficial to society particularly if it results from technological change. What needs to be avoided, curbed and controlled to the extent reasonably possible, is general and continuous inflation (or erosion of purchasing power) especially in the realm of necessities of life. This argument is corroborated by the literature in economics on the negative effects of inflation as well as by the literature on policy pertaining to governmental responsibility in maintaining a stable price level.

Fourth, Islam argues for avoiding unnecessary borrowing for personal or business purposes. However, for needs like education and housing, loans may be unavoidable and justified. Similarly, borrowing through equity participation and credit-purchases can be justified where internal resources are unavailable and/or as the most efficient option.

Given this Islamic perspective, a look may now be taken at the interest rate to analyze what is permitted and what is prohibited.

Interest Rate: An Appraisal and Islamic Alternatives

It needs to be said at the outset that interest on money is not a creation of modern banking alone but has existed through a considerable part of human history, sometimes in strong usurious forms and sometimes less so. While there is overwhelming agreement among Islamic scholars that the Qur'anic ban on *ribā* encompasses all interest-based transactions, there are a few who take a dissenting view of whom Professor Fazlur Rahman is the most prominent. He states:

"The prohibition of *ribā* was essential for the public welfare; the medieval lawyers of Islam, however, drew the conclusion that all forms of interest are

banned, a stand to which even today the vast majority of Muslims still cling, despite the fundamental changes in the role of modern banking in the context of a 'development economy.'"² The best way to understand and hopefully resolve this controversy is to take the interest rate and dissect it into its separate components.

Interest on loanable funds comprises three components, not completely mutually exclusive in practice yet separately identifiable in theory: (1) the cost of administering the loan; (2) the risk premium to cover loss from bad debts; and (3) the opportunity cost or scarcity value of money.

Islam permits the charging of a service fee—a fixed amount or a fixed percentage of the loaned amount—because this is a real transaction or business cost and nothing in the *Shari'ah* prohibits it. The fee or the maximum charge can be fixed by law and/or the central bank and should be the actual cost or a realistic amount or rate. For instance, in the Islamic Republic of Iran where banking was nationalized in 1984 and is being brought in line with *Shari'ah* principles, "interest on all asset-side transactions was replaced by a 4 percent maximum service charge and by a 4 to 8 percent minimum profit rate, depending on the type of activity."³ The Jeddah-based Islamic Development Bank which operates on an equity-participation basis in social and infrastructural projects charges a service fee on loans.⁴ Similarly, twelve other *Shari'ah*-based banks and investment companies that were surveyed charge a service fee on benevolent loans but not on profit-sharing ventures (where presumably it is included in the profit-share).⁵

To cover the risk of bad debts, measures can be taken by banks to secure their loans. Islam permits the taking of a collateral as this is a rational requirement of sound financial operation. The Qur'an, for instance, has permitted the use of a mortgage or a pledge with a good (*rahn*, pl. *rihān*) in the context of contracts involving future obligations (2:283). And the Prophet himself established the legitimacy of collateral when he made a purchase for deferred payment and pledged one of his personal possessions as security.⁶ Professor Abbas Mirakhor, currently with the IMF, mentions a number of criteria and measures that banks in Iran are using to ensure return of funds plus their share of profits within a speci-

2. Fazlur Rahman, *Major Themes of the Qur'an* (1980), 41.

3. Abbas Mirakhor, "Bringing Banking into Line with the Shari'ah," *Crescent International*, 1-15 Nov. 1987.

4. M. Fahim Khan, "Islamic Banking as Practiced Now in the World," in *Money and Banking in Islam*, edited by Ziauddin Ahmed, Munawar Iqbal, and M. Fahim Khan, (1983), 267.

5. *Ibid.*

6. *Ṣaḥīḥ al Bukhārī* 3:161.

fied period of time.⁷ Similarly, the Faisal Islamic Bank of Sudan requires the “client to provide collateral to cover the Bank against risks of neglect or willful act of the partner [borrower] but not against normal business risks.”⁸

As for the opportunity cost of money, which can also be called pure interest rate, if this rate or amount is fixed and predetermined in a money-money transaction, then the Qur’an prohibits it. The Qur’an states: “God has permitted lawful commerce [or trade] and forbidden *ribā*” (2:275). *Ribā* as mentioned earlier was not merely a usurious return in nature, it was also an addition to the principal loaned amount without participation in risk, profit-sharing or business venture. Although interest as it exists now may not always be equatable to usury, as Fazlur Rahman is saying, however, it falls within the same category of “unlawful addition” or *ribā*. In other words, although pure interest rate may not be quantitatively the same as usury, qualitatively it is similar. Moreover, it contradicts the Islamic principles of equity-participation, risk-sharing and non-fixed or non-predetermined return on capital investment.

The Qur’an through its unequivocal ban on *riba* seems to be calling for the elimination of interest-based transactions and interest-based money-lending institutions. This means it favors interest-free loans for genuine personal needs and the creation of profit-sharing based and participative money-investment mechanism and financial institutions. That is why the Qur’an explicitly states that “God has permitted trade” which means partaking or sharing in profit whether it be large or small, positive or negative, and has prohibited money-lending on fixed returns, i.e., the value and institution implied in *ribā*. This is the majority position among the scholars of Islam who generally call the pure interest rate interest. However, it is of some significance to separate and identify precisely what the Qur’an seems to be targeting as prohibited rather than classify all amount over and above the loaned/invested amount as pure interest or *ribā*.

In order to do justice to the issue, the minority position within Islamic scholarship needs to be recognized, discussed and analyzed so that the weaknesses or strengths of the arguments can be evaluated. This will help to reconcile opposing views or at least place them in their correct perspective and lead to some positive conclusions.

7. Abbas Mirakhor, “Types of Transactions in an Islamic System,” *Crescent International*, 16-30 Nov. 1987.

8. Fuoad Agabani, “Comments” in Ziauddin Ahmed et. al., *Money and Banking in Islam* (1983), 280.

Professor Fazlur Rahman who best represents the minority position suggests in his earliest exposition on the subject (1964), that the interest that was prohibited by the Qur'an was the penal compound interest which was levied when the principal along with the sum agreed to initially as interest charges were not paid up. Therefore, a simple interest is permissible because it is quantitatively different from *ribā*, agreeably paid by the borrower as the price of money, and legitimately needed as an instrument of banking in contemporary economies. His argument is based on the assumption that in the commercial Arab society *ribā* was normal and perhaps simple *ribā* could not have been prohibited. He writes:

In short the *ribā* of the pre-Islamic days, which was categorically declared *harām* by the Qur'an, was of an atrocious kind and went on multiplying in a manner that the poor debtor, in spite of his regular payments, could not pay off the usurious interest, let alone the capital . . . Therefore what had to be banned was the system as a whole and hence no exceptions could be made in individual cases. When the entire system was banned, the milder cases within that system were also naturally abolished since the system itself was tyrannical. It cannot, therefore, be argued that since the Qur'an abolished even the milder cases, it must be concluded that the bank-interest of today also stands condemned. This is because the bank-interest of today is a separate kind of system.

He goes on to add that:

"We should find out which forms of human dealings are more destructive, nearer to the spirit of *ribā* and, therefore, worthy of greater attention insofar as they fall within the category of things which lead to forbidden acts. Landlordism, feudalism, profiteering and hoarding are surely much nearer to the manifest *ribā* than the bank interest. The abolition of interest presupposes the highest degree imaginable of cooperative spirit, and therefore, cannot be implemented today unless the country's economy and production are to be left in the direst jeopardy. As long as our society has not been reconstructed on the Islamic pattern it would be suicidal for the economic welfare of the society and the financial system of the country and would also be contrary to the spirit and intentions of the Qur'an and Sunnah to abolish bank-interest."

A number of points about Professor Rahman's exposition need to be noted here. First, he does state that what the Qur'an banned was the then existing system of money-lending on interest and that this ban was needed and justified. He also agrees that even the milder cases of usury were banned. However, he seems to be saying that banning simple *riba* was probably not the intent of the Qur'anic injunction whose target was essen-

9. Fazlur Rahman, "Islam and Interest," *Islamic Studies* 3 (March 1964):36-41.

tially the penal-compound interest. Therefore, simple interest may now be permitted because this is a separate kind of system.

What the respected scholar seems to be denying is the possibility of revolutionary changes that Islam brought in. It is characteristic of Islam to attack the root cause of gross social and economic problems rather than make marginal adjustments. It permits marginality only when structural changes have been brought in. The application of Qur'anic social laws is meant to be in an environment that is based on an Islamic foundation although some of them of necessity are also applicable to second-best situations. The intent and purpose of the Qur'an is to create a society free of injustice and socioeconomic disequilibrium. This is evident in the Qur'anic methodology of revealing the philosophical and foundational principles in Makkah and not giving the social laws there but largely in Madinah where an ideal Islamic society was in the process of being established. So the laws were intended not only to reinforce the societal foundation but also to guide resolution of problems faced by the community and to further development and growth. It was also the methodology of the Qur'an to directly intervene in socioeconomic matters to remove injustices as they prevailed at the time of its revelation and to restore equilibrium. This is manifested in its numerous revelations and the embodied norms, ethics and laws regarding issues like women's and orphans' rights, slavery, rights of minorities and the institutionalization of the rights of the needy through *zakah*. That Islam's structural approach to correct serious problems was understood and applied by the Prophet is evidenced in his numerous actions and decisions throughout his life beginning with and including his migration to Madinah, and the subsequent measure of distribution of property rights from the relatively better-off Madinese to the poorer Makkan immigrants on his behest (*mu'ākhāh*) as pointed out by Professor Fazlur Rahman himself.¹⁰ Therefore, the banning of the value and institution of *ribā*, regardless of interest rates, was consistent with the overall methodology and purposes of Islam as well as being an implied instruction to reconstruct all non-owner-proprietor businesses on a profit-sharing basis.

It also needs to be noted that, as mentioned earlier, Islam operates on the principle that if something has some benefit but more social harm, it is declared unlawful as exemplified in the Qur'anic ban on intoxicants and gambling (2:219; 5:90-1). The Qur'an has not said that a small amount of the good or practice is permitted because it may have some benefit: "In both of them there is great evil as well as some benefit for

10. Fazlur Rahman, *Islam and Modernity: Transformation of an Intellectual Tradition* (1982), 16.

man; but the evil which they cause is greater than the benefit which they bring” (2:219). Similarly, even though there is some benefit in the interest principle (as evidenced in the continuation of *ribā* till the end of the Prophet’s life as well as in modern banking), the Qur’an seems to be arguing that it is more socially harmful than socially beneficial and therefore worthy of being abolished. Again, the Qur’an is not saying that a penal-compound rate is prohibited while simple interest is not—it is proposing a different direction of choice for economic and business organization and a new set of rules for channeling investment funds and savings.

Second, Professor Rahman in his argument does not take into account the possibilities of exploitation of society by powerful institutions like interest-based modern banking, particularly where loans are given regardless of the outcome of the subsequent venture, which gives disproportionate power and a guaranteed return to the lender without proportionate share in risk. On the other hand, he correctly asserts the evils of landlordism, feudalism and profiteering as being closer to the spirit of *ribā*, i.e., closer to the tyranny embodied in its prevalence prior to its banning.

Third, he assumes a zero-interest return on savings and loan operations which is incorrect. Islam permits a price of the money used in business operation—not an interest rate but a share in the profits. He also neglects the alternatives provided by Islam in the form of equity-participation and profit-sharing. It is worth noting that at the time he wrote this article there were no commercial banks operating on Islamic principles. This may have contributed to the lack of perception of the possibilities of equity-based alternatives at that time.¹¹ However, in the recent writings of Professor Fazlur Rahman, one does not find a reevaluation of the subject of *ribā* which probably means that his views may not have changed not withstanding the availability and practice of *ribā*-free banking.

Fourth, Professor Fazlur Rahman is justifying his position of the validity of modern interest-based transactions on the criterion of need. This can be accepted only as a compromise measure in the absence of alternatives or as an interim measure in the transition from an interest-based system to a profit-sharing system. Permanent acceptance of interest-based institutions vitiates the philosophical foundations of Islamic teachings

11. The first commercial bank on Shari’ah-based principles was established in 1973 (M. Fahim Khan, “Islamic Banking as Practiced Now in the World” (1983), 269). In 1984 the figure for worldwide Islamic banks and financial institutions stood at about forty (Riyazul Haque, *Islamic Economic Systems: Principles, Policy and Operations in Pakistan* (1986), 121). However, cooperative Shari’ah-based banks that were established in rural Egypt to finance agriculture and small businesses were already in operation in the late sixties and were deemed a success (Ibid., 121).

and can lead to continuous rationalizations of all sorts of inequitable and undesirable practices and policies for the sake of expediency. After all, Islam is arguing for creative and innovative efforts in social reconstruction and permitting radical measures when necessary for correcting gross inequities and restoring economic equilibrium.

There are situations where profit-sharing may be virtually impossible to implement as in short-term loans or for small scale borrowers. In such situations, the criterion of need can be invoked and the operation permitted on a mark-up rate. And where goods or services are involved, banks can perform these transactions on the basis of service charge, commission and mark-up. It is essentially within the domain of money-money transactions, capital-labor partnership and general partnership that profit-sharing is the rule. In goods-goods transactions the rule of current equivalent value or equal exchange value is applicable regardless of whether the transaction is for the present or future. All these have been pointed out to show that alternatives to interest-based transactions have been available and many of them are rooted in the Islamic primary sources.

While the logic of Professor Fazlur Rahman's argument appears to be weak, nevertheless, he correctly argues that the larger economic problems of contemporary societies are worthy of greater attention than taking interest-banning and interest-free banking as the *summum bonum* of Islam's economic teachings which, along with *zakah* the conservative writers have often tended to do. In other words, the present author understands Professor Fazlur Rahman to be saying that putting the cart before the horse is neither desirable nor efficient and that socioeconomic and educational institutional transformation is a necessary precondition to lesser institutional changes (like banking) for the successful societal reconstruction on an Islamic pattern. While the thrust of his argument is consistent with Qur'anic-Sunnatic methodology, the sequence of reform would largely depend on each space-and-time context with priority going to structural and institutional changes to remove the sources of poverty and unemployment and the design of policies to promote human resource development and economic growth in an equitable manner.

Another authoritative scholar who has been cited as justifying some of the forms of interest is the economist and jurist Mahmud Abu Saud.¹² However, his correct position has been misunderstood or misinterpreted. This scholar clearly rejects Qur'anic *riba* and interest as a valid Islamic

12. See Muhammad Anwar, "Islamic Justice in a Monetary System: A Modest Proposal," Review Article, *The American Journal of Islamic Social Sciences* 4 (July 1985): 138.

principle'¹³ and says that "if the Islamic economic system is applied in an Islamic society, there would be no interest and no controversies."¹⁴ He correctly disallows fixed interest on time deposits and private bonds as well as rules out speculative dealings in stocks, i.e., deals at the margin without "intention to participate in profit or loss of the enterprise."¹⁵ It is in the context of mortgage finance for real estate that he uses the permissibility of the mark-up method and applies it to conventional financing emphasizing the basic need of housing as well as the lack of availability of alternative modes of financing in a non-Islamic system.

Incorporating the opinions of these two representative scholars, it is not difficult to see where Islamic scholarship stands vis-a-vis interest rate in an Islamic economy. There seems to emerge a consensus about the ideal and the first-best solution with differences on the priority of institutional change. Nevertheless, it should be pointed out that the use of interest rate or discount rate for accounting or evaluation purposes is not prohibited. Any rate of return that determines the scarcity value of resources can be used for their efficient allocation among competing uses as long as the hierarchy of values or economic criteria is according to Islamic priorities.

A general source of confusion among a number of Muslim writers and their critics is that both assume and argue at length upon the benefits and costs of a zero-interest rate. In other words, they assume that deposits will not earn any return and loanable funds will be available free with the consequent problems of lack of saving and excess demand for capital. These assumptions are fallacious. Islam does not propose a zero-interest rate—it simply argues for treating deposits (exclusive of demand deposits) as investment accounts with a proportional return in the profits of the bank. In a sense, the investment depositors are treated as if they were shareholders of the bank. Similarly, the cost of loanable funds is the share in the profit of the enterprise that the bank receives as a consequence of its investment. So aggregate profit rate or the return to capital (profit + interest) becomes an allocating and equilibrating mechanism in the Islamic monetary system. It distributes the risk as well as reward among the participants of the saving-investment process. In this sense it is equitable to the participants.

While the rate of return is determined by market conditions and the actual performance of the enterprise, the profit-sharing ratios are contractually agreed upon by the participants according to the nature of enter-

13. Mahmoud Abu Saud, *Contemporary Economic Issues: Views of a Muslim Scholar* (1985), 7-14.

14. *Ibid.*, 7.

15. *Ibid.*, 19-22.

prise, form of partnership (*muḍārabah* or *mushārah*), duration of loan and proportions of loaned or invested amount. However, the central bank can influence or determine profit-sharing ratios. For instance, in the sectors where the government wants to encourage investment, it can assign a higher proportionate share to the borrower and conversely discourage investment in lower-priority sectors by assigning lower or equivalent profit-share to the borrower. This can also be combined with sectoral allocation of investment funds. The variation in profit-sharing ratios is being used in Pakistan.¹⁶

One critical element in the profit-sharing mechanism is the correct maintenance of accounts on the part of private businesses. Given the assumptions of the legitimacy of political rule, the internalization of Islamic ethics and norms, periodic auditing of accounts and monitoring of projects, and the system of reward and penalty for compliance with the law, the tendency to under-report profits can be effectively curbed and eliminated.

Where profit-sharing cannot be implemented or is unfeasible as in the case of small-scale borrowers and/or in the context of consumer durables, equipment and machinery, bills of exchange, i.e., where the clients need a good or transaction financed or simply a service, Islam permits the operation on commission (*ju'l*) and service charge. It allows alternative instruments like deferred payment sales or cost-plus financing (*muḥābahah*), hiring or leasing (*ijārah*), lease-purchase (*bai' mu'ajjal*), purchase with deferred delivery (*bai' salam*), etc. Mark-ups can vary according to the type of transaction or expected profit of the client. An example of mark-ups is the range of 10-20 percent prescribed by the central bank of Pakistan. (Pakistan started the profit-and-loss sharing banking and financial operations in 1979). The new system (in Pakistan), by permitting variations in the range of mark-up rates as well as profit-sharing ratios, "is believed to have enhanced the ability of the monetary authorities to affect allocation of financial resources."¹⁷

Housing Finance

Housing or shelter is a basic human need. While the Qur'an points to the availability of means on earth to meet this need, the Prophet translated meeting housing needs for all those without it into actual policy during his government. He used all the three types of community-, self- and

16. Mohsin S. Khan and Abbas Mirakhor, "The Framework and Practice of Islamic Banking: An Introduction and Explanation," *Finance and Development* 23 (September, 1986):35.

17. *Ibid.*

state-help methods in Madinah. Therefore, it should be part of an Islamic government's policy to ensure the availability of modest residential housing to all families. To do so, the state can provide a maximum loan amount per non-house-owning family with a deferred payment plan which may include a small mark-up or service charge. Besides this it can provide subsidized rental units or apartments. For somewhat larger housing, the state, banks or both can provide financing and profit-share through the rental value method outlined below. Similarly for commercial and industrial buildings, if financing is needed, it can be provided through banks or some profit-sharing mechanism. In Pakistan and Iran where banking has been brought in line with Shari'ah principles, there are a number of options that are currently being utilized although the information is sketchy and data on the precise degree of housing-need satisfaction is not available.

In Pakistan, the state-run House Building Finance Corporation (HBFC) which primarily serves the urban housing sector, provides loans for residential units on the basis of a share in the rental value of the house. This value is actual or imputed, and computed on the basis of site, i.e., area, location, quality and size of building constructed, and subject to review every three years. "The rent is shared between the borrower and the HBFC in proportion to their investment and the share of HBFC keeps declining until the principal owed is paid off. The loan period is fifteen years. Emergency loans for repairs and reconstruction for houses damaged due to natural calamities . . . are given by the HBFC free of all charges . . . it shares in the loss in rent arising from these situations."¹⁸

In Iran, under the law of *ribā*-free banking implemented in 1984, "banks can build and sell residential housing on an installment basis,"¹⁹ which presumably includes a mark-up. Banks also share profits on the loans given to private construction companies like any other business venture. But the thrust of the government's efforts is in the allocation of interest-free long-term small-sized loans for the construction of residential units, primarily in the villages and small towns, through the state-run Housing Foundation created in 1979.²⁰ Another agency called Housing Fund for the Deprived raises funds from the public and allocates them as

18. M. Riyazul Haque, *Islamic Economic System: Principles, Policy and Operations in Pakistan* (1986), 175. A similar method of rent and equity sharing is utilized in the U.S.A. by MSI, a cooperative financial institution operating on Shari'ah-based principles. See *SHARE* (Shared Home Appreciation in Rent and Equity), Los Angeles: MSI Financial Corporation.

19. Mirakhor, "Types of Transactions," *Crescent International* (Nov. 1987): 16-30.

20. Tahir Amin, "Iran: Political Economy of an Islamic State," *The American Journal of Islamic Social Sciences* 2 (July 1985):50.

loans to low-cost housing and for units producing construction materials. The stated objectives of both these organizations is primarily to provide housing for the needy, particularly in the rural areas and thereby to discourage rural-to-urban migration. The housing finance is complemented by a network of other rural development programs.²¹

Beneficence Loans

Interest-free or beneficence loans (*al qarḍ al ḥasan*) for temporary and small consumption or production needs occupy a significant ranking in the Islamic scale of values. Such loans have not been uncommon in human history among peers, friends and relatives. However, the poor and the more needy often fail to get such assistance because their peers may be very much like them. As was the case in the pre-Islamic Arab society, the poor and not-too-poor took loans on usurious rates thereby becoming enslaved or indebted for life. Such cases have recurred in human societies in the intervening centuries. It is also not easy for conscientious but deprived people to ask for assistance for personal needs and the Qur'an mentions them (2:273; 70:25). Therefore, small scale short-term beneficence loans should be institutionalized and made available to those in temporary need.

Numerous sources are available in Islam to provide such funds—through *zakah* tax or *sadaqat* contributions as well as through the state and banks. In Pakistan, banks provide loans to subsistence farmers (explicitly defined in the rules) for production needs, free of charge, payable within two months of the harvest and with a small charge subsequently.²² Needy students are also given *qarḍ ḥasan* loans for meeting expenses, returnable at the start of their career.²³ In Iran, banks are required to keep aside a portion of their resources for interest-free loans to small producers, entrepreneurs and farmers—who would otherwise be unable to find alternative sources of financing—to enable them to acquire the necessary means of production and also for needy consumers to overcome temporary or emergency needs. Banks are permitted to charge a minimum service fee to cover the cost of administering these loans.²⁴ Therefore, an Islamic approach provides for meeting temporary societal financial needs through an institutional framework.

21. *Ibid.*, 49-50.

22. Haque, *Islamic Economic System* (1986), 185.

23. *Ibid.*, 185-6.

24. Mirakhor, "Types of Transactions," *Crescent International* (Nov. 1987): 16-30.

Some Evidence and Issues in the Practice of Ribā-free Banking

Since Islamic or Shari'ah-based banking is already in operation, the evidence available shows that virtually all modern transaction needs are being met. Its relevant details and the details for monetary policy, i.e., structure, tools and instruments, and its practice, are available in recent publications.²⁵

The recent experience shows that while there are some transitional difficulties and bottlenecks, especially the lack of trained personnel in Shari'ah-based modes of financing in Iran and continued lack of systematic bookkeeping in the traditional sectors and small scale business in both Iran and Pakistan, by and large, the problems are being solved and steps are being taken to remedy the situation.

Beyond that, an International Federation of Islamic Banks has been created which coordinates their activities, standardizes *riba*-free banking practices, trains personnel, performs consultant services, coordinates exchange of data, and undertakes research.²⁶ Similarly, the International Institute of Islamic Banking and Economics, established in 1982 in Cyprus, provides instruction and on-the-job training in Islamic banking practice.²⁷

While banks and non-bank financial institutions in Iran and Pakistan are structured to lend and invest in both short-term and long-term projects, the private *ribā*-free banks and investment companies (primarily in the Middle East and Europe) have tended to concentrate on projects with relatively large and quick returns.²⁸ This latter tendency is attributed to a number of factors: their newness and the consequent pressure on them to show attractive return so as to attract deposits and thereby compete with interest-based banks; the smallness of their capital base vis-a-vis other banks; and generally to a non-conducive long-term investment environment they have operated in. However, it should be noted that the quick-

25. For a good survey of Shari'ah-based banking and monetary policy in Pakistan as well as some coverage of international operations, see Riyazul Haque, *Islamic Economic System: Principles, Policy and Operations in Pakistan* (1986), 118-92; covering both Pakistan and Iran, see Zubair Iqbal and Abbas Mirakhor, *Islamic Banking* (1987), and Mohsin S. Khan and Abbas Mirakhor, "The Framework and Practice of Islamic Banking: An Introduction and Explanation" *Finance and Development* 23 (Sept. 1983): 32-6; and exclusively for international Shari'ah-based banking, see M. Fahim Khan, "Islamic Banking as Practiced Now in the World," in *Money and Banking in Islam* (1983), 259-76.

26. Haque, *Islamic Economic System* (1986), 132-3.

27. *Ibid.*, 133.

28. *Ibid.*, 132.

return philosophy also reflects the private-sector emphasis on profitability whereas the nationalized banks' investment policy tends to emphasize social profitability and social goals. While the difference in emphasis in lending policy is somewhat natural, it strengthens the argument that in an organized Islamic polity and economy, banking institutions should be in the public sector or at least strongly regulated.

As far as the efficacy of a *riba*-free monetary policy and banking institutions on a nationwide basis is concerned, the preliminary evidence available on Pakistan and Iran suggests that it is positive and encouraging.²⁹ However, more time and data are needed to determine the overall effectiveness of the monetary system on financial stability, and the ability to influence and assist the economy in meeting its development goals. It also needs to be noted that Islamic banking as it exists performs virtually all the service and allocation functions that are required by a contemporary economy. In other words, functionally nothing has been lost or given up in the switch from interest-based banking to Shari'ah-based banking.

Profit-Sharing and Equity-Participation: An Appraisal

The principles of profit-and-loss sharing and equity participation in financial transactions that Islam is proposing can be a rational and equitable solution to the problem of allocation of a limited resource—loanable funds and savings—as well as being an effective means of organizing business activity.

A banking structure designed on these principles embodies certain advantages for itself and for the firms who are actual or potential borrowers. First, the performance of a firm can be distinguished as good, mediocre or bad which affects its credibility and creditworthiness. So any firm, regardless of size, becomes creditworthy on the basis of its operational results. Thus the system does not carry any inherent bias against small or medium size firms. Furthermore, better resource management in business enterprises, both private and public, is encouraged because their operational results form the focal point of decision-making by banks in extending their financial support.

Second, lenders share the consequences and risk of project or enterprise failure thereby discouraging them from making arbitrary decisions. And because the lenders share the reward of project success, they are encouraged to ensure the viability and profitability of the enterprise. In

29. Khan and Mirakhor, "The Framework and Practice of Islamic Banking" (1986), 32-6.

contrast, in an interest-based system, since the lender is theoretically and legally assured the return of capital plus a fixed interest, it may neglect the efficiency and economics of the project. For instance, the present situation of the debt of the Third World and the difficulties being experienced in debt-servicing manifests, *inter alia*, the consequences of non-participatory financing and the indiscriminate borrowing and lending principle. Islam, as discussed earlier, proposes avoidance of borrowing except where doing so is optimal or unavoidable, and then places the borrower and the lender on an equal plane, through equity-participation. Therefore, only when it is lucrative to the borrower and the provider of financing, i.e., when the project is economically viable and sufficiently profitable is it underwritten and risks-and-benefits shared. This dispersal of risk-and-reward is the core element of Islamic business and development finance and the financial system, and it can work equitably under all situations including inflation. It is within this larger perspective that Islam's banning of interest should be viewed.

There are other strong arguments being made by Muslim economists that an equity-based monetary-financial system is less volatile, more saving-and-investment promoting, and wealth-distributing rather than concentration-promoting as compared to an interest-based system. However, it is beyond the scope of this paper to go into those details.³⁰

Conclusion

Islam has provided the criteria, objectives and terminal goals that guide the economic institution-building and policy-making process. It has also provided the principles and guidelines for an equity-based monetary-financial system. Thus it leaves upon the leadership of Islamic society to create, restructure, adapt, imitate and innovate according to space-time conditions what best serves and meets the hierarchy of socioeconomic goals. Therefore, a satisfactory financial system is one which, *inter alia*, satisfies the needs and requirements of all segments of society—risk takers and risk-averters, large and small savers and investors, households, firms, and government—and does so equitably and efficiently, and helps promote economic growth.

30. For a comprehensive discussion of these issues and more, see the excellent work by M. Umer Chapra, *Toward a Just Monetary System* (1985).

Chapter 9

PUBLIC OWNERSHIP AND ITS FUNCTIONS: PUBLIC SECTOR AND PUBLIC POLICY IN ISLAM

Introduction

Islam provides the society and state certain overriding rights over environmental and natural resources. It also places responsibilities on the collectivity as a consequence of these rights. Islam also envisions a significant role of the public sector in the ownership and management of the economy as well as in the provision of public goods. In this chapter, all these issues are discussed. First, the principles of environmental/state resource ownership and utilization are developed from the Qur'an and exemplified from the Prophet's Sunnah. Second, the concept and role of *farḍ al kifāyah* is established. Third, the role of the state in public goods provision is evaluated. Finally, historical evidence is used to show the economic environment of the early Islamic period as well as the role that public policy played toward economic development and growth in that period.

Environmental Resources

Certain kinds of free goods created in nature by God belong to all mankind. These include air, outer space and ocean resources. Other goods like inland water resources, forests and soil resources, wildlife, and sub-soil resources like mines, minerals and fossil fuels belong to the collectivity of people who reside in the territories containing those resources and therefore to the states representing them.

In an Islamic state, whatever “belongs to God” (i.e., natural and environmental resources) is the communal property of society with equal rights to citizens to usufruct them and benefit from them. They can be directly operated by the state and/or through public means like utility companies, cooperatives or collectives. The state can also levy user or beneficiary charges (i.e., reimbursement to society) for the use of environmental resources. This can be done on the principle of equity—burden being proportional to benefit and vice versa. The state can assign private rights over natural resources like land in the larger public interest and for increasing agricultural production. It can also put limitations of use and time and penalties for non-use.

The Prophet, in his role of the head of state, had nationalized the then known environmental resources—forests, water and pastures—thereby giving access to them to the whole community. This policy was based on the principle he enunciated that “Muslims [or people] are partners in grass [pastures], water and fire [forests].”¹ In other words, society was declared the owner of what are now called public utilities. He also affirmed the principle of state ownership of sub-soil resources by canceling an allotment of a salt mine to a private individual and reverting it to the state.² Furthermore, the Prophet established rules and regulations to prevent private encroachment and misuse of public property like pastures, and also to promote collective livestock wealth—a major source of livelihood at that time. For instance, he prohibited the cutting and burning of bushes by the public within twelve miles of Madinah.³ He also established the rights and rules for the use and distribution of water for agriculture as well as the rights to drinking water and water sources like wells. All the *ahadith* mentioned in *Sahih al Bukhari* detailing those rules either explicitly state or assume that the ultimate ownership and jurisdiction over water, forests and pastures is with the Islamic state and government.⁴

As for land, the Prophet stated: “The original rights of ownership in land are God’s and His Prophet’s [i.e., the Islamic State’s] and then to you [the people]. But whoever revives [state-owned] dead land has the right of ownership to it.”⁵ Other statements of the Prophet with similar word-

1. S. Waqar Ahmed Husaini, *Islamic Environmental Systems Engineering* (1980), 74, 129.

2. S. M. Hasanuz Zaman, *The Economic Functions of the Early Islamic State* (1981), 86.

3. *Ibid.*, 86-7.

4. *Şahih al Bukhārī* 3:319-29.

5. Husaini, *Islamic Environmental Systems Engineering* (1980), 74.

ing also are reported.⁶ The essential principle embodied in these *ahadith* is that the ultimate owner of land is the state which therefore possesses discretionary powers over it. It was also recognized by the Prophet that it was desirable to bring as much land as possible under cultivation as this contributed to increased production and increased welfare of the people. Also there was the need at that time to support the community members who were landless and otherwise possessed little means of self-support (particularly the emigrants). Hence the Prophet gave grants of land to those who revived and cultivated it.

“If a given piece of land were not reclaimed or put to cultivation within a certain period of time, the holder was liable to lose it and the land for reallocation. As an extension of this policy, clearing of marshes and forests for cultivation entitled the person undertaking such activities to ownership of the land.”⁷

A generally constructive agricultural and environmental policy was pursued by the Prophet. Besides the water, irrigation and pasture laws and rules for fallow lands mentioned above, he established the policy with respect to common lands that “he who fells down a tree [from the common land] should replace it with a sapling, thus replanting the forest.”⁸ Similarly, for the people who were homeless (mainly the emigrants), he granted land from the state lands for constructing houses.⁹

Principles of State Resource Utilization and Their Implications

The Qur’an establishes two principles for the utilization of governmental income and property: the first is the communal right of benefit or usufructship of the income along with the right of the state, and the second is the relatively greater or disproportional share of the weaker sections of society in state income vis-a-vis the rest of the population.

The two principles are based on the Qur’anic verse 8:1 which deals with *anfāl* (lit. windfall or additional gain) or income and property of the state in this context. It states: “They will ask you [O Muhammad] about the *anfāl*. Say: the *anfāl* are for God and the messenger.” What the Qur’an is establishing is that the additional gains the society makes or the windfall income that is generated by communal effort and labor comes under the discretion of the Islamic state—the metonym for “God and the

6. See Hasanuz Zaman, *Economic Functions* (1981), 77-8; and *Ṣaḥīḥ al Bukhārī* 3:306.

7. Elias Tuma, “Early Arab Economic Policies,” *Islamic Studies* 4 (March 1965): 17.

8. *Ibid.*

9. Hasanuz Zaman, *Economic Functions* (1981), 79-80.

Messenger.” Such gains become public property to be utilized and/or distributed by the government of an Islamic state.¹⁰

Then the Qur’an reveals the utilization/distribution principle in 8:40. It states: “And know that whatever property you acquire, one-fifth thereof belongs to God and the Apostle [the Islamic government], and the near of kin [of the deceased believers], and the orphans and the needy, and the wayfarer.” While giving the jurisdiction of the utilization of societal gain to the Islamic authorities and leaving to it to decide the precise way of promoting social weal, the Qur’an is stating that at least one-fifth of the gain should be reserved for governmental needs and for the needy beneficiary categories mentioned. In other words, it is saying that whereas the larger part of property or income acquired through communal effort should benefit all community members, a certain portion must be allocated for uplifting those who are in relatively greater need of support regardless of whether they actually contributed toward that *anfāl* or not. It should be noted that the needy categories mentioned in this verse symbolized virtually all the weaker sections of society that existed in the Prophet’s time. Also, these categories are largely composed of those people who are generally not capable of self-exertion toward societal gain because they comprise the young, old and handicapped, etc. The major exception are the wayfarers (*ibn al sabīl*) who by definition are those who are involved in voluntary social work, teaching, learning and traveling for these purposes, and in this way contributing to social uplift and future gains of society. This support for the wayfarers is reflective of the Qur’anic methodology of institutionalized promotion of social reconstruction and is also manifested in the repeated mention of this category in numerous verses on private social spending or social *infāq*, verses on *zakah* and in a verse which deals with governmental income (59:7).

10. The verse 8:1 as well as the latter verse 8:40 were revealed in the context and the aftermath of the encounter between the nascent Madinan Muslim community and the Makkans at Badr (2/624). The Meccans left behind goods which became the spoils of war to which the Qur’an refers as *al anfāl*. Whereas *nafl* (pl. *anfāl*) stands for “an accretion or addition received beyond one’s due, or something given in excess of one’s obligation,” the Qur’an uses the term *anfāl* (the only reference) for the spoils as these were a windfall gain (Muhammad Asad, *The Message of the Qur’an* (1980), 237 n. 1). However, as it is the methodology of the Qur’an to establish general principles through specific examples and to clothe the general in the particular (Chapter 2), what it establishes here is an important principle that is applicable to state/governmental income and property, and their accruing benefits and distribution. Therefore, what is pertinent here is the non-time-conditioned principle that societal gains are part of public domain and are meant to be shared by all members of society equitably under the direction of the Islamic state—as explained in the sequel.

The principles which the Qur'an established in verses 8:1 and 8:40 were applied by the Prophet in his lifetime and by the caliphs that came after him. For instance, when the agricultural lands of Khaiber came under the domain of the Islamic state as *anfāl*, the Prophet kept aside a portion of the land and its produce for state expenditures (including that for his family) and the needy categories, and distributed the rest of the land into eighteen portions where each tract of land (or rather its produce/income) was collectively shared by one hundred persons.¹¹

From a contemporary perspective, what the foregoing implies is three-fold: firstly, whatever gains the society makes as a result of expanded resource base, technological change, increased exploitation of natural resources and economic growth in general, such gains should be evenly distributed within society. Secondly, income from taxation and state-owned resources should be utilized for the promotion of general welfare and economic development besides its traditional use as government maintenance expenditures. Finally, while those who contribute toward increased welfare/gains should be amply rewarded (innovators, researchers, educators, waste-savers, etc.), those who are not capable of such contributions should also not be neglected but should share in the accruing benefits.

In the case of windfall gain that occurred to the society without labor-effort on the part of the community or in the general situation of governmental income, the Qur'an established the principle that all of such income should belong to the state for its expenditures and general development purposes as well as for supporting the weaker and deprived sections of society. In the verse 59:7, the Qur'an states: "Whatever [means of income] God has bestowed on His Apostle . . . [all of it] belongs to God and the Apostle [the Islamic state], and the near of kin, and the orphans and the needy and the wayfarer, so that it should not become a benefit circulating among those of you as may [already] be rich."¹² Since the context here is the means of income of the state or governmental property, the principle embodied is non-time conditioned. The Qur'an is simply stating that revenues which belong to the government are not only to be utilized for meeting its expenses and for improving the quality of life in general, but should categorically take into account the satisfaction of basic needs of the poor and needy people. Moreover, the latter part of this verse is

11. For details, see Hasanuz Zaman, *Economic Functions* (1981), 81, 119-20, 124-5; *Sahih al Bukhari* 3:305, 308-9; and Martin Lings, *Muhammad: His Life Based on the Earliest Sources* (1983), 267.

12. For the background of this verse, see Asad, *The Message* (1980), 849; and Lings, *Muhammad* (1983), 203-5.

specifying that governmental resources and income should not become a source of further enrichment of the already well-to-do. While Islam does not put restrictions on anybody enriching himself through legitimate personal efforts and in fact considers wealth a positive and beneficial thing, what it does want is that government expenditure policy should not become a source of further inequality skewing the existing distribution away from the poor toward the rich. And one of the means it provides to prevent this latter tendency is by regulating government expenditures toward satisfaction of the basic needs of the needy categories of people. Again, the principle given in the verse 59:7 was applied by the Prophet in numerous instances and became part of the fiscal policy of the Prophet's state.¹³

One of the reasons the Qur'an stresses state resource utilization disproportionately for the disadvantaged is probably that the well-to-do normally tend to partake of societal resources in greater proportion anyway. Also, an implied reason is that the well-off can do with relatively less social support. So to uplift and bring the weaker sections at par with the rest of society in living standards and growth potential, the Qur'an commands the state through explicit directives to ensure the correct ranking of priorities and to guide policy formulation and implementation. This is why the Qur'an has specified the needy categories for all situations in broad socioeconomic terms. The Prophet in his *ahadith* has moreover concretized the Qur'anic beneficiary categories through answers to questions and examples.¹⁴

If the Qur'anic verses 8:40, 59:7 and those on *zakah* are read in conjunction with the earlier quoted hadith of the Prophet that "the head of state is the guardian of one who has no guardian," then Islam's egalitarian and justice oriented bias becomes self-evident. What it further means for state policy is this: Given that an Islamic state is a democratic polity, it is possible that democracy may be internally subverted by the economic power of the rich and the needy may be deprived of the right to economic security; furthermore, the weaker sections of society are generally less articulate and have a tendency to submit to their social conditions as well as possess less countervailing power and are generally less represented in the political processes in democratic societies. Therefore, God has taken away the power of society to determine who is needy and who the beneficiaries of social investment are to be. The explication of the deprived categories by the Qur'an represents their rank ordering in the

13. Asad, *The Message* (1980), 849; Hasanuz Zaman, *Economic Functions* (1981), 106-7.

14. See *Ṣaḥīḥ al Bukhārī* 2:315-24, 333-4.

economic welfare function which can not be changed by society or state under any circumstances. In other words, the right of subsistence and continued economic security of the needy beneficiaries is a God granted right which the state in Islam must uphold in all situations, good or bad. This is among the *raison d'être* of an organized Islamic society. The specifics of the strategy of economic development, state policy and use of governmental income are left to be determined by the representative authorities in each space-time context, but the Qur'an has provided the core elements of the economic welfare function. The Qur'an has also provided some institutional means for fiscal and distribution policies, given the Shari'ah and *shūrā* model for decision-making, and pointed to the desirable path of societal development.

Farḍ al Kifāyah

In Islam, there is the very significant concept of *farḍ al kifāyah* (lit. the obligations of sufficiency) which constitutes all the socially obligatory duties that must be performed by the *Ummah* and society under all circumstances until a sufficient level is reached.¹⁵ These include, *inter alia*, creating and providing the necessary industries, professions and education, without which a society would be vulnerable, as well as satisfying the basic needs of all members of society at a minimum of subsistence level. In the absence of an organized society or Islamic state, the duties must be discharged by the Muslim community and through the state when it is present. But the ultimate responsibility falls on the collectivity to ensure that the obligations of sufficiency are carried out.

The *farḍ al kifāyah* also implies that whatever is necessary to carry out these obligations is also, by deduction, socially obligatory. Therefore, not only the God-given human rights of life, religion, honor, reason, progeny and property, which symbolize virtually all essential human freedoms, are to be guaranteed at all times, but the necessary social, political, economic and legal institutional means must also be devised and created to uphold the human rights. It is within this context that Islam's interventionist position in social and economic matters should be viewed.

The concept of *farḍ al kifāyah* was developed and established by the Muslim scholars on the basis of the normative teachings of Islam. It essentially arises out of the task and function assigned to the Muslim community by the Qur'an and the Sunnah (Chapters 2 and 3). It is the responsibility of the Muslims to uphold the divinely-ordained human rights, to satisfy the basic material needs, to provide protection and free-

15. Yusuf al Qaradawi, *The Lawful and Unlawful in Islam* (1980), 131.

dom and the opportunities for self-development to all members of Islamic society, as enumerated in innumerable verses of the Qur'an and scores of traditions of the Prophet. Whatever then is necessary to carry out these tasks becomes incumbent upon the Muslim community as a whole. If the community fails to fulfill its functions and responsibilities to the level of sufficiency or critical minimum requirement, it becomes blameworthy. To put it differently, it is the purpose of the Islamic state to ensure that the obligations of sufficiency are performed while it is the task of the community to ensure that the state does its share in the fulfillment of these duties.

In the context of the function of public ownership and state resource utilization, it follows from the *farḍ kifāyah* that a minimum subsistence level of living standard must be ensured for all people at all times. If that requires, as it may for reasons of equity and efficiency, the state to directly meet the minimum basic needs (food, shelter, education, health) of the poorer and needy people, then it must be done so. The Qur'anic intervention on behalf of such people as discussed earlier is precisely to ensure their healthy existence. The institutions, policies and means that are needed for this purpose then become *farḍ kifāyah*. Similarly, the employed poor and the employables can be helped to improve their skills, productivity and earning capacity through educational, vocational and job training programs and these programs become *farḍ kifāyah*. These examples are pointed out to show that the "obligations of sufficiency" is a dynamic principle and concept that lies at the heart of Islamic thought while simultaneously providing a core for the design of viable state policy. In the next section on public goods provision, the concept of *farḍ al kifāyah* is subsumed in the discussion and to some degree influences the value judgments that are made on the role of the public sector.

Public Goods and Their Provision

In the realm of human produced goods and services (as opposed to free goods available in nature), there are essentially three types: pure public goods, quasi-public goods and private goods.

Pure public goods are those goods and services which are not subject to the "principle of exclusion" or have the "free rider problem" and/or where the administrative costs are too high to recapture all external benefits and assign external costs (prices or beneficiary charges). Since the state can raise revenues by taxation, it alone can finance the provision of pure public goods. The private entrepreneur neither has the power to force the community to pay him if he could provide these in the first place, nor can he exclude free riders from consuming the good and avoiding pay-

ment for it. Moreover, given the nature of pure public goods and the cost involved or associated with it, it is virtually impossible for a private entrepreneur to produce such goods. But over and above these arguments of positive economics, there are arguments of national security, equity and welfare economics that propose that pure public goods not be provided by the private sector but by the public sector. That is why in virtually all societies of the world regardless of ideology, pure public goods like national defense, the justice system and socioeconomic infrastructure are provided by governments. To finance these expenditures, governments universally have the taxation departments under their domain and hence a public treasury. Similarly, issuance and regulation of currency and the central monetary authority are also under state domain.

Islam specifically assigns the provision of certain public goods to the community or collectivity, which in an organized form means the state. These include: external defense; internal security; the larger justice system including courts, legal structure and the *hisbah* (a judicial structure to oversee business and social ethics and protection of consumers and labor); the taxation system, including *zakah* collection and disbursement as well as the public treasury; and general development and welfare programs. All of these services were part of the state's domain during the government of the Prophet in Madinah. Other pure public goods that the state in Islam should provide are economic infrastructure projects like water resources systems, roads, highways, power plants, and rest and recreation facilities like parks, rest areas and facilities for travelers.

The quasi-public goods are those goods and services which have some similar characteristics with pure public goods but in principle could also be privately produced and supplied, and in some cases indeed are. However, because the quality or quantity of these goods would be inadequate under private provision and because the market would tend to exclude the poorer sections of society due to their inability to pay or pay sufficiently, they are often produced and supplied by the government.

In an Islamic society, the state has the responsibility to increase total welfare through human and material development and economic growth with equity and efficiency. Therefore, we suggest that the following public goods should be provided by the public sector although not precluding the possibility of some private provision: the larger education system, including training in individually and socially requisite knowledge and vocations; public utilities; social and welfare services; social insurance; medical and health services; low-cost housing; cultural development programs; agricultural and industrial development programs; public and mass transportation systems; and mass media like radio and television.

The precise degree of the role played by the private and public sectors,

the issues of management (centralized versus decentralized), beneficiary charges and the taxation structure would be decided through the consultation-consensus model of *shura* democracy in consistency with Islamic law, Islamic social and political philosophy and the principles, criteria and objectives of Islamic welfare economics. Similarly, the Islamic state would have a basic needs program that would involve delivering essential products and services directly to the more needy groups while increasing the earning power of the employed poor and employables through education and training, and through providing employment and self-employment opportunities for the latter. To the extent that a redistribution of assets (like cultivable land) would be necessary, and provision of tools for small farmers and craftsmen and small loans for needy entrepreneurs would be required, the state would have to arrange for such means and mechanisms.

Economic Environment and Policies in the Early Islamic Period

In the initial stage of the Prophet's state of Madinah (1/622-11/632), although financial resources were severely limited and a substantial number of the Muslims were living at or below subsistence income levels, the community managed to survive and grow healthily. One core element that facilitated the process was the cohesion and mutual concern reflected in the economics of sharing. An institutional foundation had already been laid by the Prophet by joining the Muslim community in one functional brotherhood (the *mu' ākhāh*) soon after his arrival in Madinah. As a consequence, those who were without income and housing (the emigrants) were initially supported by the local Madinans (*Anṣār* or Helpers). But most were soon able to stand on their own feet through trade or through employment as sharecroppers on the lands of the Helpers. Also, and equally significantly, it was the economic policies of the Prophet which created an environment where each person could sustain himself and his family. This was especially important for the growing number of poor refugees and immigrants flowing into Madinah after the initial influx in the year 1/622.

The Prophet created opportunities for self-employment and trade through the establishment of a market, through distribution of state lands for cultivation, and by providing access to state-owned pastures and forests in and around Madinah. He not only strongly urged labor and work but made it obligatory for adult Muslim males. He simultaneously prohibited healthy adults from asking for private or public assistance (except for dire need), and in general discouraged indolence and idleness.

Any and all kinds of legitimate work were encouraged. There are reports that many of the prominent companions worked as tenant-farmers and laborers.¹⁶ Even the Prophet's married daughter worked as a grinder of corn to earn some money and relieve poverty while her husband worked as a water carrier.¹⁷

Numerous other reports show that women were involved in buying and selling in the marketplace, in crafts and in farming.¹⁸ A sister-in-law of the Prophet used to walk five miles to the plot allotted to her husband by the Prophet to bring the grain. One of the wives of the Prophet used to do leather-work and spent these earnings on needy people.¹⁹ Women also owned property separately and apart from the common family property. One hadith reports one such woman spending of her own money on her poor husband and the orphans under her protection.²⁰ Other *ahādīth* also report women giving *zakah* and *ṣadaqah* from their personal property.²¹ Some Muslim women also provided voluntary social services for the community. They also used to go for prayer to the mosque, including hours before daybreak and after dark. On the one hand, it shows that where internal conditions are peaceful and the environment safe and secure, as it was in Madinah, women can go about their business and work without hesitation or fear. On the other hand, it shows that there are no restrictions on women to seek self-employment, work and generation of income both within and outside the home as long as there is mutual understanding between the spouses or the family, or where there is need and ability to work. This strongly militates against the notion that Islam does not permit women to be economically productive. Islam simply does not make it obligatory for women to earn a living while it is obligatory for men. The Islamic perspective is that everyone who can contribute to his or her own benefit and to society should do so. It considers the fruit of labor and effort a praiseworthy earning and much more superior to asking for private or public assistance. It denies taking one's poverty as unchangeable fate and affirms life, work and social productivity. Islam in the Prophet's state had succeeded in creating a social atmosphere and value-system where both men and women found work honorable, fulfilling and a means to personal growth.

The Prophet's state provided literacy training to men, women and chil-

16. *Ṣaḥīḥ al Bukhārī* 3:300.

17. Lings, *Muhammad* (1983), 168.

18. *Ibid.*, 161.

19. *Ibid.*, 337.

20. *Ṣaḥīḥ al Bukhārī* 2:316.

21. *Ibid.*, 313, 316.

dren as a result of which within a few years most everyone could read and write.²² Besides religious instruction, the state also provided general education, including instruction in personal, social, work and business ethics. The first school was opened in the Prophet's mosque soon after it was completed. Each subsequent mosque that was built to meet the needs of the growing community also became a school for children and adults.²³ Anybody and everybody who was literate was urged to voluntarily teach the illiterate. Human resource development was definitely a priority in the policies of the early Islamic state.

The Prophet emphasized the importance of family as the primary social unit and encouraged marriage. He taught family responsibility and provided counseling. Single women with children (primarily widows, as divorce was very rare) and orphans were integrated into families through marriage and guardianship. Hence everyone had an immediate family unit for support. The Prophet also established a general guardianship or responsibility principle. He stated:

“Everyone of you is a guardian, and responsible for what is in his custody. The ruler (*imam*) is a guardian of his subjects and responsible for them; a husband is a guardian of his family and is responsible for it; a lady is a guardian of her husband's house and is responsible for it; and an employee is a guardian of his employer's property and is responsible for it. So all of you are guardians and responsible for your wards and things under your care.”²⁴ This clear demarcation of responsibilities gave strength to the emerging Islamic culture and direction to state policy.

The state became responsible for all of its citizens particularly taking the economic burden of the poorer people. The Prophet, who as head of state was directly responsible for these people, made arrangements to satisfy the basic needs of food and shelter for them. This was primarily done through voluntary contributions, volunteer services and *zakah* revenues until such time when governmental resources and income increased. He assigned state-owned land for housing to those without homes. Also, whenever needy people came to Madinah and the state did not possess enough resources to satisfy their needs, the Prophet asked for community contributions until enough was raised to meet those needs.

The Prophet, as head of state, established rules for the market, com-

22. Muhammad Mustafa Azami, “The Authenticity of the Sunnah,” in *Some Aspects of Prophet Muhammad's Life* edited by M. Tariq Quraishi (1983), 30-1; see also Lamyā al Faruqi, *Women, Muslim Society and Islam* (1988), 37.

23. See Azami, “The Authenticity of the Sunnah” (1983), 30-1; and M. M. Azami, *Studies in Hadith Methodology and Literature* (1977), 9-11.

24. *Ṣaḥīḥ al Bukhārī* 3:349.

mercial dealings and contracts, rules for partnerships and business ventures, guidelines for employers and employees. He prohibited unjust economic practices like usury, rents on agricultural lands, unfair wages, exploitation of labor and the weak. He gave water laws and defined the public right to water sources. The Prophet set aside state lands for public use as pastures and forestry and gave rules for preventing misuse of public property. He created laws for land-ownership and land reclamation and regulated land-tenure, establishing share-cropping on an equitable basis. He also established the justice system, public treasury, tax collection and disbursement, and adjudicated cases brought before him. Although some of the rules and laws were given by the Qur'an, the Prophet largely created the legal and institutional structure on the basis of his own judgment and wisdom using the Qur'anic permanent values as criteria. These decisions, judgments, rules and laws are documented in innumerable traditions in the books of *ahadith* which report both his sayings and his practice. For instance, *Ṣaḥīḥ al Bukhārī*, the foremost source of Prophetic traditions, classifies them in chapters titled Sales or Business, *al Salam* (sale transactions involving future obligations), Renting (including hiring of workers), Representation or authorization, Agriculture, Distribution of water, Loans and their payments, Partnerships, Mortgaging, Witnesses and in numerous other chapters which also contain relevant social and economic decisions and practices,²⁵ as well as chapters titled The Book of *Zakah*, covering all kinds of social expenditures.²⁶

The essence of the Prophet's policies were the rule of equity, rule of law and the principle of public interest. All of these principles/values were taught or embodied in the Qur'anic teachings. The Prophet's policy actions reflected the establishment of social and economic justice as his prime concern. In other words, he promoted socioeconomic justice through human resource development, satisfaction of basic needs, provision of employment opportunities and through concretization and institutionalization of the concepts of human equality, human brotherhood, mutual cooperation and social concern. He aimed at achieving economic objectives through ethicomoral values as well as sociomoral objectives through economic principles. The Prophet's approach to societal development was the example par excellence of the idealistic-rational integrated methodology argued for in this study.

The results of the Prophet's egalitarian and constructive policies and teachings were monumental. The nascent and economically weak Islamic community of a few hundred grew in his lifetime to well over a hundred

25. *Ibid.*, 148-359, 373-80, 400-18, 486-527.

26. *Ṣaḥīḥ al Bukhārī* 2:275-338.

thousand and became a stable, strong, cohesive and relatively prosperous state with tremendous output potentials. Poverty and hunger was virtually eliminated and production substantially expanded. It could absorb and meet the needs of a growing population through the economics of sharing, the ethics of production, trade and work, and through egalitarian distribution of governmental resources and income. In spite of relative affluence, the Prophet maintained a simple and modest living standard, thereby setting an example for others to follow. In subsequent years, people still maintained modest living standards which generated substantial saving and investment as well as social expenditure for public weal. In particular, due to his personal role-model and his precedents in policy-formation, the Caliphs following him invested great sums in social developmental projects and avoided conspicuous waste and ostentatiousness in government expenditure policies.

Perhaps the greatest contribution of the Prophet and his government to society in the area of socioeconomics was the concretization, translation and operationalization of Qur'anic commands, ethics and values, into institutions, policies and examples. In other words, what the Prophet left behind are concrete precedents, decisions and judgments, and examples of institution-building and policy-making based on Qur'anic teachings that serve as eternal guides to Muslims that want to understand the meaning of an ethical social order and perceive its translation in real terms.

The caliphs that followed the Prophet, specifically, the first four, were trained in the true Islamic ideals. They started where the Prophet had left off, but Abu Bakr, the first caliph, had a short tenure (11/632-13/634). It was during 'Umar's caliphate (13/634-24/644) that a vast and effective economic policy was pursued.

In pursuit of the satisfaction of basic needs, 'Umar first conducted an experiment with a group of thirty people to determine the minimum amount of food an average person needed to maintain full health and vigor, and on conclusion he ordained that every man and woman in the country should receive from the government storehouses a monthly ration (*arzaq*) of wheat sufficient for two square meals a day.²⁷ He also established a special government department called *diwan* in the year 20/640 for the purpose of holding a census of the population at regular intervals. On the basis of this census, a social insurance program was established that gave annual pensions ('*ataya*) to (a) widows and orphans, (b) all disabled, sick and old persons, and (c) all such people who had contributed to collective societal efforts during the lifetime of the Prophet.²⁸

27. Muhammad Asad, *State and Government in Islam* (1980), 92.

28. *Ibid.*

According to another source, allowances (*'atāyā*) were also paid to Muslim reservists living in cities whose job was to protect the state boundaries and serve the state when the need arose.²⁹ These pensions and allowances (*'atāyā*) were over and above the monthly food rations (*arzāq*) which later came to include other nonperishable food items as well.³⁰ These expenditures were essentially made from governmental income from land taxes (*kharāj*) which were collected both in kind and cash as well as income from state property, custom duties and other taxes.³¹ Besides supporting the needy, handicapped and other groups of people like veterans and reservists, the purpose of the *'atāyā* scheme was to distribute surplus societal wealth among the largest number of people.³² In time, allowances were also fixed for children at birth.³³ Civil or state employees, beginning in 'Umar's period, were paid regular salaries or *wazā'if* for their services. Both the schemes of food rations and social insurance continued through the rule of the third and fourth caliphs and for several years during the later period as well.³⁴

Infrastructure development policies were pursued vigorously during the Rightly Guided Caliphate. Reclamation and development of land, construction of canals and dams and the setting up of cities with all the necessary amenities was pursued. Towns were planned taking into account the requirement of mosques, offices, roads, markets, houses, shops, godowns, bath-houses, water supply, communications, and grazing fields for cattle. Schools were part of the mosques and education was universal and free. In the construction of cities both governmental resources and private resources were utilized. Farming was encouraged through land-grants in the new areas. Trade and travel routes were provided with amenities like rest-and-meal houses.³⁵

Stability in the prices of essentials was ensured through a variety of means. Increase in demand due to population and income level increases was met by imports. At times price controls were used and in other instances the rate of profit was controlled. These policies were pursued besides the food-rations that people were given through the government ration-depots. *Zakah* was collected by centrally appointed *zakah* collectors but mostly locally distributed among the needy people. All this ensured a reasonable standard of living to all members of society.

29. Hasanuz Zaman, *Economic Functions* (1981), 287.

30. Ibid.

31. See Qur'an 8:1, 40 and 59:7 and their discussion earlier.

32. Hasanuz Zaman, *Economic Functions* (1981), 286.

33. Asad, *State and Government* (1980), 92.

34. Hasanuz Zaman, *Economic Functions* (1981), 297-8.

35. Ibid., 308-19.

However, it is reported that prices of non-essentials rose quite sharply in certain periods and was not controlled. Market interference by the government was limited to price stability in necessity goods only.³⁶ In general, markets were allowed to function competitively and prices were determined by supply and demand. Monopolistic practices and other restrictive business practices that adversely affected public purchasing power had been prohibited by the Prophet and were mostly kept in check by the formalized code of the *muhtasib* in his role as supervisor of the market.³⁷

The *muhtasib* and the *hisbah* department also performed many other functions. This market-overseeing institution was initially established by the Prophet, who not only appointed one person as the *muhtasib* in Madinah, but also himself visited the market and advised the traders to observe ethicomoral business practices. Gradually the *hisbah* department became responsible for inspection and standardization of weights and measures and the prevention of adulteration of goods, over-work of employees, unsafe working conditions, encroachment of thoroughfares, undesirable professions and cruelty to animals. In other words, the *hisbah* was a consumer, labor and social protection agency with administrative and judicial powers.³⁸

Governmental policies in the area of production were supportive rather than active. In the agricultural sectors, farmers were often helped with seeds while the government built and maintained canals and waterways. Roads, travel facilities and markets encouraged movement of goods and trade. Expansion of markets and provision of infrastructure also increased production. Taxes were also manipulated to encourage production, and heavy taxation was avoided. Social, educational and welfare services were provided by the state. As a result, a decent standard of living became available to most everyone and society gradually evolved toward prosperity. Those who remained without earning capability or were victims of drought and other natural causes were assisted by the state. Therefore, the available evidence suggests that the economic policies of the early Islamic state, built on the teachings of the Qur'an and Sunnah, were a conscious governmental effort that contributed toward economic and societal development of that time.

As Husaini has pointed out, the early Islamic caliphate was essentially the rule of law for maximizing public welfare.³⁹ Justice in all its dimen-

36. Ibid., 326-8.

37. Ibid., 326-7; Tuma, "Early Arab Economic Policies," *Islamic Studies* 4 (March 1965): 13, 20.

38. Hasanuz Zaman, *Economic Functions* (1981), 330-1.

39. Husaini, *Islamic Environmental Systems Engineering* (1981), 108-9.

sions was the underscoring theme of those regimes. The authorities looked upon power as a trust. They were motivated to anticipate and gratify as far as possible the latent, diffuse and affective needs of the people before these became political demands. The ruling elite used their moral, political and economic power to support the weak, poor and underprivileged—all those who were less capable of interest articulation. Accountability of public officials was a regular feature of governmental policy. In short, there was a qualitative transformation of the institution of government from rule to service of the people. This was also reflected in the replacement of pomp and pageantry with substantive welfare capabilities. He writes:

“The repression of symbolic and conspicuous waste in ‘Umar’s caliphate went hand in hand with the investment in social and economic infrastructures: construction of roads, water resources systems, and houses; land development for agricultural and urban uses; investment of human and capital resources in public education, including the intensive use of mosques as prayer halls as well as schools, and centers of community life and political activity; and the creation and expansion of social services.”⁴⁰

Although a comprehensive and complete economic history of the early Islamic period has yet to be written, the foregoing suggests that the state and the public sector played a very important role in the overall development of society and economy. The development process was planned and directed to satisfy the objectives of the Islamic economic welfare function and meet specific goals: satisfaction of basic needs, employment promotion, equitable distribution of the benefits of state resources, priority in meeting welfare needs of poor and needy, human resource development and economic growth. The economic welfare function was defined by the Prophet himself through his statements and actions, and the goals were set and pursued by him and those after him who best understood Islam and were immersed in Islamic ideals. This perhaps is the critical lesson that one can derive from this brief survey.

Another point that comes out of the available evidence is that the Islamic principles outlined in the Qur’an were interpreted and applied in a dynamic way by the Prophet and the leaders that followed him. The values embodied in the Qur’anic teaching were consistently upheld in an expanding economy and changing circumstances. Institutions were created to suit the situation and meet the objectives and resources were generated through taxation, expansion of the agricultural base, altruistic voluntarism and promotion of economic activities. Therefore, any contemporary economy and polity that organizes itself on Islamic principles will

40. *Ibid.*, 110.

have to follow a creative and innovative way to finance its development expenditures and create new means, methods and institutions to suit its objectives. The role of the public sector will remain paramount in any such effort. Also the role of human beings as vehicles for reconstruction and as a pool for voluntarism, and the role of sincere and competent leadership as guides and managers for society will remain as important as it was in the early days of Islam.

Conclusion

The essence of the Islamic teachings on public ownership is that whereas the citizens of the state have an equal right to benefit from public resources, the under-privileged deserve a relatively disproportionate share so as to bring them at par with the rest of the society. The state, in Islam, also has the responsibility to provide such goods and services which can not be provided by the private sector or at least not adequately, and are necessary for public welfare keeping in view the requirements of the *farḍ al kifāyah*. The state, therefore, plays an active role in an Islamic economy in keeping with the traditions established by the Prophet and the early Muslim Caliphs so as to promote and facilitate economic development and growth as well as to ensure equity and socioeconomic justice for all its citizens.

Chapter 10

PRIVATE OWNERSHIP AND ITS FUNCTIONS IN ISLAM

Introduction

The Qur'an recognizes private ownership of property calling it *amwāl* (wealth, pl. of *māl*). It also renders wealth as "bounty of God" (*fadl Allah*) and "good" (*khayr*). This principle is evident in the verses pertaining to work, the earning of income and those on *zakah* and other forms of social expenditures. It is also evident in the usage of the Qur'an of "your wealth," "his wealth," "their wealth," "property of others" and "property of orphans" in the context of what constituted economic goods and possessions at the time of its revelation and what still by and large constitutes wealth in less industrialized economies: money or financial capital, merchandise, goods, belongings, dwellings and livestock. For the contemporary period, private property or wealth would also include the newer forms of ownership like stocks or shares, certificates of deposit and whatever else that is Islamically legitimate. Therefore, the creation of wealth and the production of goods and services has not only been recognized as a legitimate pursuit in Islam but also as a praiseworthy one because the Qur'an assigns it a high moral-ethical value.

In this chapter, the ends of economic enterprise are discussed. Emphasis is placed on the role of saving and investment and how Islam assigns a priority value to it. Also discussed is the issue of the standard of living and the desired norm in Islam. Finally, the issue of land ownership is discussed as it presents a special case.

Ends of Economic Enterprise'

Islam regards economic enterprise and the production of goods and services as necessary and beneficial for society. Its purposes are fulfillment of societal material and service needs which are *farḍ kifayah* (socially obligatory) as well as fulfillment of wants, comforts and conveniences. This necessitates a minimum or sufficient level of goods production to ensure everyone's need fulfillment as well as allowing the possibilities of trade to acquire those goods which cannot be produced locally or at least not cost effectively.

Islam requires the individual to earn to satisfy his own needs and those of his family. This follows from the Qur'anic command to work and the directives to support one's wife and children embodied in the Qur'anic social laws. Numerous traditions of the Prophet affirm the same principle, for instance: "Every man is a guardian of his family and is responsible for it."² This responsibility of a healthy maintenance of oneself and one's dependents is not only an individual obligation but also a religious duty toward God and society. Islam regards life as sacred and its preservation a moral and legal obligation. Support of ones dependents at a reasonable level is also a moral-legal duty. No effort should be spared in the fulfillment of this primary function.

The Prophet has clearly underscored the importance of working and earning a livelihood in the following words: "To strive to earn a livelihood through the right means is an obligation after the duty of prayer" and "Bread earned by one's own labor [or effort] is the best of all earnings."³ The implied value is that those capable of earning should not allow themselves to become a burden on society—on the contrary, they should become productive earning members contributing to a healthy society and economy. That is why the Prophet has prohibited adult men from begging or from being eligible for *zakah* under normal circumstances. Therefore, the first end of economic enterprise in Islam is to generate sufficient income to meet the current consumption needs for the individual and his family.

Islam also encourages people to save. God, while giving a list of duties toward Himself, one's parents, relatives and the needy, condemns squandering and asks the individual not to be spendthrift but to be cautious and balanced in expending money so that he may not become destitute (Qur'an, 17:23-30). The Prophet used to urge his companions to be prudent and to avoid spending all that they earned or possessed. He stated:

1. This and the following section draw upon the pioneering work of Muhammad Nejatullah Siddiqi, *The Economic Enterprise in Islam* (1972).

2. *Ṣaḥīḥ al Bukhārī* 3:349.

3. Siddiqi, *Economic Enterprise* (1972), 12-13.

“Keep some of your property to yourself for it is advisable unto you.”⁴ He himself used to store one year’s food provision for meeting future needs. Similarly, while sanctifying expenditure on one’s family, the Prophet encouraged leaving property behind for prosperity: “That you leave your dependents well off is better than leaving them poor looking up to the mercy of others. Every expenditure you incur on your dependents is a *sadaqah* (charitable expenditure and therefore meritorious).”⁵ This was said to a person who was insistent on giving virtually all his wealth to the poor. The Prophet allowed him to bequeath only one-third of his wealth to the poor and thus established the upper limit of what an individual can will at discretion. At least two-thirds of the property was to be left for the dependents.

The detailed rules of inheritance are given by the Qur’an which prescribes shares for ascendants, descendants and other family members (2:180, 240; 4:7-9, 11-12, 33, 176; 5:106-8). The Qur’an also encourages the sharing of such wealth with society’s needy (4:8-9). The distribution of property in Islamic law is designed in a way so as to ensure a fairly wide dispersion of the inherited wealth within society.

What can be concluded from the foregoing is that Islam encourages the act and ethic of saving whether for future contingencies, posterity or other rational purposes. Therefore, the second end of economic enterprise in Islam is to generate savings. This implies a profitable economic activity, a moderate level of consumption, and reinvestment of profits/wealth as against lethargy, marginal activity, a high consumption level, and non-investment or hoarding of wealth.

The Social Function of Wealth

That Islam views wealth as positively good is an understatement. It views saving and wealth as contributory to the performance of religious duties of *zakah* and *hajj* (pilgrimage). Similarly, voluntary social expenditures (*sadaqāt*) so critical for societal development cannot be made without it. This should not be construed to mean that those without wealth are of less human worth than those possessing it, however, Islam does place a premium on efforts to cultivate wealth, i.e., enterprise and economic activity. Simultaneously, according to a Prophetic tradition, it leaves open to each human being to contribute or share with society whatever one may have, be it little or more, be it wealth or personal capabilities, and this contribution is counted as a rewardable charity.⁶

4. Ibid., 24.

5. Ibid., 25.

6. Ibid., 28.

The Qur'an asserts that elimination of oppression, establishment of social justice, defense of the weaker segments of society, and protection and security of the citizens of the state are obligatory collective duties. Therefore, it assigns a very high ranking to the use of personal wealth and capabilities for these purposes. It calls such self-exertion as "striving with *amwāl* (wealth) and *anfus* (lives) for God's cause" (4:95; 8:72; 9:20, 41, 44; 61:11) and promises great reward for the participants in such efforts and belittles those who avoid self-exertion and social responsibilities (4:95). Numerous traditions of the Prophet also make the same point. The Prophet specifies that wealth can be a means for helping mankind and society, for feeding the hungry, for taking care of the needs of widows, orphans and poor. These are among the purposes of Islam. According to the Prophet, God says: "We have bestowed property to be used to establish prayers and *zakah*," symbolizing Islam. Therefore, the social function of wealth is to help remove disequilibrium, disparities and hardships and help establish equilibrium, justice and prosperity for all.

It is within this perspective that the following tradition of the Prophet should be read: "He is not a faithful who eats his fill while his neighbor [or fellowman] remains hungry by his side."⁸ The essential lesson being drawn by the Prophet is that there can be no happiness and strength in a society that permits some of its members to suffer undeserved want while others have more than they need.

Property and wealth, if properly used, can undoubtedly help reduce social pain and misery. The Prophet has said: "Human beings are all the dependents of God, [therefore] the most beloved in the sight of God are those who do good and are kind to His dependents."⁹ If this is read in conjunction with the Qur'anic verse "the noblest of you in the sight of God is the one most possessed of *taqwā* (God consciousness, righteousness)" (49:13), then it becomes evident that Islam is asking man to act altruistically and beneficially toward humanity and to confirm through action his morality and ethics. That is why the Prophet states: "Only two [kinds of men] may rightly be envied: a man whom God has given wealth and thereupon endowed him with the strength to give it away in the cause of justice; and a man whom God has given wisdom and who acts in its spirit and imparts it [to others]."¹⁰ What is being implied here is that while wealth is beneficial for its possessor, its use in the amelioration of the human condition brings a much larger benefit. This also correlates with

7. *Ibid.*, 26.

8. Muhammad Asad, *State and Government in Islam* (1980), 90.

9. Siddiqi, *Economic Enterprise* (1972), 27.

10. Asad, *State and Government* (1980), 82-3.

the Islamic concept of wealth as *amānah* or trust, i.e., something to be used in an ethical way as well as for promoting the welfare of society.

Saving and Investment

As discussed above, Islam directly calls for the work ethic and economic enterprise. It urges the fulfillment of responsibility toward self and family and encourages saving for personal future contingencies and posterity. Society's welfare needs are also to be met from one's wealth. Islam argues for all this directly. But it also approaches the issue of saving and consequently, investment in an indirect, rather unique way.

It needs to be remembered that in Makkah and Madinah, the highly profitable practice of lending money on high interest rates or *ribā* (usury) was prevalent. The usurious deals increased the loaned sums "many many fold" (Qur'an, 3:130) and the victims were the poor who borrowed for consumption needs as well as insolvent businessmen. These people would become virtually enslaved as a consequence of defaults due to the exponential nature of *riba* charges. The Qur'an initially discouraged *riba* (30:29). Later when this practice seemed to persist with its highly exploitative nature, the Qur'an directly interceded, rejected the alleged equation between *riba* and lawful commerce (*bai'*) and banned it (2:275-79).

Simultaneously, the Qur'an was exhorting the Muslims to invest in society, i.e., "to spend in the cause of God [or society]" and "thus establish credit with God, so that He may repay you manifold" (30:39; 2:245; 5:12, 57:11, 73:20). The Qur'an was also stating that "the wealth you invest in usury so that it should [grow at the expense of other people's wealth], does not grow in the sight of God; but whatever you spend for welfare (*zakah*)—supporting sincerely the cause of God—it is multiplied several-fold" (30:39). What is notable here is that the repeated phrase concerning social expenditure (or investment) that it "grows several-fold" has the practice of usury in view (cf. 3:130, quoted above). Therefore, in a sense, usury and social expenditure are antitheses of one another. This is what the Qur'an is pointing out.

What can be concluded from the foregoing is that one, private productive investment or "lawful commerce" is desirable, good and encouraged by God. Two, social expenditure (or investment), a legal right of society, is also necessary and good. For both of these, saving is a prerequisite. When saving is invested in society as private investment it creates goods and jobs, generates income, improves the living standard and brings monetary reward to the investor. For this reason, private investment is meritorious and rewardable in the eyes of God. Similarly, when saving is invest-

ed as social investment,¹¹ it benefits the recipients, meets immediate needs, raises their living standard, adds to aggregate demand, and creates jobs and income through the multiplier effect. Social investment is therefore rewarded by God several-fold while allowing the purification and sweetening (*tazkiyah*) of the investor's wealth. Although human outlook is generally myopic, God wants and urges man to understand the larger beneficial effects of such social "investment" which also include the feeling of goodwill generated by altruistic acts. It is within this perspective that the following Qur'anic verse should be read: "Satan inspires you with [fear of] poverty [for investing in society] and commands you indecency; God, on the other hand, promises you forgiveness and prosperity [for such investment]" (2:268; also 2:260-74). Therefore, encouragement to investment, both private and social, go hand in hand with the motive of saving.

Similarly, the Qur'an severely condemns the hoarding or non-investment of wealth (102:1-6; 104:1-9). Again, here the point being made is that accumulation, to the exclusion of everything else is highly undesirable—particularly accumulation without any concern for the rights of society (107:1-7). Hoarding, in the Islamic perspective, is the converse of reinvestment and social expenditure and therefore a disvalue from an economic perspective. What Islam desires is economic activity and the participation of capital in risk-and-reward mechanism—not lending on usury nor withdrawal of capital. Therefore, it is suggested that Islam provides numerous positive motivations and dimensions to the economic functions of saving and investment and thereby helps promote equitable growth.

11. Social expenditure, in the Islamic framework, is the sum total of *zakah*, *ṣadaqah* and *infāq* expenditures, i.e., funds that are utilized for assisting others in meeting immediate needs or helping people stand on their own feet or through provision of needed social services. Such expenditure when done as a transfer payment to satisfy basic needs helps remove hunger, malnutrition and vulnerability in general. As a grant, say for tools and equipment, it helps the marginal workers and the unemployed and underemployed to become self-sufficient. However, when such expenditures are institutionalized in the form of charitable foundations or trusts (*awqāf*) like schools, clinics, hospitals, libraries etc. satisfying priority social needs, they contribute toward building and improving human capital. In all these forms, social expenditures are, in essence, an investment in human beings. Also, from an Islamic eschatological point of view, social expenditures represent an undertaking which involve a financial sacrifice on the part of the person(s) doing the spending but for which he/she expects a reward in the afterlife (*al ākhirah*) towards which the Qur'an repeatedly points. It is in this broad sense that the term social investment is used here.

The Issue of the Standard of Living

Islam emphasizes a number of things in regard to wealth. First, Islam argues for using wealth for one's personal and familial needs in moderation without waste (*isrāf*) or squandering (*tabdhīr*). Second, it calls for purification (*tazīyah*) of wealth by paying the due for social welfare (*zakah*). Third, it suggests using wealth for promoting public good over and above *zakah* like *sadaqāt* and *infāq* without niggardliness (*bukhl*) where needs go unsatisfied. Fourthly, it warns against letting wealth become a source of self-pride and arrogance or the sole pursuit of one's life. The Qur'an condemns the attitude of opulence, luxury and indulgence in pleasures to the exclusion of moral considerations (*taraf*) (11:116;17:16). It particularly denigrates the attitude of the *mutrifīn* (rich, arrogant people) when they become socially irresponsible and intoxicated with material things, as in the Qur'anic view, such behavior can lead to societal self-destruction (17:16).

The thrust of Islamic economic doctrines is on hard work, productivity, generation of surplus, saving, investment, moderate living, extension of help to needy, and participation in projects of public good. It is true that moderation is a relative term and can mean different things to different people and its meaning can change over time with changing living standards. In essence, it means a simple modest living standard where healthy existence is ensured. It may also include comforts or conveniences. However, it is sometimes interpreted by Muslim scholars to mean a life of strict austerity and self-denial or limiting oneself to basic need fulfillment without striving for comforts.¹² This they claim to be the Islamic societal norm as well as a policy objective. They base their views on those Qur'anic verses and traditions of the Prophet in which the shortness of worldly life had been mentioned or where worldly pains or pleasures are described as insignificant in comparison with reward in the afterlife (*al ākhirah*).

While these verses and traditions are true and correct, what is inferred from them is not necessarily logical. In other words, the verses do not mean that man should reject the world or refuse and not enjoy the worldly goods. Rejection of the good things of life would be ingratitude and unthankfulness toward the Creator. What the verses do mean is that man should not lose his perspective which he often tends to do, and he should always remember that his return is to God and the afterlife. They also mean that man's ultimate goal is the happiness and pleasure of God. What

12. See, for instance, Muhammad Akram Khan, "Economic Growth and Development in Islam," *The Search: Journal for Arab and Islamic Studies* 6 (Winter 1985): 154-6.

sometimes goes unnoticed is that the Qur'an emphasizes enjoyment of worldly things including conveniences and comforts which are attributed moral and beneficial characteristics like *zīnat Allah*, *tayyibāt*, *faḍl Allah*, *khayr*, blessings, relationships of mercy (*rahmah*), and are all part of God's mercy and grace.

What is sometimes the other source of confusion is the lifestyle of the Prophet and his companions. It needs to be noted that life in that period was very simple, lacking luxury. Natural resources were limited and society small and cohesive. The overall circumstances in which the Muslims lived were very difficult. Pauperized emigrants and refugees needed to be supported and the infant Muslim community needed to be defended from outside aggression. This could only be done through voluntary transfer of resources from the haves to the have-nots and the state. Formal tax collection had not begun as yet. The Qur'an had already begun the educational process of urging the Muslims to spend for social welfare. The Prophet also invited people to share their surplus with those in need. As a result, enough was generated to satisfy the minimum needs of the deserving groups or families in a short period of time. The simple lifestyle of the companions, their high savings ratio, altruistic spirit, and sharing of poverty and wealth all contributed to the healthy survival of the community. However, the personal example of the Prophet played a very important role in the educational process.

The companions followed the modest lifestyle of the Prophet but he lived more austere than they did. He was a contented (*qāni'*) person always trusting in God (*mutawakkil*). He was also extremely self-sacrificing, never refusing the needs of society. As head of state, he also had the responsibility of the refugees, immigrants, poor and needy. Often he would deny himself and his family so as to provide for those in need. However, when some of his followers chose to follow world-denial and asceticism, he instructed them that it was not his way. He pointed out that their bodies and families had rights over them and they had responsibilities to fulfill as he himself fulfilled. Self-denial in the presence of the pressing needs of others was one thing, world-denial and renunciation at large was another, he seemed to say.

It can be reasonably assumed that without the Prophet's personal example, without his invitation to simple living and sharing, the difficulties of the early Muslims would not have been resolved. It is within this perspective that the traditions of the Prophet should be read. His living standard was a criterion and model for those circumstances. It cannot be made a binding norm for Muslims for all times. Numerous traditions confirm that where circumstances are straitened all society should share the difficulties and where more resources are available, all should benefit from

them.¹³ It is incorrect to idealize subsistence and sacrificial levels of living. Evidence shows that when conditions improved in Madinah and more resources became available, everyone enjoyed a better living standard.

What is ideal is equity and justice and the basic need fulfillment of all members of society for good health and efficiency. Given that Islam is solution-oriented, in the circumstances where substantial or mass poverty is present, the state can levy strong redistributive measures to raise funds and materials to meet basic needs, redistribute property rights and take radical measures like the *mu'akhat* in Madinah to ensure everyone's healthy survival. It can encourage voluntary transfer measures while pursuing policies of human resource development and economic growth. At all points in time, the Qur'an and Sunnah view societal survival in dignity and harmony as paramount even if that means temporary curtailment of private property rights. The Qur'an itself has permitted man otherwise prohibited items under compelling circumstances or dire necessity like hunger (2:172-3; 5:3; 6:119). Similarly the Prophet permitted wearing silk (prohibited to Muslim men) to some of his companions who could not wear anything else due to a skin problem.¹⁴ These instances simply point to the Islamic perspective of concern for human life and its health.

Going back to the issue of the standard of living, it is suggested that Islam proposes simple, modest living and not necessarily bare minimum subsistence. It discourages both poverty as well as maximization of mate-

13. For instance, referring to a tribe, al-Ashariyin, of his time, the Prophet stated that when they ran short of food, "they would collect all their remaining food in one sheet and then distribute it among themselves equally by measuring with a bowl. So, these people are from me, and I am from them" (*Sahih al Bukhari* 3:402). Similarly, numerous incidents of equal distribution of food in the face of shortage during the Prophet's lifetime are recorded in his biography as well as hadith texts (*ibid.*, 400-1). The destitute newcomers to Madinah who were initially housed at the Prophet's mosque were fed by the Prophet's household and the neighboring families, who thus themselves could hardly eat their fill at any meal. Sharing of food was for an extended period the norm not the exception. The Prophet used to say: "The food of one is enough for two, the food of two for four, and the food of four enough for eight" (Martin Lings, *Muhammad: His Life from the Earliest Sources* (1983), 167). The examples of sharing in benefits of society resources also abound in the literature. For instance, when the agricultural lands of Khaiber came under the domain of Islam, the Prophet divided them equally among 1,800 members of the community, irrespective of whether they were single or married, or had small or large families. However, in other instances of the distribution of resources or their benefits, the principle of need or equity was taken into account and a disproportionate share was given to the more needy according to the Qur'anic criteria (S. M. Hasanuz Zaman, *The Economic Functions of the Early Islamic State* (1981), 119-20).

14. Yusuf al Qaradawi, *The Lawful and the Unlawful in Islam* (1980), 50-1.

rial possessions. It argues for removing gross disparities in living standards and not inequalities in wealth. And it favors equitable distribution of societal resources, opportunities and political power within society. In particular, Islam proposes that the political leadership live at modest levels as they are the societal standard bearers.

Land Ownership and Land Policy in Islam

The Qur'an does not mention anywhere man's ownership of land as being part of wealth. However, it establishes man's right to cultivate land and to own its produce. For the Muslims, it levies the *zakah* tax on agricultural produce: "Render the dues [unto the poor] that are proper on the day the harvest is gathered" (6:141).

Since the Qur'an is silent on the ownership of land *per se* (as opposed to *amwal* which man owns) it can be argued that the matter has been left to the historical tradition of legality of owning, buying and selling land as well as to the discretion of society and its government. At the time the Prophet came to Madinah, land was held individually as well as communally. For instance, pastures for grazing livestock were generally considered community property.

As head of state, the Prophet did not interfere with the existing land-holding structure probably because there was no reason to do so. However, he declared water, forests and pastures as public property and regulated them.¹⁵ As noted previously, he also promulgated the principle that the first right of ownership of land was to lie with the Islamic state and then with the individual.¹⁶ Therefore, it can be concluded that the state in Islam has overall proprietary rights in land and can grant ownership rights as well as limit or restrict them in the larger interests of society. This is confirmed by the Prophet's practice as well as the practice of the Rightly Guided Caliphs.¹⁷ The authority of the state to restrict land ownership is important in the sense that it can help remove feudalism and con-

15. For instance, he established rules for the *ḥaram* (the reserved public or private area around a water source) and established the "right of thirst" (*Ṣaḥīḥ al Bukhārī* 3:317, 319). He established rules for water distribution for cultivation as well as rules to prevent private encroachment on public property like pastures (cf. Chapter 9).

16. Cf. *Ṣaḥīḥ al Bukhārī* 3:306-8.

17. The Prophet allotted lands for two purposes: housing and cultivation. A list of the companions to whom lands were granted for cultivation is given by Hasanuz Zaman, *Economic Functions* (1980), 79-80. Since the need at that time was to increase cultivation and help those who were landless, land grants were the norm. Later the Rightly Guided Caliphs followed the policy of land grants but also confiscated lands that were not being cultivated. For instance, 'Umar, the second caliph, took away that portion of the land from Bilal ibn al Harith which he failed to cultivate and distributed it to others. The original =

sequently absentee landlordism, both of which are a source of inefficiency as well as a source of gross maldistribution of power and wealth. According to the Prophetic Sunnah, the options that Islam gives to a landowner are as follows: (1) to cultivate the land himself; (2) to lend the land to others for cultivation on the basis of prefixed percentage share of the total produce; or (3) to lend the land free of charge to someone who wants to cultivate it. The first and third options are established by the following and similar traditions: "If anyone has land, he should cultivate it [himself] or lend it to his brother [free]."¹⁸ The second option of leasing land for a proportionate share in the produce is established firstly by a contract made by the Prophet with the people of Khaibar and secondly by his permitting of temporary share-cropping arrangements that were made between the numerous emigrants and the landed Helpers in Madinah.

What was prohibited by the Prophet was the leasing of land against a fixed rent whether it be in kind, by weight, measure or area.²⁰ He reportedly also prohibited renting land for money.²¹ A common practice in Madinah at that time was that the land owner would get the produce of one portion of the land and the cultivator the produce of the other portion. This practice proved to be unjust to one or the other party depending upon which portion of land was affected by natural blights. So it was banned by the Prophet.²² Another practice was that the landowner would take a fixed quantity as rent or a fixed quantity as overhead plus a share of the produce. This proved to be unjust to the cultivator whenever there was a fall in the output. Therefore, these arrangements were also banned by the Prophet.²³ Both these bans were upheld by the Prophet's companions, who gave up such forms of land-renting.

Since the leasing of land in Madinah was generally based on the inequitable principles noted above, the Prophet's prohibition has sometimes been taken to be across-the-board and is reflected in the opposition to all forms of sharecropping by some scholars.²⁴ However, what is manifested in the statements of the Prophet is Islam's concern with the prevention of injustice to anyone and the establishment of equity and justice for all. A careful reading of his *ahādīth* within their contexts seems to

= land grant had been given to Bilal by the Prophet (S. Waqar Ahmed Husaini, *Islamic Environmental Systems Engineering* (1980), 74-5).

18. *Ṣaḥīḥ al Bukhārī* 3:309.

19. *Ibid.*, 300-1.

20. *Ibid.*, 300, 303, 308-10.

21. al Qaradawī, *The Lawful and Unlawful in Islam* (1980), 282.

22. *Ṣaḥīḥ al Bukhārī* 3:300, 303.

23. al Qaradawī, *Lawful and Unlawful* (1980), 281.

24. See Ziaul Haque, *Landlord and Peasant in Early Islam* (1977), 355-60.

reveal the underlying values that motivated his judgments: Given that the produce of land is subject to uncertainty due to weather and other natural causes, the charging of fixed rents would generally be unfair to the cultivator. Simultaneously, a low rent in the face of a bumper crop would deny the landowner of what would otherwise be a larger share. In other words, fixed rents were like *ribā* implying an inequitable distribution of risk and reward. Also given that the cultivator was generally the weaker party and the one in more need of income, fixed rents tended to create or actually symbolized an exploitative economic relationship. The Prophet in fact made a statement to this effect. He said: “Tell me why, if God withholds the fruit [or produce], any of you should take his brother’s property.”²⁵ For all these reasons, he forbade the charging of fixed rents and thereby removed the root cause of actual and potential unjust transactions.

On the other hand, sharecropping was akin to *mudārabah* (partnership of capital and entrepreneurship). The only difference here was that land was being provided by the owner and labor by the cultivator. Since both shared the total produce in equitable prefixed proportions and equally faced the risk involved, this was considered fair and therefore permissible. If the crop was bountiful, both shared it, and if it was meager, both received little. Therefore, it is undeniable, as the evidence shows, and consistent with reason that the Prophet permitted sharecropping with the implied condition that the share be fair to the cultivator who makes the labor-effort. In his own contract in Khaibar, the Prophet allotted half the produce to the cultivators. From this it can be deduced that equitable sharing of the produce is essential to any sharecropping contracts.

By and large, the Prophet promoted owner-cultivatorship. As head of state he assigned state lands to many of his companions and other landless Muslims for cultivation purposes. He announced that “He who cultivates land that does not belong to anybody is more rightful [to own it].”²⁶ And he created the legal framework for the development of agriculture in general.

The Prophet recommended that land should be owned in only such quantity as can be reasonably cultivated by a person. He stated: “If anyone has land, he should cultivate it himself or lend it to his brother for cultivation, or otherwise release it from his ownership.”²⁷ What this meant was that firstly, cultivable land should not be allowed to go uncultivated. Secondly, only those should hold land that want to put it to use or can put

25. *Ṣaḥīḥ al Bukhārī* 3:221.

26. *Ibid.*, 300.

27. al Qaradawi, *Lawful and Unlawful* (1980), 278.

it to use. Thirdly, large holdings that are beyond one's capacity for management should not be held by anyone. Conjoining these arguments we can suggest that the Prophet was pointing toward the desirability of smaller or reasonable landholding as opposed to vast landed estates. It also seems that the Prophet was arguing against absentee landlordism and encouraging self-cultivatorship. Nevertheless he did see partnership in land as a way out for landless and unemployed persons or as a source of income for those who for one reason or another couldn't attend to cultivation themselves. His permission to sharecropping should not be construed as encouraging land-tenancy. Sharecropping was an institution that predated the Prophet's arrival in Madinah. He controlled and regulated it eliminating the inequitable aspects. The values underlying his statements and actions, on the one hand are that land, as a scarce and valuable resource, should be operated by those who have the capability and desire to use it. On the other hand, all human dealings, including economic transactions must be based on justice and equity, a principle constantly emphasized by the Qur'an. Also embodied in the traditions is the normative aspect of Islam that if someone possesses something over and above his need, he should lend it to others who can benefit from it whether it be for free or for a share of the benefit.

It can be concluded from the foregoing that owner-cultivatorship is the norm in Islam and should be encouraged and that land ownership should be permitted at modest and manageable levels. If land reform is called for to bring about structural changes in ownership patterns, then it becomes the responsibility of the state to carry through such reforms. In particular, where feudalism continues to persist and where there are substantial landless or marginal rural populations, the Islamic argument for modest landholdings carries even more weight. Land ownership, Islam seems to be arguing, should never be permitted to become a source of perpetual inequity of power and wealth as it generally has tended to be in inegalitarian societies throughout history up to the present. Islam also takes the view that because land is a natural resource endowed by God, its benefits should be shared by all persons. This is clearly evidenced in the distribution of the income of Khaibar equally among the families of Madinah by the Prophet. This implies that the state can assign land to state-sponsored farms whose produce/income can then be shared by society. Islam, furthermore, lays the basis of agricultural cooperatives and pooling of resources in its principle of general partnership (*musharakah*). This can be beneficial where land holdings are uneconomic as well as for reasons of economies of scale.

Therefore, land policy in an Islamic state, based upon the criteria mentioned above, can open up many possibilities of growth with equity and efficiency. Its importance in the Islamic scheme of things should not be underestimated. Without attacking the roots of highly skewed and inefficient distribution of landed property, a Muslim society would find the path to development and equitable growth difficult, if not impossible, especially in the long run.

Conclusion

Islam's emphasis on private property and economic enterprise is a central theme of its teachings. It obligates people to undertake economic activity, to save, and invest in new output and needed goods and services. Simultaneously, it argues for modest living, prudence in financial matters and social expenditures for public welfare. Islam also suggests removing impediments to income-earning opportunities by calling for reform of inegalitarian landed assets and restructuring the land-tenure system to an equitable basis. These teachings, if practiced, can become a motive force in promoting economic output as well as growth-with-equity.

Chapter 11

FISCAL AND DISTRIBUTIONAL PRINCIPLES IN ISLAM

Introduction

Taxation, a major instrument of social and economic policy, has the goals of transferring resources from the private sector to the public sector so as to equitably distribute the cost of government within society, and to promote economic growth and maintain stability with efficiency.¹ The economic objectives of an Islamic state, *inter alia*, are: the satisfaction of the basic needs of all people; provision of employment to all employables; human resource development; and growth with stability and equity. To do all this, the state in Islam can tax its members and generate the required resources. Simultaneously, the state can restructure the economy, redistribute property rights and reallocate resources so as to achieve both short term objectives and long term goals as dictated by the Islamic economic welfare function.

Islam does not elaborate a theory of taxation *per se*, but gives certain core principles which are meant to help and guide the state and society meet their objectives and goals. By and large, the determination of the rates and forms of taxation is within the purview of the sociologically and technologically knowable, universal, rational sciences. Therefore, taxation policy is a matter which needs to be decided in each space-and-time context through the politico-legal methods of the consultation-consensus model. It is in the area of the distribution of income and wealth that Islam

1. Joseph A. Pechman, *Federal Tax Policy* (1977), 5.

lays emphasis by providing a list of target beneficiaries and by outlining the fiscal responsibility of the state toward them.

In this chapter, the basis of taxation in Islam is established. Then, the general principles of taxation and social spending are delineated and the core types of taxes/expenditures discussed. Finally, a reevaluation of *zakat* is proposed. It should be noted that the terms “taxes” and “social spending” are used interchangeably, for in the Islamic perspective, they are two sides of the same coin. In other words, Islam takes the view that since taxes are meant to help the state/society meet its economic objectives and carry out its welfare-promoting responsibilities, taxes are not necessarily a burden but a form of social spending by the individuals and the collectivity in their own larger interest.

Taxation: Basis in Islam

The very first Qur’anic revelation on *zakah*, an obligatory welfare tax incumbent on Muslims, came in the early Makkan period. The Qur’an instructed the Prophet, and by implication the Muslims, to “give *zakah*, and [thus] lend unto God a goodly loan: for whatever good deed you may offer up in your own behalf, you shall truly find it with God—yes, better and richer in reward” (73:20). Thus began the educational process by which God was to train the Muslims to intervene in society on behalf of the poor, needy and helpless. Since an organized community of Muslims did not exist at that time, *zakah* was meant to be privately spent. The state collection and disbursement came much later. However, what is notable here is the concern of Islam, from its inception, with the welfare of the weaker sections of society and its call to spend for social weal.

The basis for state taxation of income and wealth was clearly established by the Prophet in his statement and instruction: “God has made it obligatory on them [the Muslims] to pay the *zakah* which will be taken from the rich among them and given to the poor among them.”² The Prophet not only encouraged payment of additional taxes on property and income over and above *zakah*, but often asked for such payments depending on the need and circumstances, for in his words “There is indeed a duty (*haqq*) on property apart from *zakah*.”³ Therefore, it can be deduced that in the Islamic perspective, all forms of income and wealth are taxable whether it is the profit on capital, the wages from labor, the return to entrepreneurship or the produce of the land, or whether wealth is held as

2. *Ṣaḥīḥ al Bukhārī* 2:334.

3. Muhammad Asad, *State and Government in Islam* (1980), 91.

* Cf. Editor’s note, p. 76 (The Editor).

precious metals, bank accounts, real estate or any other form. This accords with the *Shari'ah* rule of the permissibility of things unless categorically prohibited.

In the city-state of Madinah, whenever there was need of resources for state expenditures or for the needy people coming to the Prophet for help, the Prophet, as the head of state, used to ask for contributions from the citizens. Invariably, the community used to comply, putting at his disposal substantial and sufficient sums and goods, i.e., enough to satisfy the pressing needs.⁴ This ad-hoc method of tax/contribution collection continued for most of the Madinan period. When the size of the community expanded both within and outside Madinah around the year 8/629, tax collectors were formally appointed and sent out. They collected taxes on virtually all kinds of income and wealth the people possessed at that time and also distributed the *zakah* funds and goods among the needy.⁵ Generally the *zakah* collected in a certain area was distributed among the beneficiary categories within the same area. It was later on, when *zakah* collections became larger than the need of a local area, that superfluous funds were transferred to the central administration.

Beyond this, often the citizens would bring their *zakah* to the Prophet themselves. On other occasions, the Prophet is reported to have inquired whether *zakah* had been paid, and if not, would have them pay to the treasury (*bayt al māl*).⁶ The Prophet also exhorted the Muslim members of the community to give *zakah* on numerous occasions.⁷ The books of *aḥādīth* give in detail the rules of *zakah* levy outlined by the Prophet. The Qur'an, meanwhile, had continued its exhortation and education process. However, in the Madinan period, the Qur'an had added the needs of the state (i.e., the requirements of collective responsibilities) to the previously outlined needy categories of people as beneficiaries of social spending. Finally in the year 9/630, the Qur'an revealed the verse (9:60) which unambiguously specified all the categories for which *zakah*-expenditure was meant to be used.

By the time of the death of the Prophet (11/632), the state had a fully

4. *Ṣaḥīḥ Muslim* 4:1405-6.

5. S. M. Hasanuz Zaman, *The Economic Functions of the Early Islamic State* (1981), 103-5, 135-7, 145.

6. *Ibid.*, 142. Here it needs to be reminded that Islam permitted women to inherit and hold wealth separately. Consequently, it was not uncommon that women paid their *zakah* separately and apart from their husbands. Similarly, they would spend on voluntary charity as well. Numerous traditions have reported all this. Indeed, the Prophet used to ask women if they had paid the *zakah* on their jewelry and other possessions, and if not, he would have them pay (see *Saḥīḥ al Bukhārī* 2:293-4, 303-4, 313).

7. *Ṣaḥīḥ al Bukhārī* 2:294-5, 303-4, 316.

functioning treasury department performing the collection and disbursement functions. The fiscal functions were expanded by the subsequent caliphs (11-41/632-661) when the role of the state in social and economic development increased and became more interventionist, and when more resources had become available.

Before proceeding to look at the specific types of taxes/social expenditures given in the Qur'an, a look may be taken at some general principles embodied in its text, which have a positive bearing on taxation, fiscal and social expenditure policies.

Taxation and Social Spending: General Principles

Bearability of Financial Burden

The Qur'an explicates one of the goals of the state to be distributive justice. The general principle is that "No person shall be burdened beyond his capacity" (2:233) and "God does not burden any person with more than he is well able to bear" (2:286). Although the first verse is specifically in the context of economic burden or expenditure while the second is more in the spiritual context, the essence is the same: that God desires no one to be taxed beyond what is reasonable and bearable. The implications for fiscal policy are threefold: one, given that a certain minimum level of income is required for living expenses or meeting basic needs, that level of income should be exempt from taxation; two, taxation on the total income should begin after the income reaches the minimum basic need level; and three, taxes should be proportional or progressive, but not regressive. Proportional taxation entails treating people in approximately the same economic circumstances or income classes equally or equitably, while progressive taxation implies incorporating the concept of declining marginal utility of money and the declining disutility of taxes, and taxing the higher income groups with higher rates. Regressive taxation, Islam seems to be saying, is unfair and inequitable because those who are relatively less well off and barely able to satisfy their own needs should not be burdened with a greater proportionate incidence of governmental/social expenses.

Avoidance of the Concentration of Wealth

The Qur'an lays down the principle that "wealth should not circulate only among the rich" (59:7). This verse, revealed in the context of the utilization of state income, when read completely, asserts that such income besides being meant for necessary state expenditures, is also meant to uplift the weaker section of society—so that it may not become a benefit for those who may already be well off. In other words, state expenditure

policy should be designed to avoid the concentration of wealth among the well-to-do section of society, while ensuring its dispersion among the less well-to-do. This principle is consistent with other measures of Islam like the law of inheritance and the rules for *zakah* which help ensure a wide dispersion of wealth and welfare expenditures respectively.

It also accords with the overall philosophy of Islam which emphasizes socioeconomic justice, egalitarianism and welfare promotion of the under-privileged. Therefore, this principle lays the basis for the empowerment of the state to intervene in economic processes, not just through fiscal and monetary policies, but through other policies as well, to arrange for an equitable distribution of societal benefits and the avoidance of the growth of pockets of the super-rich and super-powerful. Another implication of this principle is that it reinforces the argument for progressive taxation (due to its ability to reduce concentration) vis-a-vis proportional taxation.

The Underprivileged as Beneficiaries of Government Expenditures

While specifying the use of *zakah*-tax funds for numerous needy categories of people and general welfare purposes, the Qur'anic verse 59:7 separately emphasizes that governmental resources and its income should also target the weaker sections of society. In other words, the Qur'an seems to be saying that government expenditures should be largely meant to satisfy meritorious wants and/or targeted toward raising living standards and income potentials of the underprivileged members of society. This principle, therefore, constitutes an important element in the fiscal priorities of the state in Islam.

Generous Spending for Social Causes

To the question of what should be spent out of one's income and wealth for welfare purposes, the Qur'an answers that whatever is over and above one's need, i.e., the surplus after personal, business/investment and savings need. This social spending can be done privately as philanthropy and/or through public institutions and the government. The Qur'an states: "And they will ask you what they should spend [in social causes]. Say [O Muhammad]: whatever you can spare (*al 'afw*)" (2:219). This verse was revealed at a time when taxes and contributions were given voluntarily and not formally levied by the state. In a sense, the Qur'an is encouraging the people to contribute generously for social development and helping the needy in society. This is affirmed by an earlier verse (2:215) which states: "They will ask you as to what they should spend on others. Say [O Muhammad]: whatever of your wealth you spend shall be for your par-

ents, and for the near of kin, and the orphans, and the needy, and the wayfarer; and whatever good you do, verily, God has full knowledge thereof.” The Qur’an follows up 2:219 by stating: “In this way God makes clear unto you His message, so that you might reflect—on this world and the life to come” (2:220). So the Qur’an establishes the general principle of generous welfare spending while encouraging sacrificial levels of spending perhaps for social emergencies and for situations demanding major financial support.

The Qur’an constantly emphasizes the moral-psychological aspect of social spending. It states: “You cannot attain righteousness unless you spend on others out of what you cherish yourselves; and whatever you spend, verily, God has full knowledge thereof” (3:92). This very fundamental point, embodied in the social spending principle, is that man’s true worth is judged by his actions—by his inclusion of others in the benefits of personal property and by his satisfying the needs of others. Numerous traditions of the Prophet testify to the same notion. Hence, the Qur’an states: “Do good [unto others] as God has been good [or generous] to you” (28:77).

While taxes can be viewed as payment for services received or as beneficiary charges, extra-tax contributions or welfare-specific taxes/contributions should be viewed as highly representative of man’s altruistic character and ethical-moral worth. Islam provides the motivational mechanism for the building of positive attitudes and therefore lends considerable support to government tax and welfare programs.

Social Burden/Collective Responsibilities to be Shared by Everyone According to Ability

The Qur’an clearly establishes the principle of sharing of the collective burden by everyone (Chapter 3). However, it also takes into account people’s abilities to do so. It points out that everyone may not have the financial means to share the burden. In such cases, the contribution of labor and intellect suffices and is considered very valuable and morally worthy (9:79). The Qur’an, in other words, seems to argue that every person has the potential (hence the responsibility) to return to society at least some portion of what society gives him. This he/she can do either in the form of taxes and voluntary contributions and/or in the form of social service and social work. That is why in the eyes of God, a Muslim who strives and exerts himself through his wealth and his capabilities to satisfy public wants is higher in rank than someone who sits back and makes no such effort (Qur’an, 4:95). The Qur’an, in this way, asserts the principle of collective responsibility as well as implies the essence of the principle of compensation/restitution which forms part of the basis of the Islamic

legal system. Moreover, the Qur'an does not encourage nor desire anyone to live off the support of the state or society, but on the contrary, encourages those who are capable to contribute according to their potential. One manifestation of this is the virtual prohibition of begging or being eligible for *zakat* for healthy adults under normal circumstances.

The implications of the principle of collective responsibility are that first, financial burdens should be spread and shared widely and equitably and second, that those who are incapable of paying taxes should be given opportunities to be socially productive as well as helped to become economically productive and, therefore, taxpaying members of society. In other words, the state should not be looked upon as a source of charity, but rather the recipient of public support both obligatory and voluntary, financially and with human resources.

Therefore, the five principles outlined here—bearability of financial burdens, avoidance of the concentration of wealth, the underprivileged as priority beneficiaries of government spending, generous spending for social causes, and collective sharing of social responsibilities—together constitute the basics of taxation and social spending in Islam. These principles can be used as criteria to judge and evaluate the performance of a taxation structure. They can also be used as a basis to design the taxation structure and fiscal policy of an Islamic state in conjunction with the requirements of economic growth, stability and efficiency.

Now we can proceed to the core taxes/expenditures mentioned in the Qur'an and their purpose, role and significance in the Islamic scheme of an economy and society.

Al Ṣadaqāt

The term used by the Qur'an to denote all social expenditure or spending is *ṣadaqāt* (sing., *ṣadaqah*). It comes from the root *ṣadaqa* which means to speak the truth, to be sincere. The related word *ṣadāqah* means friendship. *Ṣadaqāt*, therefore, are the “free-will offerings” given for the sake of God by a Muslim out of love, compassion and concern for others, as well as what he is morally or legally obliged to give without expecting any worldly return. In other words, *ṣadaqāt* are charitable deeds or gifts, which is the primary meaning (as in Qur'an, 2:263-4, 271, 276; 9:79; 58:13), and also the obligatory tax of *zakah*, which literally means “the purifying dues.” That is why the Qur'an, in certain places, uses the term *ṣadaqāt* for *zakah* (e.g., 9:58, 60, 103-4). Hence, while *zakah* is a form of *ṣadaqah*, the latter also includes non-*zakah* voluntary, charitable and social spending (*infāq*). *Ṣadaqah*, therefore, implies self-purification from a false sense of security, and from greed and vanity—all common

human traits. It is also a means, or a source of expiation for one's weaknesses, errors and misdeeds (Qur'an, 9:103-4; cf. 2:271).

Ṣadaqah is an act of sharing one's resources: with one's closest relatives or next of kin, as well as with other members of the human community, including those of other faiths. It is important, however, that this be done without asking or expecting any return whatsoever. Then only does such sharing become a *ṣadaqah*, i.e., a true reflection of one's concern, sincerity and friendship. When *ṣadaqah* is given on an individual or personal basis, the Qur'an says: "If you do deeds of charity openly, it is well; but if you bestow it upon the needy in secret, it will be even better for you, and it will atone for some of your bad deeds. And God is aware of all that you do" (2:271). While disclosing *ṣadaqah* is allowed because it may encourage others to give, concealing it is deemed better so as to protect the giver from the temptation of self-glory. Also, the Qur'an states: "O you who believe! Cancel not your charity by reminders of your generosity or by injury [i.e., by hurting the feelings of others]—like those who spend their property [only] to be seen by men but neither believe in God or the Last Day" (2:264). Hypocrisy in any form is considered highly undesirable and therefore decried by the Qur'an. An implication of the foregoing is that it is not necessary, nor desirable, to inform the receiver that the assistance is *ṣadaqah*. The element of need of the receiver is sufficient as basis to qualify for help. *Ṣadaqah* is also described by the Qur'an as a goodly or beneficence loan (*al qarḍ al ḥasan*) which man gives to God (i.e., spends for public wants) and which "He [God] repays manifold" (2:245; 30:39; 57:11, 18; 64:17; 73:20).

As is evident, God is encouraging the Muslims to invest in society by taking care of and satisfying social needs, and is placing such acts with the greatest value in the hierarchy of values of Islam. This is the Qur'anic methodology of emphasizing generalized altruism which, if practiced, can place substantial resources in the hands of the community/government for the mitigation of hardships and for development purposes. It should be noted that all ten verses on *sadaqat* were revealed in Madinah, where the Muslim community was first formally established and where resources were needed to support the poor as well as the nascent government, and where no formal taxes were levied or collected in the initial years.

The role of *ṣadaqat* or social and charitable expenditures in general, should not be viewed as legitimizing the existence of poor and needy people in society. On the contrary, Islam views the presence of poverty as the greatest social and economic disvalue, as a threat to society and equivalent to *kufr* (the rejection of God's teachings). Under ideal circumstances, poverty should simply not be prevalent. However, where resources are

severely limited in proportion to population or greatly maldistributed in the absence of a legitimate and just authority, *sadaqāt* (both as *zakah* and voluntary contributions) can play a very important role in satisfying public wants both at the private and institutional level. Similarly, during the interim period of social-institutional transformation and structural reconstruction, *sadaqat* can be very significant. It was precisely during such a transformational period in Madinah that *sadaqāt* proved to be critical in helping stabilize the Muslim community. Without the *mu'ākhāh* (the institutionalized sharing of private resources) established by the Prophet, the generalized altruism practiced by all and the voluntary support given to the government, it is hardly likely that the Muslim community could have survived.

Sadaqāt, then, play a critical role in Islamic society. Even where basic needs may have been met and poverty removed, they continue to play an important role in social development through providing funds for charitable endowments, trusts and foundations for educational and general welfare purposes. In this sense, the Qur'an, through *sadaqat*, has provided perpetual private resources for meeting public wants and promoting development and growth. On the other hand, it has provided the members of society a means for self-development through altruism, as well as a mechanism to participate and contribute toward the health, peace and prosperity of society. While the achievement of these goals (or rather the striving toward achievement) is in itself a blissful and satisfying phenomenon, the eschatological reward to those who sincerely contribute to the social cause is an extra or windfall gain—a sign of the mercy of God, as well as a significant motivating factor for such contributions.

Infāq

The most repeated term for spending in the Qur'an is *infaq* (lit. to spend, give, lay out or disburse). It denotes spending freely on, or as a gift to, others whatever the motive may be. The Qur'an uses it both in the sense of maintenance expenditures for the immediate family and for the relatives which may need to be supported due to lack of means on their part (the extended family), as well as in the sense of voluntary spending for members of society in want (the human family). However, the overwhelming use of the term *infāq* and its derivatives by the Qur'an is in the context of voluntary investment in society for general welfare purposes (e.g., 2:2, 74, 215, 219, 262, 264-5 and elsewhere). *Infāq*, whether on one's family or society, is equivalent to a *sadaqah* because it testifies to one's commitment and sincerity through fulfillment of responsibility. The probable reason why free-will *infāq* has been emphasized is that while human feelings toward one's immediate family motivate the person to

take care of their needs, others in society don't always enter into human calculations.

Out of the total of 52 Qur'anic verses where *infāq* and its derivatives are mentioned, 43 were revealed in Madinah, while nine were revealed in Makkah. This exemplifies the Qur'anic emphasis on the necessity of social spending to take care of public wants, especially where the needs and size of the community are growing but matching resources are lacking. What is also notable is the frequency of the verses of *infāq*, which signifies the constant call of the Qur'an to fill the gap in the meeting of priority public needs.

The social spending principle of *infāq* given in the Qur'an generally refers to such spending which is done over and above the minimum of *zakah*. This is important to realize because it is commonly presumed that the giving of the obligatory *zakah* is sufficient, and Muslims need not go beyond that. In a lengthy passage, the Qur'an states:

True piety [or righteousness] does not consist in turning your faces toward the east or the west [i.e., in compliance with mere formal and outward forms]—but truly pious are they who believe in God, the Last Day, the angels, the revelations, the prophets; who give of their wealth—despite their love for it—to needy kinsmen, orphans, the poor, the wayfarer, those who ask for financial help, and for the freeing of human beings in bondage; who establish prayers, pay *zakah*, fulfill their pacts when they make them; are steadfast in hardship, adversity and in time of peril—these are the true [believers], and it is they who are conscious of God (2:177).

What this passage shows is that while *zakah* is necessary, a pillar of faith, true virtue demands that man spend beyond that minimum to alleviate the needs of the poor and of anyone else facing hardships. This argument is consistent with the point made by the Prophet that there is indeed the right of society in individual property beyond *zakah*, as well as with the Qur'anic principle to spend what one can spare—even though man cherishes whatever wealth he possesses. The desirability of social spending—to alleviate the effects of poverty, to remove helplessness and to alleviate temporary hardships—is therefore stressed by the Qur'an in numerous ways. It uses parables and paradigms (2:264-5; 3:117), comparisons of genuine altruists and the rest (9:98-9; 16:75), and a host of other arguments to convey its necessity and its sociomoral worth.

The importance of *infāq* on public wants can be judged by the association of *ṣalāh* (prayer) with it. Mentioning the characteristics of believers, the Qur'an states “[they are those] who are steadfast in prayers, and spend out of what We have provided for them as sustenance” (2:2). This conjoining of *ṣalāh* and social spending recurs in numerous verses (e.g.,

8:3; 13:22; 14:31; 22:35; 35:29; 42:38). In other verses, *infāq* is characterized as a manifestation of belief (*iman*) and mentioned with it (e.g., 2:2, 254, 267; 4:39; 57:7; 64:16).

The Qur'an puts forth the argument that all that man possesses is to be held in trust from God, since all that is on earth (including that which man creates or produces) really comes from Him and therefore belongs to Him, whereas man is allowed only its usufruct. It states: "Believe in God and His Messenger, and spend on others out of that of which He has made you trustees, for: those of you who have attained to faith and who spend freely [in social/God's causes] shall have a great reward" (57:7). It further apprises man that the function of God's teaching is to "lead you out of deep darkness into the light" and that "God is the most compassionate towards you, a dispenser of Grace" (57:9). Then it directly questions the believer: "And why should you not spend freely in the cause of God, seeing that God's [alone] is the heritage of the heavens and the earth?" (57:10).

The Qur'an, on one hand, seems to be saying that it is ultimately God who grants income and wealth (i.e., the ability, means and suitable conditions for earning) and therefore, sharing of the benefits of the resources at one's disposal and contributing toward alleviating public wants is justified and only reasonable (cf. 2:267; 42:38; 63:10). On the other hand, it is saying that man can, and should, fulfill his trusteeship function by spending some of his wealth in the manner ordained by God for public welfare purposes.

The Qur'an, as in the case of *ṣadaqāt*, also explicates the reasons behind, and personal benefits from, *infāq* for social causes: that it increases the possibilities of individual well-being (2:195 and elsewhere); that it will be rewarded in the afterlife (2:262, 272; 8:61; 9:121; 28:54; 57:7); and that it is a transaction or commerce with God that never fails (35:29). The Qur'an also asserts that it is **not** God who needs the social expenditure, but on the contrary, it is the people themselves who are needful of good deeds (47:38); therefore, one should not be close-fisted with one's wealth (47:38; cf. 25:67) as one can establish righteousness only through meritorious acts of social weal (3:92). The Qur'an especially mentions the high moral caliber of those "who spend [for social causes] in time of plenty and in time of hardship" (3:134), i.e., those who are constant in their socially beneficial acts.

A perusal of the verses on *infāq* reveals that the Qur'an puts forth moral, ethical, eschatological, personal and social reasons and arguments to convince the believer that social wants are next to personal wants and that their satisfaction has (or should have) a very high ranking in one's utility or consumption/expenditure function. In other words, the Qur'an is

arguing for integrating public needs with private needs in the individual's preference map. It was precisely the internalization of this concept, as noted previously, that helped the early Muslim community survive their difficult circumstances. However, it needs to be understood that the principle of *infāq* represents the Qur'an's methodology of generous and sacrificial levels of private contributions for fulfilling collective responsibilities, especially in the face of meager state resources. These extra-tax contributions manifest a call to support the social and reconstruction efforts of an Islamic government. The Qur'anic emphasis on *infāq* and the very large number of Prophetic traditions emphasizing the role of *infāq* in Muslim society underscore its role in the healthy development of an Islamic socioeconomic order. This is a critical and major contribution of Qur'anic economic thought to the Muslim's understanding of his religion and carries tremendous implications. If this understanding is sufficiently internalized, it can not only sustain and stabilize a Muslim society and its government, but also make available a vast reservoir of goodwill and resources—financial and otherwise. Herein lies the essence of the Qur'anic teaching on *infāq*.

Zakah

Zakah, the compulsory levy on the income and wealth of Muslims, literally means that which cleans and purifies, and signifies justness, integrity and vindication, as well as increase and growth. It is a tax which is meant to purify the property of a person from the taint of selfishness and make it *ḥalāl* (permissible) for one's personal use and benefit.

According to the rules delineated by the Prophet, *zakah* is levied at 2 1/2% of total net worth after the worth reaches a minimum level (*niṣāb*) on most physical and financial assets. Similarly, *zakah* is levied at 5% for agricultural produce from artificially irrigated land and at 10% for naturally irrigated land after the produce reaches a minimum level (*niṣāb*).⁸ The proceeds of the *zakah* tax are to be spent for social welfare purposes in a broad sense, as specified by the Qur'an: "The *zakah* is [meant] only for the poor and the needy, those who collect the tax, those whose hearts are to be won over, for the freeing of human beings from bondage, for the relief of those overwhelmed by debts, for the cause of God [all priority social needs], and for the wayfarer: [this is] an ordinance from God—and God is All-Knowing, Wise" (9:60).

8. See *Ṣaḥīḥ al Bukhārī* 2:275-343; and *Ṣaḥīḥ Muslim* 2:466-508.

9. The tax on produce is also known as '*ushr*' (lit., one-tenth) because the Prophet used the term '*ushr*' (and half of '*ushr*') to signify the rates on the output. However, in essence and purpose, it is the same as *zakah* (see *Ṣaḥīḥ al Bukhārī* 2:327).

The Qur'an mentions *zakah* in 29 verses out of which 20 are of the Madinan period and nine Meccan. In certain other places, the Qur'an uses the term *ṣadaqāt*, whereas what is meant is *zakah* (e.g., 9:58, 60, 103). The first verse on *zakah* (73:20) was revealed in the early Meccan period, signifying the importance of welfare expenditures in the Islamic scheme of life. Since the Muslims were a relatively small group without formal institutions, *zakah* was given privately, without specific rules or rates. It was essentially used for two purposes: to assist the indigent and the poor and to buy the freedom of those in slavery or bondage. In the initial Madinan period, *zakah* was given both privately to needy individuals and families as well as to the state. Detailed rules of levy and collection were established by the Prophet around the year 8/629, while the specific and final categories of beneficiaries were delineated by the Qur'an in 9/630. However, the available evidence suggests that the Prophet, as head of state, had begun collection of *zakah* funds, as well as their disbursement, much prior to the formalization of rules. So while the Qur'anic injunctions of *zakah* are coeval with Islam and the Muslims, its formal collection is coeval with the Islamic state. The state collection of *zakah* continued through the period of the Rightly Guided Caliphs. These facts establish the principle that *zakah* collection and disbursement are among the duties of an Islamic government. This principle is affirmed by the Qur'an when it instructs the Prophet "to take out of their possessions *zakah*" (9:103). By implication, it means that every government which holds authority by virtue of the Shari'ah and rules in accordance with it, has the right and the obligation to collect *zakah*.

What is most significant and critical about *zakah* is the association of *salat* (regular prayers) with it. They have been mentioned together in 25 out of the 29 Qur'anic verses. This, however, is not surprising, given that after the declaration of faith, *salah* and *zakah* constitute the two most important fundamentals of Islam.¹⁰ God, in other words, seems to be say-

10. It may not be out of place to note that *salah* and *zakah* were enjoined by God on the earlier Prophets, as well as on the earlier generations who were recipient of divine revelations. For instance, referring to Abraham, Isaac and Jacob, the Qur'an states: "[We] made them leaders who would guide [others] in accordance with Our behest: for We inspired them [with a will] to do good works, and to be constant in prayer (*salah*), and to dispense charity (*zakah*), and Us [alone] did they worship" (21:73). Similarly, quoting Jesus, it states: "And He has blessed me wherever I may be; and He has enjoined upon me prayer (*salah*) and charity (*zakah*) as long as I live" (19:31). A similar reference is given for Prophet Ishmael (19:55). Then the Qur'an points out the solemn pledge with the Israelites: "And remember We took a Covenant from the Children of Israel: Worship none but God; treat with kindness your parents and kindred, and orphans and needy; be steadfast in prayer (*salah*); and practice regular charity (*zakah*) . . ." (2:83; cf. 2:43).

ing that His worship is not complete if not accompanied by *zakah* expenditures. In fact, in a very early Meccan surah, the Qur'an points out that the *salat* of a Muslim is meaningless if it does not help motivate him to satisfy the fulfillable wants of the poor and needy (107:1-7), the foremost purpose of *zakah*. Therefore, the repeated conjoining of *zakah* with *salah* is of paramount significance in the scale of values in Islam. Furthermore, it should be borne in mind that when the Qur'an says "establish *salah* and render *zakah*," *salah* means not only the ritual of prayer, but is also symbolic of Islam's normative moral-ethical behavior and philosophy; and *zakah* not only stands for the social welfare obligation, but also symbolizes the practical dimension of the philosophy of humanitarianism and support for the weak and deprived. That is why the Qur'an associates the two with faith and good personal and social ethics as in 2:277: "Those who believe and do deeds of righteousness, and establish *salah* and dispense *zakah*—they shall have their reward with their Sustainer;" and in 9:71: "And [as for] the believers, both men and women—they are friends and protectors of one another: they enjoin virtue and forbid evil, and are constant in prayer, and render *zakah*, and pay heed unto God and His Apostle. It is they upon whom God will bestow His Grace: verily, God is Almighty, Wise!" (cf. 2:177).

Zakah is not only a moral obligation toward God and society, a basic element of worship and faith, it is also a legal right of society without the rendering of which, one's justification and vindication as a Muslim is both doubtful and questionable. The Qur'an clearly makes the latter point by stating: "Woe unto those who ascribe divinity to others beside Him, [and] those who do not give *zakah*: for it is they who [thus] deny the truth of the life to come" (41:6-7). The Prophet also points out that the abnegation of *zakah* is tantamount to the rejection of faith and carries severe penalties in the afterlife.¹¹

= What becomes evident is that *salah* and *zakah* have consistently been at the core of the divine message, and common between the monotheistic faiths. However, *zakah*, prior to Islam, represented essentially alms-giving and charity. With the coming of Islam, and particularly after the establishment of the Islamic state, *zakah* was transformed into an institution and was not simply a value any more. In other words, it was transformed from a private obligation to a social and legal obligation, from a poor-due to a welfare-tax with the widest meaning of the term welfare. It is, therefore, this aspect of the institutionalization of *zakah* which is of great significance and needs to be borne in the ensuing discussion. So while the Qur'an uses the term *sadaqat* for voluntary charitably gifts/expenditures and *infaq* for charity or general social spending, the term *zakah*, when addressed to Muslims, denotes the compulsory welfare-tax which constitutes the core principle of the Islamic fiscal system and one of the main pillars of the Islamic economic system.

11. *Ṣaḥīḥ al Bukhārī* 2:71-7.

This makes evident the view of Islam that given that *zakah* has been ordained on the Muslims as a right of God and society which has to be fulfilled, a person does not have the right to continuous use of personal property without giving the society its share. In this sense, *zakah* is not strictly a tax, as this word is commonly understood (i.e., something given in exchange for certain services received), but rather an obligatory contribution for social, developmental and other ameliorative and welfare purposes and priority needs.

Since *zakah* is levied on the wealth of all members of society except the poor, the tax base is fairly wide, giving the entire population the sense of participation in social uplifting. And, since *zakah* is largely collected and spent at the local level, it links the tax and expenditure policy with each other, making evident where the proceeds of the *zakah* funds are going. Therefore, given a reasonable level of enlightenment on the part of the people, *zakah*-tax collection should not be a problem, and evasion minimal. However, efficient fiscal machinery and precise accounting procedures would be required. *Zakah* is much too important a matter to be left at the discretion of conscience of the people alone. It was for this reason that the Prophet himself urged and supervised the collection of *zakah* funds.

The Qur'an views *zakah* as the opposite of *ribā* (usury). While *ribā* was meant to bring the capital-lender a multifold increase through an exploitative practice, *zakah*, the Qur'an argues, brings the investor a severalfold increase in a beneficial way. The two are opposites also in terms of distributive effects: whereas *ribā* transfers wealth away from society to the rich, *zakah* redistributes wealth from the well-to-do to the poverty groups. When the ground for the banning of usury was being prepared, the Qur'an stated: "The wealth you invest in usury so that it should grow at the expense of other people's wealth, does not grow in the sight of God, but whatever wealth you spend on welfare (*zakah*) supporting sincerely the cause of God [will increase]: it is these who will get a recompense multiplied" (30:39). Here the multiple increase in the return to *zakah* investment in society is essentially in eschatological terms (see also verses 2:110, 277; 5:12; 9:71; and 73:20 on *zakah*). However, the multiplier effect of *zakah* through increased consumption, output, employment and income cannot be denied. Thus, when a small expenditure of one's capital is done by a large number of people, it can have a substantial positive effect, especially if the expenditure is targeted toward poverty groups and is meant for the satisfaction of basic needs and relief of immediate hardships, as well as for increasing income potentials through employment creation—as *zakah* proposes it to be.

Zakah, it should be understood, is largely a temporary relief measure.

It is not meant to support, and thereby create, a permanent class of welfare recipients. Its first purpose is to meet the immediate needs; however, its second purpose is to help people stand on their own feet, to move out of the poverty line, and to be socially and economically productive. The Prophet has made it quite clear that charity is unacceptable for healthy adults unless they are in severe distress, and only to the extent of satisfying their pressing needs; and that they should make all attempts to be self-supporting through self-employment and remunerative work.¹² *Zakah*, as will be shown below, places funds at the disposal of the government which are to be used to create employment potential and thereby permanently eliminate a major source of poverty—unemployment. However, there would always be the unemployable poor—the sick, disabled, old and young—who would need continuous assistance, and *zakah* funds are to be used for their welfare as well.

There are no restrictions on *zakah* funds that they should be spent only in the area where they are collected. If the funds are not needed in a certain area, they can always be transferred to more needy regions or parts of the world. However, what is paramount is that the basic needs of the poverty groups be satisfied—whether the *zakah* funds are sufficient for that purpose or not. At the time of the Prophet, superfluous *zakah* from a certain province was transferred to the central administration, where it was used to satisfy priority needs of other regions and peoples. In this sense, *zakah* is a divine intervention in favor of the needy wherever they may be, and a perpetual source of funds for their welfare.

Finally, *zakah* is multidimensional in content. It is both a value as well as an institution; beneficial for the giver as well as for the recipient; both moral and socioeconomic; a redistributive measure; its acceptance a sign of faith, and its rejection a source of peril; an individual act of piety and a collective source of benefit; both otherworldly and this worldly; and a teaching without whose institutionalization an order cannot be called Islamic. Therefore, it is very representative of Islam's sociomoral teachings, and that is probably why the Qur'an urges its establishment repeatedly. However, it is a part of a larger scheme of sociopolitical and economic life without which *zakah* would play little more than a marginal role. As God has put it: "[Muslims] are those who, if We establish them on earth, establish regular prayers and give *zakah*, and enjoin the doing of what is right and forbid the doing of what is wrong" (22:42). Therefore, the larger institutional reform at the social, political and economic levels ("doing what is right") is at least as necessary as the institution of *zakah*.

12. Ibid., 3:292, 319.

That *zakah* has not played a significant role in the collective life of the Ummah in recent centuries is largely due to the lack of the needed overall reform, as well as the conservative, tradition-bound and dysfunctional interpretation of *zakah* itself. In the sequel, a reevaluation of *zakah* is proposed, and its role and function, collection and disbursement elaborated.

The Issue of Zakah Taxation: Some Aspects of Collection

The Qur'an does not give the rates of *zakah* levy, nor the detail of the types of level of income or wealth on which it is to be levied, except mentioning the rendering of dues on agricultural produce in general terms (6:141), as well as repeatedly mentioning the obligation of the Muslims to pay *zakah*. The rates, the zakatable levels of wealth (*nisab*) and the types of wealth and produce on which *zakah* was levied, were given by the Prophet. Later, the Rightly Guided Caliphs added numerous other categories of wealth and produce to the *zakah* tax-base as these evolved with time and changed circumstances, and placed taxes on them using the principle of analogy. However, the *zakah* rates were not changed as they were considered within the purview of Prophethood (*zakah* being a form of worship) and as part of the moral-legal binding Sunnah. Since then, a general consensus has held that the rates should be taken as fixed.

It should be remembered that at the time the Prophet gave the rules for *zakah*, the Muslims were by and large either traders, farmers, craftsmen, laborers, farm workers, involved in raising cattle, or sometimes a combination thereof. Therefore, the possessions they had, besides housing and personal belongings, were gold and silver as currency and/or in stocks, merchandise of trade, flocks of animals and the annual farm produce. The craftsmen and farmers possessed tools as well, and the women owned jewelry in addition to the above-mentioned categories. So the levies of *zakah* and the exemption limits were made according to the possessions, income and wealth of that period. Essentially, *zakat* was levied on stocks of property and agricultural income (or produce) and not on income *per se*, because salaried income did not exist and income from business or animal husbandry was perhaps not easily determinable, besides being irregular. Savings, on the other hand, were readily determined. So the stock of property (including savings) was representative of both the income level and possessions of a person and easily quantified. Hence the rationale for levying *zakah* on wealth. Similarly, agricultural income was determinable in the form of produce at the time of harvest; hence the reason for the levy of *zakah* on the produce.

From the evidence available in the traditions, the Prophet exempted from *zakah* taxation housing (which was virtually all owner-occupied),

clothing, household goods, means of transportation (riding animals at that time), food, books, tools and implements of farmers and artisans, as well as animals used in farming.¹³ He levied *zakah* on all other items. Essentially, what he excluded from *zakah* were articles considered necessities of life, and the means of production and transportation. Therefore, from the contemporary point of view, whatever can be defined as necessities of life and means of production and transportation, should be excluded from *zakah* taxation.

Everything else then, in principle, becomes zakatable. This would include checking and savings accounts, cash at hand, stocks, options, precious metals, certificates of deposit, commercial papers, jewelry, various forms of savings/investments, trading goods, manufactured goods, agricultural produce, dairy products, cattle, minerals and all other forms of wealth. Land used in agriculture was not taxed by the Prophet as it was considered a means of production, however, its produce was. Using an analogy, real estate, which is now a major form of asset, can be taxed, either through its net income (actual or potential) or its net value. Both these positions seem to be valid. However, the rates would have to be kept higher if income is taxed vis-a-vis the rate on value. Owner-occupied housing or one residential unit per family would be excluded from the *zakah* tax.

Similarly, salaried income and income from services like those of doctors, lawyers, accountants, bankers, business executives, etc., did not exist in the Prophet's time. Now incomes from the service sector constitute a substantial portion of earned incomes. Given that Islam places the *zakah* tax on the incomes of the not-too-poor farmers and on the sources of incomes of merchants and cattlemen, the question arises whether income from services should be taxed or not. A rational answer would be in the affirmative—for reasons of equity. Equity demands that service incomes should be zakatable with about the same rates for similar economic categories. Therefore, exempting service and salary incomes would not only be inequitable, it would also reduce the size of the tax-base considerably and, consequently, the *zakah* collection. It is proposed here that professional incomes, when exceeding the *niṣāb* level, should be subject to *zakah*. However, since a certain amount of income is necessary for living expenses, a living allowance should be allowed as deductible from the zakatable amount according to the number of people dependent on the *zakah*-payer. And this, we suggest, should be applicable whenever incomes are taxed.

13. See *Ṣaḥīḥ al Bukhārī* 2:271-338; and *Ṣaḥīḥ Muslim* 2:466-521.

Zakah, then, is placed on all businesses for profit. It is placed on the net worth of private companies and corporations excluding their fixed assets like plant and equipment, business vehicles, furniture and fixtures, etc. In other words, whatever can be considered as the fair market value of a business, *zakah* is placed on that value, excluding the items noted above. Similarly, *zakah* is payable by individuals or families on their net worth, provided this is above *niṣāb*, and where the net worth excludes exempted items like housing, transportation and other personal belongings. And, finally, professional incomes are taxed subject to the criteria mentioned above.

Since *zakah* is an annual levy and is traditionally paid lump-sum once a year, it sometimes becomes difficult to pay the entire sum at once. It is therefore suggested that the estimated annual *zakah* should be collected in convenient installments, for example, monthly, bimonthly or quarterly. This would minimize the burden of a once-a-year payment. In fact, there is a precedent established by the Prophet whereby he received advance payment of *zakah*.¹⁴ Similarly, it is reported that the third caliph 'Usman deducted payable *zakah* from the salaries of the Muslim employees of the state.¹⁵ Therefore, just as governments deduct income and social security taxes at the source, there is no reason why the same method cannot be applied to *zakah* collection. Likewise, businesses can be required to make quarterly or monthly *zakah* payments, along with other taxes, to the government. This regularity of payment would not only be commensurate with the importance of *zakah* in the Islamic scale of values, it would also help in the efficiency of the collection process.

Zakah, in the Prophet's era, was collected both in cash and kind. The collection in kind was partly due to the relatively low degree of monetization. But the more important reason seems to have been the ease with which *zakah* could be calculated as well as paid. The available evidence shows that besides gold, silver, currency, farm produce and cattle, utility items were also given to the *zakah* fund, such as garments (including used ones), and women gave from the jewelry they owned.¹⁶ The collected items were consequently distributed among the needy, and thus directly helped satisfy their immediate needs of food and clothing or provided them with currency or such items which gave them purchasing power and, indirectly, the resources to meet their basic needs. The purpose of pointing this out is that *zakah* collection should be kept easy and not made a hardship for people, and that collecting in kind, especially in less mon-

14. Hasanuz Zaman, *The Economic Functions* (1981), 157.

15. *Ibid.*, 154.

16. See *Ṣaḥīḥ al Bukhārī* 2:302, 316.

etized and developed areas, may not be an unreasonable option. This, especially in view of the fact that the Prophet instructed his *zakah* collectors “not to take the best property of the people as *zakah*.”¹⁷ In other words, the Prophet laid down the guideline to avoid making *zakah* payment difficult and aversive for people, and to accept as *zakah* from what was reasonably payable by the people. Such an approach would enable most every *zakah*-payer to pay their share without creating hardship for those with modest means.

Al Niṣāb: Lower Limits of Zakatable Assets

As there is a need for reevaluation of *zakah* levy for the changed circumstances, and some reinterpretation has been provided above, although briefly, so is there a need to reevaluate the issue of *niṣāb*. *Niṣāb*, it should be noted, was that level of income or wealth below which no *zakah* was levied; however, when net worth equaled or exceeded *niṣāb*, *zakah* was levied on the total value of incomes/assets. So anyone above the *niṣāb* was a *zakah*-payer, while one below it was a *zakah*-recipient.

The Prophet gave the lower limits of zakatable assets according to the then commonly-held assets or properties. He specified the *niṣāb* as follows: five *uqiyahs* of silver (796 grams or 26 troy ounces) or 200 dirhams in currency, both equal in value at that time; five wasqs of grains/dates (1600 liters or 45.4 bushels), 40 sheep and five camels, all approximately equal in value to 200 dirhams according to the price estimates available.¹⁸

What becomes evident is that there was a value equivalence of 200 dirhams among the different *niṣāb* whether specified by volume, value, currency, produce or cattle. However, the relative prices of the different items of *niṣāb* have changed and the value equivalence does not hold anymore.¹⁹ Also, people generally do not hold their assets in the categories

17. Ibid., 310, 334.

18. See Hasanuz Zaman, *The Economic Functions* (1981), 343-6.

19. On February 16, 1990, the values of some of the items of *niṣāb* were as follows (source: The Sacramento Bee, February 17, 1990, p. E12): For silver, the *niṣāb* was \$136.35 (at \$5.328 per troy oz.); for wheat, the *niṣāb* was \$174.81 (at \$3.85 per bushel); for gold, the *niṣāb* was \$1,251.30 (at \$417.10 per troy oz.). Gold, commonly used as *niṣāb*, is calculated at 3 ozs., the weight at which it was equal in value to 200 dirhams during the Prophet's days.

If the retail price of, say, wheat flour or rice at \$.20 per lb. is used and 5 *aswaq* is taken as equivalent of 948 kilograms or 2090 lbs. (see Riyazul Haque, *Islamic Economic System* (1986), 73 for weight equivalence), then the *niṣāb* turns out equal to \$418.00.

If sheep, taken at market value of, say, \$50 per head is used, then the *niṣāb* on sheep equals \$2,000.00.

Thus, there is no value equivalence among the different *niṣāb* any more.

prescribed by the *niṣāb* any more. So the question arises: should the contemporary Muslim societies use the quantities specified in the *zakah* rules, which differ in value terms and may do so in the future as well, or is it possible to find a common value denominator which can be used as *niṣāb*? The latter possibility offers a solution which may be better in that it will standardize the *niṣāb* and equalize it for everyone regardless of how the assets are held. We therefore suggest that a currency valuation be used as the common denominator. In other words, all assets be converted into currency values and those that exceed the *niṣāb* value then become zakatable.

Then the second question which arises is what is this *niṣāb* going to be. In other words, how do we derive the valuation for *niṣāb* given that the equivalent of 200 dirhams was 26 ounces of silver, 3 ounces of gold or 1600 liters of grain, all of which now greatly differ in value, besides the problem of which grain or produce to use (whether wheat, rice, corn, barley, dates, cotton, etc., which in themselves carry different values)? So to answer the question of *niṣāb* value, it would be worthwhile to look at what the 200 dirhams represented in terms of purchasing power in the Prophet's era. The estimates made by Hasanuz Zaman suggest that 200 dirhams were commensurate with the average annual requirement of a man, i.e., they were comfortably sufficient to cover the needs of food, clothing and incidentals for one person.²⁰ Housing, it should be remembered, was owned by most everyone when the *zakah* rules were given, and renting was virtually non-existent. Hasanuz Zaman states:

20. Hasanuz Zaman, *The Economic Functions* (1981), 344-6. Incidentally, 250 dirhams per person were fixed as annual minimum pensions or living allowance during the caliphate of 'Umar, as part of the social insurance scheme. They were given to (a) widows and orphans; (b) all persons who had been involved in the social struggle of early Islam, including the Prophet's widows, the emigrants, their children, and so forth; (c) all disabled, sick and old persons (Asad, *State and Government* (1980), 92). Some were given higher pensions in accordance with their service contributions and other criteria. Nevertheless, the point to note is that the 250 dirhams allowance, which represented the annual basic need requirement, was slightly higher than the 200 dirhams *niṣāb* fixed by the Prophet twelve years earlier.

This change was most likely due to inflation, as the evidence suggests. In the same scheme, at a later stage, an allowance was also fixed for children (on the principle that they were unable to fend for themselves), reportedly at 100 dirhams. Over and above the pensions, each person, male and female, in the country, was sanctioned sufficient food for two square meals a day from government storehouses (*ibid.*, 92). Similarly, minimum salaries (*wazā'if*) were also fixed at 250 dirhams annually (cf. Hasanuz Zaman (1981), 292-4).

All this suggests that the *niṣāb* of 200 dirhams fixed by the Prophet manifested a comfortable living, including a basic need requirement for that era.

Thus the exemption limit of 200 dirhams for every owner of zakatable goods may [have] been an amount for comfortable living of a man but could not provide comfortable living to an average family. And it is also not surprising because the exemption limit [*niṣāb*] is granted on personal holdings and not on family holdings. Thus if there are four persons in a family who are severally liable to *zakah*, each of them will separately be enjoying this exemption limit.²¹

Similarly, if one looks at the untaxed quantity of produce (5 aswaq or 5.7 lbs per day), it was more than adequate for one person, and just sufficient for a small family, but not sufficient for an average family—given the simple food requirements and diet of that era. Looking at this issue slightly differently, the *niṣāb* on produce was adequate to meet the need of an individual comfortably, leaving enough so that he could trade it to satisfy his other needs or wants.

Given this perspective, what becomes evident is that the *niṣāb* of 200 dirhams or its equivalent fixed by the Prophet, represented such levels of income/assets which could enable a person to meet his essential food and clothing requirements and leave some funds for other expenses. In other words, the *sāhib al niṣāb* (possessor of *niṣāb*) was a relatively well-off person who could adequately meet his needs and was capable of paying *zakah* and contributing to charitable purposes. This is also precisely what a *zakah*-payer is by definition: an individual who himself is not poor nor needy, well able to meet his needs, and thus not a *zakah*-recipient. Therefore, the contemporary fixation of *niṣāb* can integrate this requirement and determine zakatability by such income/asset level which is sufficient for the satisfaction of one person's basic needs with good health.

This *niṣāb* value will undoubtedly differ somewhat from country to country and can change over time according to changes in prices of basic need items. In this sense, *niṣāb* will be a dynamic concept and at all times will represent zakatability of assets when they exceed the basic need requirement of an individual. This was perhaps the motivation of the Prophet when he fixed the *niṣāb* on various forms of wealth. Such *niṣāb* will also be equitable because everyone will face the same zakatability structure no matter how wealth is earned or retained.

The standardization of *niṣāb* and its linkage to sufficiency of income/wealth for meeting basic needs has become imperative. Only then can justice be done to the concept of *zakah*, which is meant to be a welfare tax given by those who are not in poverty themselves, but rather those who have the capability to assist others in poverty. Simultaneously, the standardization of *niṣāb* will greatly help in removing the confusion and

21. Hasanuz Zaman, *The Economic Functions* (1981), 345.

inequity which currently prevails due to the varying and unequal standards used in determining *niṣāb* and zakatability. This, of course, has to do with the changes in relative prices of the goods given as *niṣāb* by the Prophet, as pointed out above, and not with the principle embodied in *niṣāb* fixation which was consistent, fair and meaningful at the time of its establishment. Therefore, given the purposes underlying the fixation of *niṣāb* by the Prophet, there is a real need for reevaluation and reinterpretation of the *niṣāb* issue so that *zakah* taxation can be rationalized. If this is done, it will open the way for *zakah* to play the welfare-promoting role equitably and efficiently, for which it has been divinely ordained.

The Issue of Zakat Taxation: Some Aspects of Distribution

The categories of *zakah* recipients have been fixed by God. As outlined in the Qur'an:

“The *zakah* is [meant] only for the poor and the needy, those who collect the tax, those whose hearts are to be won over, for the freeing of human beings from bondage, for the relief of those overwhelmed by debts, for the cause of God, and for the wayfarer: [this is] an ordinance from God—and God is All-Knowing, Wise” (9:60).

Thus the disbursement of *zakah* funds has not been left to the whims of society or government, but rather fixed for the largely need-based categories. But precisely how the funds are spent and in what form is left to the wisdom and judgment of society and government in each space-and-time situation.

This verse, as noted earlier, was revealed in the year 9/630, a little over two years prior to the completion of the Qur'an and the death of the Prophet. As such, it constitutes one of the last verses revealed on the issue of *zakah*. In this verse, the *zakah*-entitled categories have been consolidated and clearly demarcated so as to remove all sources of ambiguity on the issue.

A discussion of the categories of *zakah* disbursement will help clarify who the target beneficiaries are, and simultaneously make explicit the purposes of *zakah* embodied within these categories. The eight categories have been divided into four groups: poverty-based; special need-based; collective welfare-based; and others. This has been done so as to bring sharper focus and proper perspective to the nature of *zakah* and thus to facilitate its understanding.

Poverty-based Categories

The primary and foremost recipients of *zakah* are the two groups of people denoted by the Qur'anic *zakah* verse (9:60) as *al fuqara* and *al*

masakeen. They represent, as will be seen below, virtually all such groups of individuals potentially present in an economy at any time, who are living at or below the poverty level. It may be worthwhile to note that in the *zakah* verse, these poverty groups are mentioned as the first two categories of *zakah* recipients, perhaps reflecting their priority position in the Islamic scale of values.

The Destitute Poor (*al Fuqarā'*)

The term *al fuqarā'* (sing. *faqīr*) means those who are poor, destitute or indigent. It represents all such persons who lack material means, possessions or income to support themselves, i.e., those who find themselves in involuntary poverty, unable to satisfy their essential needs such as food, clothing and shelter. In the Madinan period, where most of the Qur'anic verses dealing with social matters and collective life were revealed, the poor were largely the unemployed—the persons without capital for trade or self-employment, the landless, the unskilled, or simply those without work.

Numerous emigrants, and some locals, belonged to this category because work opportunities were limited. Those who had families to support faced even greater poverty. Then there were the orphans and widows who were poor, the elderly without adequate support, and the disabled or handicapped unable to fend for themselves. In other words, among the poor were many men, women and children, young and old, single and married, those without assets or income, the unemployed, immigrants and locals.

The Qur'an, for instance, uses the term *al fuqarā'* for the poor among the Makkan Emigrants ("those who have been driven from their homelands and their possessions") as well as for those in poverty among the Madinan Helpers (59:8-9). Similarly, the singular *faqīr* is used to describe the condition of Moses (later, the Prophet) when he, as a refugee, lacked means, income and employment (28:24). So, in a primary sense, the *fuqara* are the involuntarily unemployed, i.e., those who are willing and able to work but are not able to find work, or rather any remunerative work. However, the Qur'an does not confine itself to this particular usage of the term *al fuqarā'*, but extends it to encompass all others who, due to uncontrolled circumstances, face poverty or want: like orphans (*yatāmā*), those who ask for help (*sa'ilīn*), and next of kin (*qurbā*) (e.g., 2:177 and elsewhere).

So the term *al fuqarā'* used in the *zakah* verse represents all such indigent and poor persons who stand in need due to the lack of means on their part to satisfy their basic material needs. Their poverty is a consequence of circumstances beyond their control. And their hardship leads to a state

of vulnerability. It is for such people that *zakah* serves as a means to a healthy survival until improvement in circumstances takes place.

The Needy Poor (*al masākīn*)

The term *masākīn* (sing., *miskīn*) stands for the needy who are in misery, poverty, dependent on others, either unable to work or not earning enough to maintain themselves and their families, humble but in straitened circumstances. The *masākīn* may be the working poor possessing less than the *niṣāb* or basic need level of income/assets and the non-working but income-possessing individuals below *nisab*. Or, as the Prophet has put it: “The *miskīn* [needy] is not the one who goes around and asks people for a mouthful or two [of meals] or a date or two, but the *miskīn* is that [individual] who has not enough [money] to satisfy his needs and whose condition is not known to others that others may give him something in charity, and who does not beg [or ask] of people.”²²

So the *masākīn* are the working poor, the under-employed who work long and hard hours, yet face inadequacy of incomes due to low-level productivity and perhaps due to a large number of dependents. Simultaneously, the *masākīn* also include other self-respecting individuals whose limited resources or lack of income forces them to live on the margin. Both these groups cannot survive healthily without outside monetary assistance, temporarily or permanently. *Zakah*, for such people, is a means to fill the inadequacy gap and to help ensure their need fulfillment with dignity. In other words, sufficient monetary assistance from the *zakah* fund should be given or sufficient resources placed at their disposal so as to bring them at par with the *niṣāb*, or adequate basic need satisfaction level.

While the state of being a *miskīn* implies a state of involuntary poverty, the Qur’an mentions one category of *masākīn* who chose poverty voluntarily. These were the people who, in the Prophet’s time, had completely devoted themselves to learning, education, teaching and meeting priority social needs. As a consequence, they could not work and support themselves. The Qur’an urged their support and stated:

“[And give] unto [such of] the needy poor who, being wholly wrapped up in God’s cause, are unable to go about the earth [in search of livelihood]. He who is unaware [of their condition] might think that they are free from want, because they abstain [from begging]; [but] you can recognize them by their special mark: they do not beg of men with importunity. And whatever good you may spend [on them], verily God knows it all” (2:273).

22. *Ṣaḥīḥ al Bukhārī* 2:324-5.

Therefore, *zakah* funds should also be targeted toward the support of those engaged in praiseworthy social work, particularly those involved in the dissemination of education and knowledge. This call manifests the priority Islam attaches to the elimination of ignorance through literacy and education, to the cultivation of ethics, values and skills, and to the infrastructure of education in general.

Both *al fuqarā'* and *al masākīn*, the primary beneficiaries of *zakah* assistance, have been mentioned together in numerous places in the Qur'an. In almost every instance, the Qur'an has urged their assistance and financial support. Only a few examples are given here to reflect a major Qur'anic theme:

“Virtuous are they . . . who give of their wealth—despite their love for it—to poor kinsmen, the orphans, the needy, the wayfarer, those who ask for financial help, and for the freeing of human beings in bondage . . .” (2:177); “They will ask you as to what they should spend on others. Say [O Muhammad]: Whatever of your wealth you spend shall be for your parents, and for the near of kin, and the orphans, and the needy, and the wayfarer; and whatever good you do, verily, God has full knowledge thereof” (2:215); and “[The God-conscious would assign] in their wealth and possessions a due share for such as might ask and for such who was deprived [or who for some reason was prevented from asking]” (51:19).

What becomes evident from the foregoing is that entitlement to *zakah* is directly based on the premise of poverty and need, regardless of age, sex or any other factor, and that it should be sufficient to eliminate the condition of vulnerability and satisfy the basic human requirements of food, clothing and shelter. It may be worthwhile to note that it was precisely this state of vulnerability whose removal the Prophet urged when he stated that “poverty may sometimes lead to unbelief.” So besides the need-satisfaction function of *zakah*, implied in *zakah* is also the moral function of preserving human dignity and behavior consistent with Islamic norms and ethics. And through *zakah* divine assurance is given of an ever-present social insurance fund available to everyone in need regardless of whether one may or may not have ever contributed to it.

Precisely how the *zakah* funds are spent for the poor and needy would depend on various factors like the size of the needy population, the depth of poverty, the root-causes of poverty, the classes or types of poverty groups, the overall economic structure, etc. What would need to be adopted would be an integrated approach. Only some essential elements of such an approach are noted here.

Besides meeting immediate needs through transfer payments or assistance in kind, the way to help the able-bodied beneficiaries would be to provide work opportunities—through training and tools, through some

capital, through development of skills. Since the purpose of *zakah* is largely to help overcome temporary difficulties so that the individual can grow toward productive ability, it would be necessary to create an environment where sufficiently remunerative and productive work is available. This, however, implies a larger, integrated economic policy approach. *Zakah* policy would be only one component of such an approach. Nevertheless, the core of *zakah* expenditure policy comprises two components—the first is the meeting of basic needs of target beneficiaries; and the second is employment creation for the unemployed and income improvement for the underemployed through human resource development and other means.

Special Needs Categories

From a contemporary point of view, there are essentially two special needs categories of people mentioned in the *zakah* verse. The first are “Those who are overburdened with debts” (*al ghārimūn*), and the second, “the wayfarer” (*ibn as-sabil*).

The Debtors (*al ghārimūn*)

The term *al ghārimūn* refers to people who are overwhelmed by debts contracted in good faith and which they are subsequently unable to redeem, or simply such who are in chronic debt. So *zakah* has been ordained as a helping hand for such debtors, partly to enable them to repay their debts and partly to enable them to stand on their own feet while they clear the outstanding debt.

Historically, there were two classes of people who borrowed funds—one for consumption needs and the other for business needs. Often these two groups became entrapped in the debt cycle due to the usurious nature of interest charged on capital. The available evidence suggests that debtors to the capital lending class continued to exist until the very end of the Prophet’s life, since he mentioned the cancellation of usurious interest and the prohibition of usury-based transactions in his last major sermon given on the occasion of *hajj* (annual pilgrimage) in the year 10/631. He permitted only the taking back of the principal amount. It can thus be assumed that those in debt were largely the poor and needy and perhaps others who had become poor as a consequence of usurious exponential payments they had to make on their borrowed sums.

The Prophet, as discussed previously, had strongly discouraged living beyond one’s means and incurring debt. However, as many people had no choice but to borrow due to the generally straitened circumstances (emigration, exile, lack of work opportunities due to the then prevailing ten-

sions), some were unable to clear their debts and died in this state. The debt had to be paid, whether large or small. The loaned amount was deducted and paid from the assets of the deceased prior to the estate distribution among the legal heirs and bequests, as commanded by the Qur'an (4:11-12). This was because Islam viewed then, as it views now, that the repayment of debt is a moral and legal right of the creditor, unless waived by him (Qur'an, 2:280) or legally transferred to another person.²³ Thus, when someone died with insufficient assets to cover the debt, the debt was generally taken over or cleared by another person, usually a relative or a friend.²⁴ However, later when the resources of the state increased, the Prophet, as head of the state, placed the responsibility upon the state to repay the borrowed sum. The Prophet stated: "I am more rightful than other believers to be the guardian of the believers, so if a Muslim dies while in debt, I am responsible for the repayment of his debt, and whosoever leaves wealth [after his death] it will belong to his heirs."²⁵ In other words, presuming that the debts were incurred for lawful purposes, if the person died with negative net worth, then the state was responsible for settling the debt, whereas if the deceased left positive net worth behind, it was for his/her heirs. In either case, debts were to be resolved. In all probability, the source from which the Prophet settled debts was the *zakah* fund which embodied the *gharimūn* as an entitled category.

However, what is not totally clear is whether the Prophet paid a sum to a living, indebted person from the *zakah* fund for the express purpose of settlement of debt. What is known is that he gave out of *zakah* and state resources consistently to any and all needy persons, including those who approached him and those who wouldn't ask. It is very likely that many such needy persons were also in debt. So the debtors, in a sense, constituted a category of the needy, *al masākūn*, but were classified by the *zakah* verse separately simply to ensure that their special need was met and not neglected.

Since the term *al ghārimūn* is general, in the present context, the *zakah* funds can be used for settling the indebted deceased's accounts as done by the Prophet, as well as for assisting those who incur debt in good faith to meet essential needs and are unable to pay them due to their low/negative net worth or insufficient incomes. Such help can be limited to the amount of *niṣāb*. Or such persons can be given grants or loans from the *zakah* fund to help establish themselves and thus enable them to increase

23. *Ṣaḥīḥ al Bukhārī* 3:269-70.

24. *Ibid.*, 270-1, 276.

25. *Ibid.*, 280.

their incomes and consequently settle their debts.

Simultaneously, it needs to be noted that while Islam views the settlement of debt as necessary, it also urges compassion and consideration where the debtor is in genuine difficulty or truly needy in the words: “If the debtor is in a difficulty, grant him time till it is easy for him to repay. But if you remit it by way of charity, that is best for you if you only knew” (2:280). In other words, writing off the debt in such circumstances is itself an act of voluntary charity or *ṣadaqah*.

The Wayfarer (*ibn al sabīl*)

The expression *ibn al sabīl* (lit. son of the road) denotes any person far from his home, someone who has journeyed or is still traveling—thus a wayfarer. In the *zakah* verse and in numerous other places in the Qur’an (e.g., 2:177, 215; 8:41; 59:7), the wayfarer refers to a person who lacks sufficient means to meet his needs on his journey or stay, and consequently faces hardship. So the categorization of the wayfarers as *zakah* recipients reflects the necessity to meet their essential needs and facilitate their journey or stay, as the case may be.

In the early Islamic period, there were numerous people who had left their homes and come to Madinah as refugees, seeking protection or truth and knowledge. The Prophet, as head of state, had taken responsibility of meeting their needs. He would use whatever resources he had available to help them. The Muslim community also used to share the burden of the newcomers—feeding them, sheltering them. On occasion, the Prophet would raise sufficient funds and goods through the community to satisfy their needs. The Qur’an had already intervened on behalf of the wayfarers and repeatedly urged the Madinans to assist them (2:177, 215). Then, when their numbers had grown, the Qur’an directed the use of state resources for assisting them (8:41; 59:7), and finally the wayfarers were constituted as a *zakah*-entitled category (9:60).

So from a contemporary perspective, the *ibn al sabīl*, or wayfarer is that category of people who, for some valid reason, are unable to return home temporarily or permanently. This would include people facing religious or racial persecution, political exiles or refugees, those seeking safety from oppression, and those pursuing knowledge and education or involved in satisfying meritorious social wants away from home. For such people, *zakah* serves as a social insurance fund, the medium of temporary help until they can stand on their own feet.

Collective Welfare Category (*fī sabīl Allah*)

Fī sabīl Allah (lit. in the way of God or for the sake of God) is the most

comprehensive term among all the disbursement categories of *zakah*. It refers to all activities which promote social good and collective welfare. The expression *fi sabīl Allah*, used numerously in the Qur'an, is a metonym for "causes of God" which encompass all efforts directed toward protecting life, religion, liberty and property or the fundamental human rights, or efforts which remove ignorance, promote knowledge and facilitate collective life. *Fi sabīl Allah* also stands for collective efforts which are directed toward reducing hardships arising out of emergencies of any nature—natural calamities, famine, war, etc. *Zakah* expenditure in this category, therefore, is meant to support the Muslim society coping with whatever priority social needs or emergencies there may be at any time in any place—locally, nationally or internationally.

Since God has ordained the *zakah* tax to reduce the overall vulnerability of society and as a measure of collective self-protection, the *fi sabīl Allah* category seems to have been left deliberately open and all-encompassing, while other categories are clearly defined. Thus a flexibility has been divinely provided to meet the needs of ever-changing circumstances. However, given that *zakah* is meant to be directed toward the most vulnerable sections of society, in the absence of emergencies, *zakah* under the *fi sabīl Allah* category, should be used to provide literacy, education, water, sanitation, health, training and work opportunities to the poor and needy. By doing so, society would be helping the weaker sections improve their skills, health, productivity and incomes thereby reducing their vulnerability and making them better participants in collective life. This accords with the essential purposes and value embodied in the principle of *zakah*.

Other Zakah Categories

Out of the eight categories of *zakah* recipients or expenditures, the five more contemporarily important have been discussed above. The other three are discussed below. The first deals with administrative expenditures for *zakah* collection and disbursement and is therefore purely functional. The other two, namely "for the winning of hearts" and for "those in bondage," are considered largely non-existent categories although historically important. However, it is suggested here that the values implied in these categories are still relevant and therefore worth reconsideration.

The Zakah Administrators (*al 'āmilūn 'alayhā*)

One of the categories of *zakah* expenditure mentioned in the Qur'an (9:60) are the *al 'āmilūn 'alayhā*. Historically, these were the *zakah* collectors appointed by the Prophet, who also administered its local distrib-

ution. They were paid for their services by the Prophet out of the *zakah* funds. Since the expression *al 'āmilūn 'alayhā* is general and refers to the functional category of public officials entrusted with the administration of *zakah*, the Qur'anic verse implies the rule that the expenses of *zakah* administration should be borne by the *zakah* fund itself and not by any other source or agency.

For the Winning of Hearts (*al mu'allafah qulūbuhum*)

The expression *al mu'allafah qulūbuhum* literally means “those whose hearts are to be won over [for Islam].” Under this heading, permission is given to utilize *zakah* funds for bringing sympathetic people closer to Islam, for helping new converts who may have lost their property or income establish themselves, for deterring otherwise hostile people from doing harm to Muslims or the residents of a Muslim state, and in general, for creating an environment of peace and friendship toward the Muslim community and for preserving harmony within society. In other words, *zakah* expenditure in this category reflects the divine concerns of freeing society from fear and insecurity, and of preserving freedoms, peace and harmony through reduction of hostilities and taming of aggressive behavior.

Historically, the Prophet is reported to have utilized *zakah* funds under this heading to generate goodwill toward Islam and the Islamic community.²⁶ But such expenditure was stopped during 'Umar's caliphate when the Muslims had gained strength and no longer faced external threats or internal disorder. So it is generally believed that *zakah* expenditure under this heading has lost its legitimacy or has lapsed since then.

However one may view the contemporary validity of such *zakah* expenditure, what is important to bear in mind are the purposes embodied in such expenditure. Islam gives primacy to the prevention of social discord and lawlessness, and the establishment of peace. The Qur'an testifies to this time and again. A state of insecurity of life and property is contrary to the Islamic world view, a threat to the established order, a contravention of the God-given human rights. Part of the function of wealth is to help create the conditions and environment conducive to the generation of wealth, i.e., a peaceful and harmonious society. Whereas the other categories of *zakah* expenditure help ensure the meeting of basic material needs of the poor and needy and other social and developmental needs,

26. Abdool Aziz Shaik, “Concept of Zakah: A Survey of Qur'anic Texts and Their Explanations in Shari'a and Contemporary Economics” in *Some Aspects of the Economics of Zakah* edited by M. Raqibuz Zaman, (1980), 11-12; cf. *Ṣaḥīḥ al Bukhārī* 2:323-4.

all of which contribute to an ethical and just social order, this category underscores the primacy of helping such people who have, actually or potentially, socially harmful behavior: like aggression, various forms of addictions, or involvement in antisocial or criminal activities. While the Islamic legal and justice system is meant to deter such behavior through rules and laws, *zakah* provides the economic means both to deter and to rehabilitate the concerned individuals.

In other words, the essence of spending *zakah* for the *mu'allafah qulūbuhum* is the restoration of equilibrium in society by moving people toward a moral, ethical, normal life and thus an assurance of a peaceful environment. This seems to be the value implied by this *zakah* category, and is evidently of some importance and relevance. As such, one example of the usage of *zakah* can be to reeducate and help resettle or reestablish those entrapped in unacceptable behavior through education, skills, jobs and through halfway houses, special correctional and rehabilitation programs. At a wider level, means for marriage can be provided for the poorer men and women, whether never married, widowed or divorced; incentives for adoption of orphans can be provided; and assistance can be given through tools or capital for self-employment. These suggestions find their origin in the Sunnah of the Prophet whereby he arranged marriages for the singles and provided for them through the state resources, encouraged adoption of orphans, and helped with tools for the unemployed and resource-poor and, in general, helped rehabilitate anyone in need. Thus, the “winning of hearts” should be reinterpreted and viewed as a category which exemplifies the humane nature of Islam, its pragmatic flexibility and its ability to deal with all circumstances justly and welfare orientation.

For the Freeing of Human Beings from Bondage (*fī al riqāb*)

Fī al riqāb refers to the “cause of freeing human beings from bondage.” At the time of the revelation of the Qur'an, slavery was already an entrenched and established institution throughout the world. The Qur'an, since its earliest revelations, stressed the necessity of freeing those in slavery and, continuously over the years, provided numerous means for this highly meritorious act (2:177; 4:92; 5:89; 24:33; 58:2-4; 90:13). However, captives of a just war were permitted to be enslaved (8:67) as apparently there were no other means to restrain those who actually attacked or fought the Muslim community and state. But even for them, the Qur'an ordained good treatment and urged their freedom as evidenced in the rules of atonement for various transgressions and various other rules. Finally, the Qur'an, by categorizing the use of *zakah* funds for buying the freedom of captives of war, provided the final impetus in the

eventual abolition of the institution of slavery.²⁷ Simultaneously, the Prophet, on many occasions, stated that in the sight of God, the unconditional freeing of a human being from bondage is among the most praiseworthy acts which a Muslim could perform.²⁸ Therefore, the purpose of *zakah* for *fi al riqāb* reflects the necessity of bringing all human beings to the same level of God-given freedoms and to provide for equal opportunities to all. Since slavery has been a defunct institution, it is believed that the *fi al riqāb* category of *zakah* expenditure stands abolished.

Nevertheless, slavery in its economic dimensions, as a value, continues to exist for many, especially in the less developed societies. Many continue to suffer from the traps of poverty and debt and face sub-human living conditions. Others face life as bonded workers. As a consequence, they are physically undernourished, carry low self-esteem, are unable to avail themselves of the opportunities for self-growth, self-advancement and full participation in societal life. Therefore, a liberal interpretation of the *zakah*-entitled “freedom from bondage” category would imply the use of *zakah* funds for such members of society who find themselves caught in seemingly intractable difficulties, unable to find their own way out. The freedom of such—the marginals, the landless, the unskilled, the debtors—can be redeemed through meeting their basic material needs and through education, health services, work opportunities and resolution of debts. This seems to be a justified reinterpretation or extension of the principle of utilizing *zakah* funds for those in bondage, consistent with the overall philosophy of *zakah* and the normative teachings of Islam.

Some Implications of the Economics of Zakah

The *zakah* levy embodies several implications for the economy. Firstly, it encourages and stimulates investment. Conversely, it discourages hoarding of capital. Since *zakah* has to be paid on net worth, regardless of whether the capital is utilized or not, it forces the capital owner to invest in productive activities—both to be able to pay the *zakah* from profits, as well as to prevent the consumption of capital by *zakah*.

Secondly, the exclusion of the means of production from *zakah* taxation provides an incentive for investment in plant and equipment, and its consequent utilization. Likewise, exemption of housing from *zakah* taxation encourages home ownership, as well as investment in construction. All these lead to increased investment and a high level of capital utilization, which in turn, promote employment, output and income in the econ-

27. See the Note on the institution of Slavery in Chapter 6.

28. Muhammad Asad, *The Message of the Qur'an* (1980), 36.

omy. Simultaneously, *zakah* exemption of physical capital encourages economically productive activities vis-a-vis speculative activities. By taxing saving, *zakah* similarly motivates channeling of funds to investment, permitting only such funds as liquidity that are necessary for transaction purposes. Therefore, the *zakah* levy, in significant ways, contributes to economic growth.

Thirdly, *zakah* finances consumption expenditures of the poorest groups in society. In this way it directly contributes to increased consumption expenditures. Given that the propensity to consume at low levels of income is high, the multiplier effect of the increased consumption is substantial. In other words, effective aggregate demand goes up significantly. This leads to increased employment, output, income and consequently, economic growth. If the supply of basic goods is managed effectively, then the economy moves toward higher output levels without inflation. The market size also increases as well as the absorption capacity of the economy for goods and services.

Fourthly, *zakah* expenditures for public goods or more correctly for provision of essential public goods and services to those who would not otherwise have access to them (or sufficient access), increases beneficiaries' overall health, education and productivity levels. While this raises the income levels of the target beneficiaries, it also increases the growth potential of the economy. The same holds true when training is provided or employment is created for the unemployed and underemployed. So in this indirect way, *zakah* contributes to economic development and growth.

Fifthly and finally, *zakah* is an economic stabilizing influence. It is counter-cyclical in the sense that in a downturn, *zakah* disbursements increase, while they decrease in an upturn. Similarly, when the economy is operating much below its full-employment potential, *zakah* expenditures increase aggregate demand, thereby reducing the output gap; and when the economy approaches or reaches full employment, *zakah* expenditures are reduced in proportion. However, *zakah* collection is not much adversely affected by either circumstances because it is principally levied on net worth. So *zakah* surpluses, when they occur, can be saved for harder times, used for infrastructural or development purposes, transferred to needier regions of the world, or can be used in a combination thereof.

It can be concluded from the above that *zakah* is designed to play an important role in an Islamic society and economy. The linkage of *zakah* with wealth on the taxation side, and target beneficiaries and target expenditures on the disbursement side, is a very significant element in the economics of *zakah*. If properly understood and applied, the *zakah* tax can become a major redistributive and stabilizing factor in the Islamic

economy. Given that *zakah* is divinely ordained—to be collected and to be utilized—it presents itself as a core element of an Islamic socioeconomic policy framework. It provides a starting point as well as a point of reference—a criterion by which the welfare performance of an Islamic economy and its policies can be measured and judged. It is due to all these aspects of *zakah* that it has been given so high an importance in the Islamic value framework—as a religious duty, as a moral obligation, as a legal right and duty, and as an economic policy instrument.

It also needs to be remembered that the categories of recipients of *zakah* have been mentioned in innumerable verses of the Qur'an as deserving not only state assistance, but private assistance as well. Therefore, *zakah* is simply the starting point of rehabilitating the needy in society, not the upper limit of what can be spent to restore equilibrium in society. If *zakah* funds prove to be insufficient for the purposes they are intended, and if governmental income and resources also cannot fill the gap, there are no reasons why the citizens of the Muslim state cannot be asked to come up with the necessary additional resources. The end, after all, is to eliminate poverty—both short-term and long-term. Therefore, the policy makers of the Islamic state would have to find creative and innovative ways to achieve the end successfully and efficiently. In their efforts, they would find the institution of *zakah* a reliable partner, a divine help.

Conclusion

Taxation policy in Islam is based on the five principles of the bearability of financial burdens, the avoidance of the concentration of wealth, the underprivileged as priority beneficiaries of government spending, generous spending for social causes, and the collective sharing of social responsibilities according to ability. Islam prescribes the wealth and welfare tax of *zakah*, as well as urges social spending through voluntary *ṣadaqāt* and *infāq*. The Prophet exemplified by his policies, the necessity of fulfilling societal needs, and consequently collected sufficient funds for such needs as and when they arose.

Zakah and the extra-tax *infāq* were the main tools of the state tax and expenditure policy. This suggests that while *zakah* is the fixed component of the tax-and-expenditure program, the state has the right to collect all such taxes over and above *zakah* that are legitimately needed to satisfy collective needs. This constitutes the dynamic principle of taxation in Islam. And, it was precisely in this dynamic sense that the followers of the Prophet, the Rightly Guided Caliphs and other Companions, understood taxation in Islam.

Therefore, for contemporary purposes, taxation policy would have to be designed according to the needs and capability of each society, in consistency with the above-mentioned five principles, on the basis of *zakah* and other taxes. These others can include taxes on personal income, corporate income, payroll, state and gifts, as well as taxes on consumption like excise and custom duties and sales tax. However, the tax structure should not be regressive, but proportional and preferably progressive.

On the distribution side, Islam lays the principle that all members of society should benefit equally from expenditure policies of the government with the exception of the weaker segment, who deserve a greater share in the benefits until the opportunities for a healthy and productive living for them are equalized. This latter condition, to a certain degree, is ensured by *zakah* utilization policy; however, the state has the responsibility to use whatever means and resources it has at its disposal to achieve the objectives of the elimination of poverty and the meeting of basic needs for everyone in society. This distributive objective is also a criterion of the performance of the state's economic policy in Islam.

Therefore, taxation and distributional principles in Islam are not only meant to equitably distribute the cost of government, but also to promote stability and growth in the economy with equity. It is the function of the designers of the policy framework to make sure that these objectives are achieved efficiently as well.

A Note on Inheritance

The Qur'an prescribes the rules of inheritance and details how the property of the deceased is to be distributed (2:180, 240; 4:7-9, 11-12, 33, 176). The rules cover all possible situations where a person may leave any ascendant or descendant behind. Essentially, the share of each heir is determined by his/her relationship to the deceased. The nearer the relation is to the deceased, the greater the share in inheritance. The element of financial responsibility is also taken into account where children are involved: the male child receives twice the share of a female child—the underlying reason being the Islamic view of family responsibility which falls primarily on the males (4:34). All the shares are fixed by the Qur'an "whether the property be small or large—a determinate share" (4:7). Thus, the law of inheritance is part of the Islamic legal system, and justifiable if not properly upheld.

The Qur'an encourages the writing of the will and encourages the taking of witnesses to make it a proper legal document (2:180-2; 5:106-8). This, in particular, is important if a person wishes to bequeath a part of

the property to a *waqf* (endowment) or for any other charitable purposes.²⁹ It also encourages the voluntary distribution of bequeathed wealth among the needy who otherwise are not legal inheritors—“other relatives, or orphans, or poor, that are present” (4:8). The Qur’an does not give the upper limit of what can be bequeathed at will, however, the Prophet has specified that up to a maximum of one-third of the property can be willed, essentially for charitable purposes.³⁰ The reason for this seems to have been the concern with the prevention of denial of the rights given by God to the rightful inheritors, as well as the Prophet’s concern reflected in the statement that “It is better for you to leave your heirs wealthy than to leave them poor asking others [for assistance].”³¹

Debts have also got to be settled prior to the distribution of the estate (Qur’an, 4:12). The same holds true for the bequeathment at will.³² However, if a person dies without leaving any ascendants or descendants, the property gets transferred to the state, presumably to be used for the common good of society.

The Islamic law of inheritance ensures a wide dispersion of property. Given that this law emanates from God, it reflects the divine desire to curtail the concentration of wealth. Meanwhile, it serves as a powerful instrument in checking accumulation in a few hands. As such, it embodies the consistency of the Islamic economic doctrines insofar as they view wealth as a means to serve and benefit the largest possible number of people with fairness and justice.

29. It should be noted that endowments for welfare purposes (pl. *awqāf*) were strongly encouraged by the Prophet, and their establishment was begun in his lifetime. Numerous *awqāf* are mentioned in the books of hadith, along with the names of the founders and the description of the *awqāf*: water wells, houses for needy, fruit farms for public benefit, land for mosque, and so forth (see *Ṣaḥīḥ al Bukhārī* 4:25-30). To this day, charitable endowments continue to play a significant role in Muslim life.

30. See *Ṣaḥīḥ al Bukhārī* 4:3.

31. Ibid.

32. Ibid., 12.

PART IV

DEVELOPMENT AND POLICY PERSPECTIVES

Chapter 12

POVERTY AND BASIC NEEDS: AN ISLAMIC VIEW

Introduction

Islam views man as having universal basic needs—physiological, safety and security, and social (Chapter 2). The physiological needs include food, clothing, shelter, and water besides rest. Safety and security needs imply the need for protection of life (including health), religion, honor, property and posterity and the guarantee of meeting physiological needs in the foreseeable future. Social needs include the needs of belonging and association, the need of self-esteem and esteem by others, and the need of knowledge through education and learning.

The Qur'an guarantees man fulfillment of the material needs—not only as a basic human right but also as a divine assurance coeval with man's creation (Chapters 5 and 6). Similarly, safety and security needs are also viewed by Islam as basic human rights to be upheld by the society and state in each space-time context (Chapter 4). As far as social needs are concerned, they also fall within the purview of essential human rights although the satisfaction of some of the needs is outside the domain of state responsibility. For instance, the need of belonging and association is provided for by Islam through the institutions of family and community (Ummah). However, the need to participate in public affairs (the other dimension of belonging) is a right of all citizens. Similarly, esteem is associated with work, knowledge, productivity and being socially useful. Therefore, esteem has to be developed and earned by personal effort. Nonetheless, opportunities for work and self-development

need to be provided to everyone through the society and state. The need of knowledge can be met through education, learning and work, but it also involves personal initiative and commitment. Even so, in the realm of meeting social needs, the state in Islam has an important functional role to play—as guarantor of work and education opportunities as well as of opportunities for public participation (*shūrā*) in decisions that affect communal life (Chapter 4).

The upshot of all this is that Islam embodies the mechanisms which serve to meet the multidimensional human needs if it is properly understood and applied. Within these needs, it is possible to rank them axiologically according to the functions they serve. The first and most important needs are the physiological ones—food, clothing, shelter, water—because without them man cannot survive. Second are the safety and security needs of continued healthy existence, i.e., the guarantee of meeting the material needs in the foreseeable future as well as protection from fatal and debilitating diseases. Third are the social needs of work and education because without their satisfaction, a society, both at the individual and the collective level, can neither be socially or economically healthy nor grow and develop according to its potential.

Many of these needs are causally related. For instance, work is the primary means of meeting material needs. Good health and useful education can improve incomes as well as living standards. Lack of food reduces the ability to work and earn. Without an environment where safety and security needs are met, work and life itself become difficult, leading to the inability to meet material and social needs. Therefore, Islam views the meeting of the universal basic needs as necessary and correlates them with the ethical social order. In other words, an Islamic social order is one where at least the basic needs are met at a level of sufficiency or adequacy (*farḍ al kifāyah* or collective obligations).

The doctrines dealing with the necessity of satisfaction of universal basic needs have largely been established in the previous pages. It has been shown that most people can meet their material needs on their own—through work and employment. But certain segments of society can't work or may not earn enough or be unemployed. Similarly, other needs like health and education may go unmet for substantial segments of the population. This part of the study deals with the policy perspectives on how to solve the problem of unmet needs, both material and social, as well as with the issue of promoting employment. Instruments ordained by Islam as well as consistent with Islam are delineated here. This chapter begins by addressing the issue of poverty and then proceeds to the means of satisfying the various dimensions of poverty.

Poverty: Definition

Poverty can be defined as that level of living that lies below a healthy subsistence level. It implies a state of the individual whereby resources are lacking to meet the basic needs of food, clothing and shelter that are necessary, not only for continued survival, but also adequate for a healthy and productive survival. The Qur'an clearly refers to such a concept and standard of basic needs when it states: "There is therein [enough provision] for you not to go hungry nor go naked nor to suffer from thirst nor from the sun's heat" (20:118-9; cf. 7:10). So poverty, in the Islamic perspective, is the state of inadequacy of goods, means or both that are necessary for the continued physical well-being of the human being. And in terms of economic categories, it encompasses the unemployed poor, the underemployed poor, the unemployables, and all others who face destitution and want.

Causes of Poverty: An Islamic/Qur'anic View

Development economics is a recent branch of economics.¹ Understanding of poverty and underdevelopment is even more recent as evidenced in the development literature of the last twenty-five years.² Perceptions on development and underdevelopment have spanned an entire spectrum depending upon the analyst's school of thought or ideology, value premises, mode of analysis, etc. These perceptions have also changed over time as a result of development experience, greater availability of data, increased sophistication of analysis techniques, as well as from the realization that development is a complex process, multidimensional, multilinear and subject to many things outside the traditionally understood economic conditions and criteria. Perhaps most critically, it has been the failure of societies, manifested in continued and at times

1. Paul Streeten, "Development Ideas in Historical Perspective," in *Toward a New Strategy for Development*. A Rothko Chapel Colloquium (1979), 21.

2. It should be stated that poverty and underdevelopment are not the same. Whereas underdevelopment concerns itself with the backwardness of societies and their low growth rates, poverty is mainly related to specific segments of society and their low levels of living. Generally, the two go together and seem to be correlated. However, poverty can also be experienced by certain segments in advanced societies while simultaneously there may be little poverty in less advanced societies. In the literature they have usually been discussed under the same heading and consequently are referred to here together.

3. See, for instance, Paul Streeten, "Development Ideas in Historical Perspective" (1979), 25-37; and Charles K. Wilber and Kenneth P. Jameson, "Paradigms in Economic Development and Beyond," in *Directions in Economic Development* edited by Wilber and Jameson, (1979), 7-30.

increasing poverty, that has led to reappraisal and redefinition of goals and objectives, and a reevaluation of policies, institution, values and attitudes.⁴ As a consequence, the field of development economics itself has undergone much change. As stated above, there continue to be many explanations of underdevelopment. But there seems to be a consensus emerging on what promotes development and lessens poverty, i.e., a consensus on the nature of conditions and measures that are necessary to achieve this goal.⁵

It is not the purpose here to go into the different explanations of causes of poverty and underdevelopment. They are available in the literature as well as beyond the scope of this study. What is of interest here first, is whether Islam points to factors that cause or create poverty. If so, what are these factors? Second, what remedies Islam suggests for resolving poverty—both at the larger institutional-value level and at the operational-policy level. So the discussion here attempts to answer the first question as well as the first part of the second question. The latter part of the second question (issues of operability-policy) is addressed in the next section.

Islam does not take a dogmatic position on the causes of poverty. Poverty can be viewed at two levels, not mutually exclusive but discernible: the individual level and the societal level. At the individual level, the Qur'an points to the categories of people who may face poverty while simultaneously identifying what the immediate reasons for their poverty may be, e.g., unemployment, age, health, etc. At the collective level, the Qur'an only points to certain general reasons that create the conditions of poverty, or it identifies general conditions which embody the causes of poverty for certain segments of society. The reasons for this are several—embodied in the nature of poverty itself as well as in the nature and methodology of the Qur'an.

One, poverty is a phenomenon which evolves over time and from a variety of sources. There is no one reason for the prevalence of poverty (at least no one economic reason) nor one time period in which it appears.

4. See Irma Adelman, "Development Economics—A Reassessment of Goals," *American Economic Review* 65 (May 1975): 302-9; Dudley Seers, "The Meaning of Development," *International Development Review* (December 1969): 2-6, and Seers, "The Meaning of Development: A Postscript," in *Development Theory: Four Critical Studies*, edited by David Lehman, (1979); Mahbubul Haq, *The Poverty Curtain* (1976), 3-47; and Keith Griffin and Azizur Rahman Khan, "Poverty in the Third World: Ugly facts and Fancy Models," *World Development* 6:No. 3 (1978): 295-304.

5. Paul Streeten's *First Things First: Meeting Basic Human Needs in Developing Countries* (1982) clearly points this out. See also *World Development Report 1980*, 32-98, and *World Development Report 1990*, 1-143 for excellent material on conditions and measures that are necessary to eradicate poverty and promote development.

Two, poverty is not directly linked to resource endowment of societies—at least not directly correlated with economic resources. Poverty may be present anywhere—in rich countries and in resource-poor countries, in industrially-technologically advanced societies as well as in less developed societies.

Three, poverty or rather mass poverty, as has developed in recent years and is also being witnessed today, is by and large a modern phenomenon and persisting in spite of the availability of tremendous resources.

Four, causes of poverty may differ from society to society as well as over time. They may be rooted in ideology, institutions and values; they may be embodied in the structure of economy (structures of power, wealth, asset distribution; structure of markets, etc.); they may be found in effects of policies and in consequences of absence of policies; or they may be linked to attitudes emerging from ignorance and the power-structure. Not all these factors are necessarily exclusive—often they are linked together. Poverty may also emerge from certain historical experiences, external factors as well as internal. Generally a combination of these causes/factors contributes to the development of poverty.⁶ Thus, poverty, being correlated with space-and-time specific conditions as well as with prevalent institutional framework (political, social, economic), needs to be studied in its own large context.

For all these reasons and more, the Qur'an, a document meant for all generations and all societies, propounds general truths concerning poverty and related issues and leaves the specifics to be analyzed and tackled by each generation within its own particular context. As will be seen, the Qur'an mainly addresses the larger philosophy and the institutional framework (including the value system) that lead to the creation of poverty for certain segments of society. But it also points to attitudes and the overall environment that contribute to poverty. In other words, it cites factors/reasons that create, maintain and perpetuate poverty. However, the Qur'an does not rest at that. It simultaneously suggests solutions and provides answers to the problems it cites. Hence in the discussion which follows, both the positions/observations are noted.⁷

The Qur'an, firstly, suggests that the poverty of certain segments of

6. These are observations of the author not based on one particular reference but based on analysis embodied in the voluminous literature on poverty and development.

7. As is characteristic of the Qur'an, it views all human issues in moral-ethical terms, in terms of right and wrong, desirable and undesirable. So it is with poverty. Also its perspectives are embodied in historical examples, particular paradigms, in comments upon the situations/experiences of human communities from the earliest period till the Prophet's period, and in other factual and ethical statements. Following the methodology established earlier (Chapter 2), i.e., combining all relevant Qur'anic statements and keeping in view its overall purposes, the Qur'anic perspective on poverty is established here.

society (the weak and vulnerable) is largely due to man's deviation from divine teachings (e.g., 107:1-7). In other words, it is due to the failure of mankind to translate into action divinely ordained teachings into the social arena, i.e., the lack of implementation of faith. Therefore, it calls for and insists upon the implementation of faith in societal affairs. This call, as shown earlier, is manifested in the entire Qur'an—in its assigning Muslims the task of creating an ethical social order, in its major theme of social justice, in its command to establish just authority, in its institutionalization of *zakah* and other social expenditures, and in its affirmation of the rights of the poor. The Qur'an seems to be saying that if the divine teachings are implemented as suggested, then by definition the needy groups will no longer or should not face poverty.

Secondly, the Qur'an views poverty not as a consequence of the lack of material resources which have always been enough to meet human needs, but rather as a manmade problem (20:118-9; 29:60). Thus it is always within reach of society to solve poverty—if society is rational, applies itself and makes the effort, the Qur'an argues (all verses on social spending).

Thirdly, the Qur'an points to examples from human history where rich and poor have generally coexisted within the same society. The existence of vulnerable sections of population is understandable as it is associated with the human condition (age, sickness, handicap, i.e., natural factors). But the transformation of vulnerability to poverty is largely a consequence of human irresponsibility. So the Qur'an does not justify poverty as the natural result of vulnerability but rather as a reflection of the irresponsibility of the relatively well-off (e.g., 63:7; 68:24; 69:34; 70:18, 21). It sees no society as 'resource poor' to a degree not to be able to take care of its needy (7:10; 15:20; 29:60). On the contrary, it argues for responsible behavior on the part of the well-off and calls for satisfying the needs of the disadvantaged—through *zakah*, *ṣadaqāt*, *infāq*, *Iṣ'ām* (feeding), *ihsan* (beneficence), etc. At the state level, it calls for the establishment of justice ('*adl*) and equity (*qist*). This implies, *inter alia*, the removal of conditions of vulnerability caused by manmade factors like unemployment, underemployment, etc.

Fourthly, the Qur'an points to mankind being given the necessary faculties for livelihood. It also points to natural resources created for man's use. However, man often restricts the distribution or utilization of these resources to certain groups and excludes other groups, which consequently leads to their poverty (3:180; 9:34; 68:17-24; 89:18-20). The Qur'an argues for equitable treatment of people in all matters including access to public resources thereby eliminating a source of poverty (e.g., 8:1, 40; 59:7). It also forbids discrimination among people—generally the

source of inequity in the first place.

Fifthly, the Qur'an points out that poverty of the weaker groups is primarily the consequence of an attitude problem of the rich and wealthy. It repeatedly points out—from the Prophet's period as well as from earlier periods—that the rich do not want to share God's bounty (even though it is privately earned) nor help those in less fortunate circumstances (69:34; 70:18, 20; 107:2-3). The Qur'an, in its repeated reminders as well as threats to the wealthy, urges a change in their attitude. It also points to the dire consequences they would face if the attitude remains unchanged (92:10-13; 102:1-8; 104:1-7 and elsewhere).

Sixthly, the Qur'an also asserts that human labor and effort is required to achieve results (Chapter 6). So individual poverty can be a consequence of an attitude problem of the poor themselves—if they do not exert themselves sufficiently. Simultaneously, it does not view such poverty as destiny and fate. The Qur'an's innumerable calls to exertion, to act, its pointers toward the means/resources available for man's utilization and toward man's faculties—all point to the same thing: that man can meet his basic needs if he tries and labors. That is why indolence and lethargy is condemned in Islam. Similarly, asking for public or private assistance for healthy adults without a valid reason is prohibited and virtually a sin. However, when in spite of hard work the income proves insufficient, Islam provides enough through its social insurance mechanism to cover the unmet needs.

Seventhly, many examples the Qur'an uses show that poverty of one segment of society is (was) correlated with concentration of political and economic power in another segment (e.g., the Israelites in Egypt and the Pharaoh, the poor and weak in Makkah and the Quraysh). Such power is (was) used to prevent a change in the status quo, to disallow the amelioration of the lot of the poor. The Qur'an on the one hand, ordains the distribution of political power through the institution of *shura* and the value embodied in it. On the other hand, the Qur'an ordains the distribution of economic power through *zakah* and through the delineation of a disproportional share in governmental resources and expenditures for the weaker sections of society. It also proposes a wide dispersion of wealth through inheritance laws. In general, as shown earlier, normative Islam calls for land reform, monopoly control, sufficiency wages, progressive tax laws, employment opportunities, equal access to public services and a host of other measures that redistribute assets, wealth and income-earning opportunities. Other measures which promote equity in economic power will be shown in the sequel.

Eighthly, poverty manifests itself in such groups which are exploited and oppressed—socially, politically or economically and often in all these

all these ways. The Qur'an points out two such groups and the institutionally-organized exploitative mechanisms—those in bondage and the institution of slavery, and those in debt (and consequently enslaved) and the institution of *riba* (usury). The Qur'an also points to numerous other examples of the exploitation of the weak by the strong throughout human history. The solutions it provides are the abolition of slavery, elimination of the system of usury and usury-based practices, and the legal-institution framework for equal treatment of all citizens at all crucial levels. Not only does the Qur'an not permit the exploitation of any group in society nor any form/mode of exploitation, on the contrary, it argues for comprehensive justice and assigns a greater share to the weaker groups in societal resources so as to bring them up in par with the rest of society in the shortest possible time.

Ninthly and lastly, general poverty can be a consequence of unsettled conditions—like the absence of social peace or the presence of war. The Qur'an points this out in numerous places (e.g., 59:8-9). It attaches primacy to peace, both within nations and among nations, urges all efforts to establish and maintain peace, harmony and order, and provides the concomitant legal-institutional framework. Similarly, where poverty results from natural calamities, Islam places responsibilities on the collectivity and the state to remove the hardships that result from the calamity and argues for the restoration of equilibrium.

All in all, it is evident that normative Islam (as shown here through the eyes of the Qur'an) attacks the root causes of poverty in most instances and treats the symptoms in certain instances. It does not accept poverty as permissible to civilized life—not for any number of people nor for any length of time. That is why it affirms the treatment of symptoms. It's long-run view is that ideally there should be no such underclass as the permanent poor; only when someone temporarily falls below the poverty line, he/she should be restored to the adequacy level.

It is also evident that Islam points to creating such an institutional, legal and operational framework which will ensure the eradication of the conditions of poverty and which will help perpetuate growth with equity and justice. At the same time, Islam emphasizes the moral dimension of human responsibility. It argues for society to develop social responsibility, commitment and concern, as it is by these standards, i.e., the standard of translation of belief into action and the operationalization of its teachings, that society is to be and will be judged.

Meeting Basic Needs: Some Operational Issues

In the operationalization of the objective of meeting basic needs, three aspects or dimensions of the problem need to be understood. These are supply, demand and institutions.⁸

Supply: This means that there should be sufficient supply of the goods and services in question. Without that, some needs will go unmet and the prices of the basic need items will go up.

Demand: This implies that there should be sufficient demand to buy and utilize the available goods and services. Without adequacy in demand, needed goods will not be bought nor will needed services be utilized.

Institutions: This implies that there should be effective organizational and delivery arrangements that make it possible for the goods and services to reach the target population with ease and low delivery costs. Otherwise, the goods and services will not reach the target groups or in insufficient quantities, and the expense may become unduly prohibitive.

Having said this, the implications of the foregoing are as follows: First, it becomes the responsibility of the state to ensure adequacy in goods availability through production, trade and distribution. In particular, this is more applicable to goods consumed by the low-income and poverty groups. It implies not only current production but also investment in the economy for future production of the needed goods. And this equally applies to needed services. Therefore, the state and the private sector need to work together to accomplish the objective of sufficiency in production and/or availability at reasonable prices. Simultaneously, supply management becomes an important state function as do planning and intervention to the extent necessary.

Second, ensuring sufficiency in demand of the poorer groups implies not only transfer payments in cash or kind, and income earning opportunities through employment or availability of assets (land, capital), it also implies the creation of motivation to utilize the available services such as education and training which increase productivity and earning power. Simultaneously, adequacy in demand implies maintenance of stable prices in the goods market—particularly in goods consumed by the poorer groups but also in the goods produced by them. Similarly, it implies intervention in the labor market to ensure fair wages and increase in income-earning opportunities. All these then become responsibilities of the state which it can carry out directly, through cooperation with the private sector and in cooperation with households, depending upon the objective it is trying to reach.

Third, the role of institutions is very important in the proper function-

8. See Streeten, *First Things First* (1982), 109-112.

ing of any economy. Households, community and volunteer groups, private sector and public sector all contribute in significant ways to economy and society. In an Islamic framework, however, the role of the public sector is most important (Chapter 9). It not only acts as producer and provider of services, as source of finance, as maker of rules, but it carries overall responsibility for planning, coordination, organization and delivery of goods and services. This is because the state in Islam is ultimately responsible for overall development. In particular where the satisfaction of basic needs of poorer groups is concerned, the state must ensure the availability of effective institutional arrangements as well as the supply and demand components so that these needs are met. Simultaneously, the state has to guide the private sector and households so that they can contribute productively toward need satisfaction of everyone in society. In other words, the state not only has to facilitate private production through provision of infrastructure and other economic and legal facilities, it also has to educate and enlighten people on their respective roles and create opportunities and institutional mechanisms for them to participate in decision making at all levels of society (political facilities).

Meeting Basic Needs: Social Programs Directed Toward the Poor

It has already been established that Islam views work as the primary means of earning and acquiring income and wealth. It sees work as necessary not only to meet personal and familial material needs but also social needs, as well as to prove one's moral worth. Work is thus equated to a religious obligation (Chapters 6 and 11). In the Islamic framework, therefore, productive and remunerative work (employment and self-employment) and consequently real incomes become the primary source for buying necessities such as food, clothing, shelter, household goods, transport, fuel and medicines.

While this holds true for a substantial segment of the population (given the assumption of sufficiency wages), others may lack incomes or support and consequently face inadequacy. So it is to the poverty groups (the *fuqara* and *masākīn*)—defined earlier as the unemployed and the under-employed (including their dependents), and the unemployables without means—that Islam addresses itself, and calls for the meeting of their basic needs.

Whereas material needs are normally met by the people themselves through their purchases of goods or services, two needs—health and education—are normally provided by the public sector. The essential rationale for this is embodied in the needs themselves—they are largely pub-

lic goods. It has already been suggested that in an Islamically organized state, these services would be mainly provided by the public sector although some private provision is not ruled out (Chapter 9). Therefore, the discussion here assumes state provision of health and education facilities, and points to the mechanism of their delivery, particularly to the poorer groups.

Food and Essentials

The first area of needs is food, followed by clothing and other essentials. Islam calls for intervention where these needs are going unmet (the poverty groups). It specifies the *zakah* fund for this purpose. Through this fund, transfer payments can be made to the targeted groups to provide purchasing power, and in addition, some goods can be directly delivered. In other words, both the market and the public sector can be used to provide needed goods.

Given that the problem of hunger and malnutrition is not one of availability of food but one of lack of purchasing power and distribution, the shortest route to a solution lies in cash transfers as well as transfers in kind. Transfers in kind, on the one hand, counteract the difficulties that sometimes arise out of non-efficient utilization of purchasing power. On the other hand, they can resolve the distribution problem whether by region, income groups, or households. So the cash transfers should be combined with direct delivery institutional measures like provision of essentials (basic food items, clothing, fuel) through the *zakah* administration, local administration, or ration shops where these exist. Similarly, other methods can also be used—school-feeding of needy children like breakfasts and lunches, provision of food to low-income men and women at work and to poor families through health clinics and community centers. Attention in particular should be given to the needs of pregnant and nursing mothers, and school-going and below-school-age children—the most vulnerable groups in society at any time, particularly within the poverty groups.

In general, what would need to be kept in view is the prevention of leakages to the non-poverty groups as well as minimization of administrative costs in direct delivery programs. General subsidy of food is not being suggested here because it tends to mostly benefit those who do not need the subsidy in the first place (the free-rider problem). Society-wide subsidy programs can also be very expensive and difficult to remove once in place. Perhaps only such food items should be subsidized which are consumed by the poor.

Quite often, a good part of the poor live in rural areas or are widely dispersed. A special effort would be needed to reach them. This can be

achieved by a decentralized and locally-administered *zakah* program suggested earlier.⁹ Beyond that, local facilities like agricultural extension centers, mosques, stores, clinics and schools can be used for direct delivery programs. Thus the state must utilize all feasible means to reach the target population so that hunger, malnutrition and lack of adequate clothing and other essentials are eradicated with speed and effectiveness.

The basic argument of Islam seems to be: “There can be no hunger under Islam.” Whatever resources are needed to meet this objective, the state has to arrange for them. If the *zakah* fund, for instance, proves to be insufficient, then the state must utilize its income from other sources. The poor and needy, in Islam, have a prior right to state income anyway. Society can also be called upon to contribute toward a special fund for the deprived. This is where *sadaqat* and *infaq* can be significant—especially if they are linked to a particular objective. International *zakah* assistance can also be sought—from the *zakah* surplus nations. Hence, the various mechanisms embodied in Islam ensure the availability of means not only to meet urgent needs but also to guarantee a healthy survival to everyone on an ongoing basis.

Health

The second area of basic needs is health. Islam argues for good health maintenance. On the individual, it places responsibility for taking appropriate diet, practicing good hygiene, performing regular prayers (meditation and exercise combined in one), fasting for one month each year (learning self-control and self-discipline), and avoiding such things as are harmful to healthy existence. The Prophet’s Sunnah also encourages physical labor, activities and sports.¹⁰ On the collectivity/state, Islam places responsibility for preventing hardships and removing causes that are harmful to the individual. In the area of health, this implies prevention of fatal and debilitating diseases as well as treatment for such diseases and other health problems. Consequently, the state should assign priority to preventive measures like society-wide vaccinations as well as to health education. In general, the state should make available primary health care facilities at all levels, urban and rural. Whereas most people can pay the beneficiary charges, the low-income groups can be provided health care at nominal rates and the poverty groups at no cost, both subsidized through state resources. The purpose again is to prevent leakages to the higher income groups, who generally tend to partake of public resources

9. See Chapter 11.

10. Yusuf al Qaradawi, *The Lawful and Unlawful in Islam* (1980), 290-8.

in greater proportion anyway, and to direct the services to the target groups in accordance with ability to pay.

In provision of a simple, community-level health care system, a strong commitment is required on the part of the government. However, community members and volunteer groups can also play a significant role in establishing and maintaining health service facilities. Similarly, charitable organizations can be effective participants in providing needed health services. Thus the role of the community should be given due recognition, and its input and assistance should be effectively pursued and utilized at all levels of health-related decision-making.

At another level, potable water and appropriate sewerage facilities are not only necessary in themselves but also significant in contributing toward public health. These facilities are also commonly concentrated in the public sector. Whereas the well-off generally tend to acquire these services with little difficulty, the poorer groups face much hardship in finding access to them. Therefore, the state should make concerted efforts to provide clean water and decent sewerage to the low-income groups in urban areas and water in rural areas. Here again the input of the community can be significant and should be utilized.

Education

The third area of basic needs is education. Islam requires Muslims, both males and females, to be literate.¹¹ Literacy, therefore, should be universal in a Muslim society. The Islamic state is required to ensure the availability of at least elementary schooling to all members of society—and it can make such schooling compulsory. Where adults are illiterate, the state needs to make adult education and functional literacy programs widely available. This is an area where the Islamic position is uncompromising—whereas food and clothing needs have to be met for human survival, education needs have to be met for productive survival. Elementary schooling should be free. If possible, secondary and high school levels of education should also be free. However, where resources are severely constrained, education beyond the elementary level should be subsidized only for the members of the poverty groups. *Zakah* funds and other resources of the state can provide for this expenditure. Similarly, community and self-help organizations and endowments can also play an important role in fighting illiteracy and providing education at various levels.

For education, commitment on the part of the people and the state is also necessary. But sufficiency can come only through availability of

11. See Chapter 6.

means—and it should come in the shortest possible time. So we suggest that investment in human capital be made a priority and all available means be used to make the populace functional and productive. At the institutional level this implies not only the availability of schools, but also the utilization of the mass media, workplace, health centers, community centers and mosques for education purposes.

Education also should be purposive and useful. It should be purposive in the sense that it should help people understand the purpose of their creation, their function on earth, their *raison d'etre*. It should be useful in the sense that it is linked with the needs of society—to living skills, employability, technology, ethics, and future needs. In other words, the content of education should be such that it enhances individual and collective life, increases an individual's economic and social productivity, and makes him/her a better, enlightened and God-conscious human being. The Qur'an's constant refrain on understanding, thinking, reasoning, doing, is its call to man to grow intellectually, to be a good person, a rational, ethical, productive person. Therefore it is imperative that education in Islamic society be geared toward these ends. Consequently, it is necessary to reconstruct the overall system of education, learning and knowledge at all levels in accordance with the pattern and method delineated by the Qur'an and the Prophet which includes integration of all useful knowledge available to man. Hence we propose that the state in Islam attend to this responsibility and not only provide universal education but such education that raises people's living and working skills and makes them responsible human beings—both toward God and society.

Shelter

The fourth and last area of basic needs is shelter. It can be said that Islam does not tolerate homelessness. On the contrary, it considers access to adequate shelter a basic human right. By and large, most people can provide for this need from their own resources—either through renting, building, buying or inheriting a house, apartment or tenement. People also meet this need by sharing or living in a large family household thereby benefiting from economies of scale.

In the housing sector, the state can assist at several levels. First, it can make available loans for modest housing through the profit (or rental) sharing method outlined earlier (Chapter 8). Second, it can provide medium or long-term interest-free loans to the shelterless for housing construction purposes, and to poverty groups for improving their tenements. Third, it can encourage construction businesses by a variety of means to provide low-cost housing for the low-income groups. Fourth, the state itself can arrange for subsidized rental apartments for needy urban

dwellers. But by and large, the thrust of state efforts should be to assist the poor in building their own residential units, particularly in villages and small towns but also in cities where availability of land is not a constraint. Reasonable housing in rural areas and smaller towns combined with work opportunities and public services can become an important means of reducing the rural-to-urban migration that has characterized many developing countries and become a source of urban poverty.

Besides financing, the state can use legal and institutional means to facilitate home ownership. For instance, it can facilitate transfer of titles to land and thereby provide security of tenure. It can facilitate public services like water, sanitation, electricity, gas, schools and markets in low-income housing areas. It can provide for roads and public transportation. Beneficiary charges can be kept low and subsidized through governmental resources. In other words, the government should use all the means available to ensure the satisfaction of housing needs of the poor, not just through financing but also by removal of institutional barriers and by provision of public services that the poor cannot acquire on their own.

Specific Programs Directed at Increasing Income Opportunities of the Poor

Whereas better nutrition, education and health care increases the overall productivity of the working age population as well as the future productivity of children, some measures may be required both at the structural level and the institutional level to reduce poverty at a faster pace. These measures, discussed below, can increase the earning capacity of the poor in the short run and ensure the flow of benefits to them over the long run.

One, Islamic doctrines call for restructuring the land-ownership pattern to an equitable level. They suggest assigning state land to the landless (sharecroppers, tenants, agricultural workers and anyone else willing to work) as well as land obtained by placing limits on private landholdings (Chapter 10). By increasing the physical stock of capital available to the poor (land in this case), not only productivity per unit may go up but also a major source of vulnerability of the rural poor (landlessness) can be removed. Similarly, improvements in land tenure through provision of security as well as equitable sharing of produce can help increase productivity.

Two, access to inputs like irrigation, credit, and tools can be critical in increasing access of smaller farmers to such inputs. Similarly, marketing facilities, feeder roads, appropriate education and training for farmers, and extension services can help increase returns to agriculture. The state

in Islam, therefore, can encourage an institutional bias toward the small farmer besides investing in agricultural infrastructure.

Three, in the industrial and business sector, Islam encourages partnership and risk-and-reward sharing. This would imply incorporating workers into asset-ownership to some degree through shares or stocks thereby providing them a share in the business venture as well as assurance of the flow of benefits from increased productivity. This does not mean that wage-labor is discouraged by Islam. However, what it does imply is that the encouragement of Islam to partnership and reward-sharing can be a significant mechanism to improve incomes and motivation to work productively. The state can thereby create the legal framework and guide the growth of such profit-sharing business institutions.

Four, a major source of poverty is lack of ownership of assets in the self-employment sector. In other words, many self-employed people work with machines, tools or vehicles (i.e., physical capital) that are owned by others and hired out to these workers. A good part of their incomes go toward payment of such rents which can often be exploitative vis-a-vis the total earned incomes. Islam encourages self-employment but discourages such exploitative relationships. One way the state can solve this problem is by helping the self-employed become owners of the physical capital they work with. Short and medium term interest-free loans can be made out of *zakah* revenues or from a special fund for this purpose, thereby ensuring the flow of benefits directly to the owner-operators and increasing their incomes. In general, the state should provide all means to encourage self-employment and entrepreneurship and create the fiscal-organizational mechanism to promote them.

Conclusion

As is evident, Islam prescribes tackling the issue of poverty head on. It provides laws and the legal-institutional framework for the resolution of poverty. It suggests policies and various operational mechanisms to meet basic needs of the affected groups. It simultaneously proposes short-run and long-run solutions. Most of the solutions discussed above find their basis in the Qur'an or the Prophet's Sunnah and have been noted and cited in the discussion on doctrines. Others have been proposed on the basis of an idealistic-rational approach, which itself emanates from the Islamic primary sources and has been followed in this study, and which argues for integrating all such knowledge that is useful.

A comprehensive approach to the problem of poverty, on the one hand, suggests having a program of well targeted transfers and safety nets for those poor who are unable to work or suffer deprivation due to some rea-

son. On the other hand, it suggests a strategy which promotes the productive use of the poor's most abundant asset—labor. This requires economic policies, market incentives, sociopolitical structure, infrastructure and technology that are geared toward those ends. Simultaneously, provision of social services like basic education, primary health care, and food and nutrition are critical in meeting the basic needs of the poor as well as ensuring their continued social health and productivity.

Beyond what has been stated in the foregoing, it should be pointed out that poverty is a phenomenon which needs to be viewed at a macro level, from a larger perspective. It cannot be isolated from the context of economic growth, and from the contexts of employment and human resource development. In the long run, economic growth becomes a means to distribute the increased resources and benefits to the poorer sections of society. It provides the fiscal resources for social programs, for employment creation, for human resource development. So in the Islamic perspective, economic growth carries a very high value. However, it is not any kind of growth that is valued. What is valued is growth that ensures equity and justice, is accompanied by poverty alleviation and meeting of basic needs—and not one in which the poor have to wait for the benefits to trickle down, if they trickle down at all. In short, where poverty presents itself on a substantial scale, an appropriate approach would be to begin with institutional reforms accompanied by a basic needs strategy, followed by intensive employment promotion and human resource development policies which could then lead to economic growth and greater total welfare without sacrificing anyone's welfare in the process.

Chapter 13

EMPLOYMENT: AN ISLAMIC VIEW

Introduction

Islam emphasizes work like no other economic activity. It sees work as natural to man and the availability of work opportunities as part of the natural order. On this assumption, it calls the believers to do “good works/deeds” (*al ‘amal al ṣāliḥ*). Whereas “good works/deeds” in the main stand for socially altruistic acts or acts of goodness and piety, they include all productive efforts of man because Islam does not separate the secular from the religious. This interpretation is borne out by many sayings of the Prophet. The Prophet praised virtually all kinds of work that were performed in his era—farming, trade, manual labor etc. He placed work in a moral framework and blessed it. He called it human dignity and an obligation next to prayer. The Qur’an called it a means to God’s bounty (*faḍl Allah*) and good (*khayr*). So the Islamic perspective on work and effort is very clear. Work is that dimension which makes other dimensions possible. Work is necessary for man. It is the primary means to meeting personal and familial needs, the means for social spending and the means to meet collective obligations (governmental needs). In this sense all work is a *ṣadaqah* or charitable effort and one form of *a‘māl ṣāliḥah*. It has also been pointed out that work is a core element of man’s well-being, a source of self-esteem and esteem by others, a social need. Therefore work occupies the highest value in an Islamic economic framework.

Normally most people find and create work on their own—through employment and self-employment. The problem arises when opportunities for work become limited, when the supply of labor exceeds the

demand. To prevent such a situation from arising, normative Islam prescribes certain institutional means. In this chapter, those means are pointed out. However, given that unemployment or lack of work opportunities may still prevail, some policy suggestions are made here. The objective, therefore, is to indicate how a state in Islam can facilitate the creation of work opportunities both through direct application of previously established Islamic economic principles as well as through application of other rational principles found in contemporary economics.

Islamic Doctrinal Framework and Employment

A core concept or principle embodied in the Islamic doctrines having implications for employment creation is the concept of *farḍ al kifāyah*.¹ The *farḍ al kifāyah* suggests that society must perform certain socially obligatory duties at a level of sufficiency which, among other things, include the creation and maintenance of such industries, occupations and services that are essential for the life of a community and without which a society would be vulnerable. The *farḍ al kifāyah* also implies that whatever is necessary to carry out these obligations is also, by deduction, socially obligatory. As such, an Islamic economy would have a wide range of industries and occupations that not only meet the basic needs of people and provide all such things that facilitate life, but also such occupations and economic undertakings that ensure security and freedom of the community and keep the economy strong and viable.

The *farḍ al kifāyah* would entail the development and support of economic sectors like agriculture, manufacturing, construction, mining, financial services, and urban and rural services, as well as the provision of public services like defense, justice system, social and welfare services, taxation, public utilities and social and economic development programs. Economic infrastructure, the backbone of an economy, would acquire primacy, and development of the physical as well as agricultural, industrial and social infrastructure sectors would be called for. Hence, the availability of such institutions and programs that help build and sustain a growing economy and help increase health, skills and productivity of its populace—clinics, hospitals, schools, universities, libraries, vocational training programs, adult education programs, etc.—become *farḍ al kifāyah*. Similarly, the availability of infrastructure—roads, highways, power plants, communication systems, transportation systems, water resources systems, ports—also become *farḍ al kifāyah*. Rural development programs similarly become *farḍ al kifāyah*. All this goes to show

1. See Chapter 9 for earlier discussion of *farḍ al kifāyah*.

that the *fard al kifāyah* is a dynamic principle which argues for investment in all such economic enterprises, projects, sectors and public facilities that drive an economy toward growth, development and self-sufficiency, at least in the basic goods and essential services. If this concept is sufficiently internalized by the members of the Muslim community and its government and translated into action and policy, it can provide great impetus to economic activity and enterprise and become the engine of growth and employment creation.

Beyond the foregoing, we can now look at several specific mechanisms suggested by Islamic doctrines that lead to the creation of work opportunities and employment. First, Islamic doctrines suggest an economy where basic goods and services (food and essentials, shelter, education, health) are available in sufficient quantities to meet the demand of all points in time. This implies a large wage-goods sector. Consequently, a good portion of the labor force will be engaged in agriculture, food-processing and in industries providing essential goods as well as transportation. Similarly, given Islam's emphasis on education and health, a substantial number of people will be employed in these social service sectors, particularly in education where the public sector plays a critical role. Construction, a potentially large employer of people, similarly, will find support in an Islamic economy, both through private resources as well as through state-assisted programs directed at meeting shelter needs. Whereas demand for wage-goods will primarily be determined by personal earnings, *zakah* and other transfer programs will play an important role in sustaining the demand. This role will vary in proportion to the number of people living below the poverty line, i.e., transfers will increase with increase in the numbers of poor and needy and decrease with their movement above the poverty line. As a result, there will always be a sustained demand resulting in substantial employment in the wage-goods sector.

Second, Islam argues for investment of hoarded capital and taxes or unutilized wealth. This provides the motivation for channeling of savings and capital into productive activities, thereby creating employment in manufacturing and trade, and consequently, in urban services.

Third, the Islamic financial system plays a crucial role in job creation. On the one hand, banks make capital available to all enterprising persons, asset-worthy or not, and to all companies, large or small. On the other hand, the principle of *muḍārabah* brings capital and entrepreneurial talent together. Similarly, the principle of *mushārah* encourages pooling of financial resources. Thus business ventures in all sectors of society and all levels—from small-scale enterprises to large-scale manufacturing—find encouragement through availability of resources and skills.

Fourth and finally, Islam presupposes man's ability to find work. Given that employment opportunities in large-scale manufacturing or agriculture at any point in time can only be limited, mini-enterprises in manufacturing, crafts, trade and services, both in urban and rural areas, can be a substantial source of work and income for all kinds of people—skilled or unskilled, full-timers and part-timers, households and women. Thus these mini-enterprises, and self-employment in general should be encouraged. Islam provides for such encouragement and support through loans and grants from the *zakah* fund and state resources.

As may be evident, the principle of the *farḍ al kifāyah* and the other features and mechanisms of Islam discussed above help the state and society ensure the maintenance of a high level of employment in the economy. All these features are non-time conditioned and apply to all societies, whatever their level of development.

If these aspects of the economy are taken in conjunction with the specific income increasing programs directed at the poor and with linkage of education with working skills, both discussed in the last chapter, then by and large, unemployment and underemployment can be eradicated—if not in the short run, then in the long run. Especially with increased nutrition, health and education, even a significantly increasing labor force can find employment opportunities if the overall environment is conducive, the state is a willing helper and technology is not capital-biased.

Application of Rational Economic Principles for Increasing Employment

Employment levels in an economy are determined by many factors—land, capital, natural resources, labor, entrepreneurship, technology, institutions, policies and attitudes. It is not possible here to detail how each contributes or does not contribute to employment generation. However, what is attempted here is to point out certain economic principles which, if rationally applied, can help increase the creation of work opportunities and simultaneously provide direction to employment policy.

Correct Price Signals

There is no getting away from the fact that correct factor prices are essential to rational decision-making as well as for efficient allocation of resources.² Often, artificially-maintained low capital prices encourage utilization of capital in place of labor. The result is underutilization of labor

2. See Charles P. Kindleberger and Bruce Herrick, *Economic Development*, 3rd ed. (1977), 344-5.

where there could have been more. In other words, incorrect factor prices lead to difficulties in decision making about substitutabilities between capital and labor. If factor prices are such that they reflect true scarcity values, then with the existence of abundant substitution possibilities, labor absorption will increase. Therefore, the state should avoid such policies which create a labor-saving bias and thereby create unemployment in certain sectors of the economy.

Appropriate Technology

At any point in time, the economy faces the problem of absorption of ever increasing numbers of people. However, increased supply of people brings with it increased demand for goods and services. Consequently, part of the labor force gets absorbed in the economy in meeting the expanded demand. A problem arises when the methods of production utilized do not absorb the increased labor supply. For instance, when expensive imported technology and materials are used over less expensive local production methods and materials, then the overall benefits to society are reduced. This in particular would apply to wage goods which can generally be produced with local labor, materials and techniques.

Since the state in Islam carries prime responsibility for facilitating the availability of employment, it is suggested that such techniques of production—or appropriate technologies—be promoted by the state as are best suited to the overall resource endowment. In other words, maximum utilization of local resources—labor, material and techniques—should be made to produce the output package. Where labor resources are abundant, it would imply utilization of labor-intensive techniques. Even though growth may be temporarily affected by such labor-intensive techniques, with the assumption of widespread literacy and training, long-term productivity will increase without creating interim unemployment. Simultaneously, increased employment and utilization of local materials will bring increased overall incomes and will spread the benefits widely within society. Therefore, appropriate technology, as referred here, is not a metaphor which rejects modern technology. It is a notion which states that modern knowledge be used to develop and utilize such techniques that are optimal for the economy in that they absorb local labor, keep production costs low, permit flexibility in factor inputs, and are able to produce the goods that are needed competitively and efficiently.

Besides economic arguments and in fact overriding these arguments, there are the human aspects. As noted earlier, Islamic doctrines do not suggest growth as an exclusive end nor indiscriminate growth. These doctrines are centered around people and their well-being. People are not simply objects of development or dispensable tools in the economic cal-

culus. They have needs, feelings and desires. Their most important need is work or, rather, remunerative work. Hence such development and growth is desirable that involves people and accommodates them and their needs. Therefore, the state must encourage the development and utilization of appropriate technology, as defined above. Meanwhile it should give primacy to human resource development and consequently increase the ability of workers to deal with and apply more productive methods and techniques leading to increase in productivity over time.

Emphasis on Employment-Generating Sectors

It has already been noted that Islamic doctrines emphasize the production of wage-goods, shelter and essential public services. There are, however, other sectors of the economy where substantial productive employment can be created. These sectors are construction, agriculture and urban services.³

Construction provides large employment possibilities both for the skilled and the unskilled. It also uses local resources which helps spread benefits. The state should encourage the construction industry. It should also emphasize infrastructure projects like roads, highways, dams, bridges, flood-control, ports, railroads, etc. If labor-intensive methods are used (i.e., appropriate technology), then construction can significantly contribute toward employment generation and its resulting consequent benefits. At the same time, private construction can meet various economic needs (housing, buildings for offices and industries, etc.), and public sector construction (infrastructure) can increase development and growth possibilities. Thus, this sector deserves attention.

Similarly, agriculture perhaps is the most important sector in an economy but often neglected or exploited. It is the primary source of meeting food and other needs. Agriculture also absorbs a good portion of the labor force in less developed countries. However, it is often used to subsidize the urban sector through pricing policies. If the incentive mechanism for farmers is reasonable, both rural incomes can go up as well as employment in agriculture. Migration to urban areas, a result of low rural incomes, has become an important factor in urban poverty. Therefore, use of appropriate farm polices can keep labor absorption high, unemployment and underemployment low, and provide greater possibilities of food output and farm incomes.

Finally, urban services can help improve the quality of life and provide a wide range of employment possibilities. This much-neglected sector

3. *Ibid.*, 346.

also deserves attention. If properly developed, it can absorb large numbers of people on a continuing basis.

Conclusion

Islam embodies various means that encourage employment and creation of opportunities for self-employment. It proposes the principle of the *fard al kifayah* which, if appropriately applied, creates widespread job opportunities in both the private and the public sector. Islamic doctrines suggest massive wage-goods production and construction of housing in order to satisfy basic needs of everyone. They provide critical motivation for investment and other business activities. They argue for assistance to people wanting self-employment. And they suggest a massive effort at human resource development.

Other economic principles and policies, consistent with Islam, also can help improve overall economic activity and employment levels. Appropriate factor prices, appropriate technology and emphasis on agriculture, construction, infrastructural projects and urban services can contribute significantly to employment as well as to development. The state in Islam, therefore, must give attention to the prescriptions suggested here and pursue economic and employment policies accordingly.

Islam does not envision a welfare state supporting a large class of welfare recipients. On the contrary it perceives an economy based on the ethic of work and productive economic enterprise. If its prescriptions are properly understood and applied, they may very well prove resilient in checking unemployment as well as effective in promoting employment and growth.

Chapter 14

THE SUMMING UP

Summary

As stated in the introductory chapter, the primary objective of this study was to extract and establish the economic doctrines of Islam from its primary sources—the Qur'an and the Prophet's Sunnah. The secondary objective was to examine the implications of the doctrines for poverty, employment and economic growth. To achieve these objectives, first, a methodological approach to understanding Islam was developed. Second, the sociopolitical philosophy of Islam was examined. Following that, the rest of the study dealt with the economic doctrines and their implications.

The chapter on methodology (Chapter 2) points to the need for careful examination of the Qur'an and Sunnah so as to be able to understand their underlying purposes and objectives—the larger welfare of man and the reconstruction of society on an ethical basis. It points out that both the Qur'an and the Prophet's Sunnah form one integral whole, elucidating and complementing one another. While the Qur'an embodies the core principles and permanent values and ethics, the Sunnah concretizes and exemplifies them. We point out that it is necessary to systematically work out the permanent principles, values and ethics so that they can be applied to society, polity and economy in all space-time contexts. Consequently, such a methodology is established. The discussion also encompasses the role of norms and their possible operationalization in Islamic society, the nature of the Shari'ah and its function in helping evolve the time-conditioned legal structure, and the methodology of innovation, imitation and assimilation in Islam—all important but dif-

ferent dimensions in making Islam applicable to changing needs and circumstances.

The third chapter deals with the social order of Islam—its basis, nature and principles. Here established are the social theory of Islam, the central principle/institution of Ummah, and the values and ethics that guide the functioning of the community under Islam. Also pointed out are man's essential tasks: his understanding of the purpose of his creation as outlined in the divine guidance (the Qur'an); the transformation of this understanding/belief into action in personal and collective life; and the consequent creation of an ethical social order on earth. It is shown that God has placed responsibility on the Muslim community to establish a political order for the sake of creating a just and egalitarian moral-social order. This Islamic order, by definition, should eliminate oppression, injustice and exploitation ("corruption on earth" in Qur'anic terms) and replace it with equity and justice and the restoration of the rights of the weak ("reform of the earth"). In this order, the Qur'an prescribes the operating ethics of social commitment, social solidarity, mutual concern and cooperation, altruism and diffusion of responsibility among all citizens. It also prescribes the creation of the conditions of peace and harmony, and calls for cooperation in society-building activities between all members of the community regardless of faith or religion.

The fourth chapter delineates the political dimensions of the ethical social order. The necessity of establishing the Islamic state(s)—the coordinating agency requisite for operationalizing the teachings of Islam—is pointed out. The Islamic state, it is shown, acts as the guarantor of the rights of people—the rights themselves having been defined by God in the Qur'an and noted in the discussion—and operates on the principle of *shūrā* or the consultation-consensus model. The state functions to ensure the maximization of universal common good (i.e., public interest in accordance with Islamic criteria); to establish rule of equity and law; and to arrange social and economic relations in such a way so as to enable the greatest possible number of human beings to live in harmony, dignity and freedom. The government, it is shown, evolves from the community through their participation and choice (*shūrā* at large), however, it operates under rules defined by God in the Qur'an which are non-temporal and non-changeable. In other words, essential liberties and rights of the people; divine principles prescribed for alleviating poverty and removing hardships; equality in treatment of people or civil equality; necessity of upholding justice; upholding of the sociomoral Islamic teachings; and submission of the government to God's teachings in general, are some of the aspects which are to be constitutionally guaranteed and to be upheld at all points in time under all circumstances. Also shown are the methods

delineated by Islam for resolving differences among policy-makers and finding possible solutions in situations of conflict.

The fifth chapter introduces the philosophical framework of the economic doctrines of Islam. Four foundational Qur'anic principles are postulated: (1) God is creator and owner of all resources; (2) God is sustainer of all creation; (3) factors of production are bestowed freely upon individuals and nations but differently and unequally; and (4) man is the trustee of God on earth whose function is to extract, produce, usufruct, consume, share and distribute in a just manner—and all mankind is equal or have the same rights. Then the implications of these assumptions/principles are discussed and it is shown how God has guaranteed every human being the means of a healthy survival—whether one works or cannot work.

The sixth chapter begins with the Qur'anic position on the basic needs of man. Here examples from the Qur'an are provided for the means of livelihood embodied in nature. Also Islam's position on the necessity of work is asserted with reference to the work-ethic embodied in it. It is emphasized that all work is good and valuable and no work is dishonorable; that work is human dignity and an obligation next to worship of God; and that asking for private or public assistance in the face of work opportunities (including self-employment) is *ḥarām* (prohibited) for a Muslim. The subject of wages is also addressed. Using evidence from the practice of the Prophet as well as from his sayings, it is pointed out that Islam embodies the notion of a minimum wage which is sufficient to cover essential needs of a person.

The seventh chapter deals with the lawful and unlawful in Islam as it relates to economic life. Here the basic principles of *ḥalāl* and *ḥarām* are established from the Qur'an along with the reasoning underlying them. Examples of the prohibited categories are given. What becomes evident is that with very few exceptions (based on their harmfulness to man and society), everything is lawful and permissible to man. Then business transactions—both the valid and invalid—are discussed and it is shown that Islam provides virtually unlimited scope in the area of permissible contracts and dealings. The chapter also addresses the issues of ethics in business, avoidance of waste of resources, debt and deficit financing, the principles of business organization, and endowments.

The eighth chapter addresses one of the most important Islamic prohibitions from an economic perspective—that of *ribā* (usury). The chapter deals with *riba* from a historical perspective (the possible reasons it was banned by the Qur'an) as well as from an Islamic financial perspective. The discussion points out the approach of the Qur'an in attacking the root of an economic problem. Then the controversial issue of interest (essen-

tially similar to *ribā*) is analyzed and various viewpoints are discussed so as to draw some conclusive results. It is suggested that it is necessary to establish financial-contractual relationships at all levels of society on the basis of profit-sharing or risk-and-reward-sharing and equity participation. The discussion proceeds to and addresses *riba*-free banking alternatives in theory and practice, and the issues of housing finance and beneficence loans. It is concluded that Islam provides sufficient alternatives to reconstruct modern finance from *riba*-based models to equity-based models.

The ninth chapter establishes the domain of collective/state ownership in Islam and looks at the role of the public sector in the Islamic economy. This role is addressed at four levels: at the level of environmental resources; in the distribution of state resource/income benefits; in the fulfilling of the *farḍ al kifāyah* (collective obligations); and in the provision of public goods. The latter part of the chapter deals with the economic environment and state policies in the early Islamic period. It is pointed out that environmental resources (“whatever belongs to God”) like inland water resources, forests and soil resources, wildlife, and sub-soil resources (mines, minerals and fossil fuels) belong to the collectivity of people residing in the political domain of the state. Land also falls within the domain of the state which can assign ownership rights or confiscate these rights. These discretionary powers of the state can help bring an end to feudalism and landlordism where it exists. As for other resources under state domain and their income, the government has the responsibility to utilize them for collective benefit and for its own expenditures; however, it must assign a disproportionate share of the income/resources to the poor and needy according to the criteria established by the Qur’an and concretized by the Prophet. The *farḍ al kifāyah* represents the dynamic principle that whatever is necessary for the larger welfare of society, such industries, professions, goods and services must be developed, maintained and produced by the collectivity. This also includes meeting basic needs of all people and creation of work opportunities especially in socially-requisite priority sectors. The state also carries responsibilities to provide numerous public services which are listed in the chapter. Finally, it is shown that the public policies of the Prophet’s state and the Rightly Guided Caliphs addressed virtually all the then-present socioeconomic problems and helped create an environment which led to tremendous output potentials, as well as led to eradication of poverty, development of human resources, and overall development and growth.

The tenth chapter deals with private ownership and its functions in Islam. It is pointed out that Islam encourages economic enterprise through emphasis on work, saving, investment, productivity and other

means. Simultaneously, Islam emphasizes the social function of wealth and encourages investment in society for amelioration of poverty and for the common good. It is shown how an economy applying Islamic principles would have a high level of investment and economic activity, a greater circulation of wealth, and high levels of employment, income and output. The issue of the standard of living is also addressed. It is shown that Islam suggests modest living—not bare minimum subsistence nor luxury to the point of over-consumption and ostentation. The final section of the chapter deals with the issue of private ownership of land and sharecropping. It is concluded, on the basis of evidence from the Prophet's policies, that Islam only permits modest landholdings and promotes owner-cultivatorship. It is then suggested that these norms should become the basis of state policy toward land ownership so as to ensure equity and efficiency as well as to erode landlordism. Where for some reason the owner of the modest landholding cannot cultivate the land himself, Islam suggests partnership based on equitable sharecropping as shown by the Prophet.

The eleventh chapter, the longest in the series, deals with the fiscal and distributional principles of Islam. Here the basis of taxation in Islam is established as well as the taxation and social spending principles. The five core principles are: bearability of financial burdens; avoidance of the concentration of wealth; the underprivileged as priority beneficiaries of government expenditures; generous spending for social causes; and collective sharing of societal/governmental burdens according to ability. It is shown why and how Islam favors a relatively progressive taxation structure. Addressed then are the key social expenditures of *ṣadaqāt* and *infāq* and the wealth-tax for welfare purpose—*zakah*. It is also shown that virtually all forms of income and wealth are *zakatable*. The categories of *zakah* beneficiaries are discussed at length to establish how Islam encompasses all vulnerable sections of society—to meet their immediate needs as well as to ensure the ability of the employables to come out of the poverty and debt traps. Numerous suggestions are made to make *zakah* collection more effective and broad-based and to make *zakah* expenditure more meaningful and functional. The chapter conclusively points that *zakah* is only one component in the Islamic fiscal structure; there would be other proportional/progressive taxes as well. However, *zakah* is the starting point of redistributing income and wealth and rehabilitating the needy in society. Other measures would also be needed according to specific space-time conditions. The chapter concludes with the discussion of the law of inheritance.

The twelfth chapter looks at poverty and basic needs from an Islamic perspective. Here the basic material and social needs of man are estab-

lished and axiologically ranked. Poverty is defined and the categories of poor and needy are outlined. An attempt is made to look at poverty through the eyes of the Qur'an as regards its causes and reasons. Essentially, the Qur'an sees poverty of segments of society as a consequence of the lack of application of faith in societal matters and not due to lack of resources which have always been sufficient to take care of everyone's needs. More precisely, it sees poverty of the weaker groups as resulting from institutional factors like sociopolitical structure, wealth and economic power structure, and attitudes of callousness and irresponsible neglect. It is shown that the Qur'an simultaneously points to solutions of poverty through a set of institutions, policies and principles. Some of the more readily operational solutions are discussed in the context of meeting basic needs. Social programs directed toward the poor by need areas—food, clothing and essentials; health; education; and shelter—are delineated. Specific programs directed at increasing income opportunities of the poor are also delineated. It is suggested that meeting basic needs of the vulnerable sections of society be made a priority—as postulated by normative Islam—along with helping the employables to become more productive through human resource development (literacy and vocational training) and transfer of assets (land, capital for self-employment, etc.)

The thirteenth chapter deals with employment from an Islamic perspective. It is shown that work has the highest value in the Islamic economic framework. Hence availability of remunerative work opportunities should merit the greatest attention of policy-makers in the state under Islam. It is also shown how Islamic doctrines encourage the creation of employment in an economy—through the application of the principle of *farḍ al kifāyah*; through massive wage-goods production; through society-wide health and education services; through *zakah* and other government expenditure programs; through encouragement to saving and investment; through the functioning of the Islamic financial system; and through encouragement to self-employment. Increase in employment opportunities is also suggested by means of rationality in application of factor-price policies, appropriate technology, and emphasis on employment-generating sectors. It is concluded that if the state acts responsibly, enough means are available within the Islamic framework to banish unemployment and underemployment to a very great degree—even permanently.

Some Conclusions and Implications for Economic Growth

This study has had the objective of examining Islam through its primary sources so as to deduce the economic doctrines and to look at their

implications for poverty, employment and economic growth. The position of Islam on the reduction of poverty and promotion of employment has already been established. It is now appropriate to look at its implications for economic growth.

Growth in an economy results from many and complex factors. Resources, capital and technology are some of the factors which affect growth. But all these are time-and-space specific and in a sense material or technological. There are other factors which affect growth, positively or negatively which in a sense can be called ideological. It is to these factors that Islam addresses itself because of its nature being normative, non-temporal and universal. A brief survey of the overall sociopolitical philosophy and economic doctrines can lead us to some conclusions as to whether Islam promotes growth or retards it or affects it neutrally.

Social Factors and Growth

Islam, firstly, envisions a society which is based on the values and ethics of mutual concern, social solidarity, mutual active good-will, and cooperation in all matters that are useful and beneficial. The institution of Ummah, which lies at the center of the Islamic social order, operates on the basis of the above mentioned values and ethics. As such, an Islamic society is strong and cohesive, genuinely reflecting the coming together of all its members in society-building activities.

Secondly, Islam points out that mankind originates from a common parentage and belongs to one human family without any inherent superiority of one over another. It attacks the roots of prejudice and discrimination—racial, ethnic, caste-based, religious, or otherwise—and argues for equal treatment for all members of society. Hence, an Islamic society not only offers equal opportunities for individual development and growth, it also opens up possibilities for upward mobility and social advancement for all members of society.

Thirdly, Islam argues for a strong family unit. It suggests accommodating all vulnerable groups so that everyone may have a home and family. It simultaneously proposes family values rooted in Qur'anic teachings and sunnatic examples that reinforce a morally-based social order. Hence, an Islamic society is a stable, peaceful society where harmony originates from within the individual and extends to the family, community and beyond.

Fourthly, Islam argues for literacy-training and education for all people—children and adults, men and women. On the one hand, this fosters the type of behavioral change that contributes toward improving health and life expectancy, and creates skills that are conducive to economic growth. On the other hand, it helps development of rationality in thinking

and conduct that lies at the very foundation of an enlightened society and civilization.

Fifth and finally, Islam proposes that man himself is the agent of change—both within himself and in the external environment. It unequivocally opposes unquestioning traditionalism, blind imitation and superstition. For instance, Islam rejects the view that poverty is one's fate. On the contrary, it empowers the individual to strive and struggle to improve his condition and also assert his claim over societal resources—granted to him by Islamic teachings in the first place. Consequently, an Islamic society comprises people who are forward-looking, enterprising and motivated, who know their rights and responsibilities, and who are willing to make the effort to improve their own lives as well as that of society at large.

Given the foregoing, it can be suggested that Islamic social teachings and philosophy contain several factors which lead to the creation of a society that finds within its members peace and harmony, unity and diversity, mutual cooperation and support, strong families and ethical values, education and enlightenment, and enterprising and responsible citizenship. These factors, taken together, contain the seeds for a healthy society and contribute toward long-term social stability and development. Consequently, they have a positive bearing on the potential for economic growth.

Political Factors and Growth

Like social factors, certain political factors also influence the economic performance of a society. Here we take a look at the normative political factors that operate in an Islamic society and try to evaluate how they affect economic development and growth.

First and foremost, the purpose of an Islamic political order or Islamic state is to operationalize the teachings of Islam. These include, *inter alia*, the upholding of God-given human rights, the promotion of public welfare according to Islamic criteria, and establishment of the rule of equity and law. In terms of economic objectives, the state ensures the fulfillment of basic needs of all people, the availability of employment opportunities for all willing and able to work, the provision of health and education to all members of society, and the provision of such public facilities that promote development and growth with equity and efficiency. As such, the state manifests the vision and interests of the populace and consequently finds corresponding legitimacy, support and political viability.

Secondly, the government of the Islamic state operates on the principle of *shūrā*, i.e., the consultation-consensus model. The government is also chosen by *shūrā*-at-large or public participation and representation.

Hence, it also embodies and reflects the will and aspirations of the people, enjoys their trust, and opens up tremendous potentials for critical support in the formulation and implementation of economic plans and policies as well as for human resource mobilization.

Thirdly, Islamic rule is not arbitrary rule nor rule of pure reason but is based on constitutionally-guaranteed inviolable principles and values embodied in the Qur'an and the Prophet's Sunnah, and is rational in its methods and content of decision-making. As such, Islamic rule is not subject to the whims of the ruling group nor vagaries of day-to-day politics. Even though governments may come and go and leaders may change, the larger political and economic framework in which the society operates (i.e., societal goals, objectives, key institutions, process of *shūrā*) remains constant. This engenders long-term stability which is critical for any development and growth effort without taking away flexibility and pragmatism in dealing with the dynamics of policy-formulation and planning.

Given these arguments, it can be suggested that Islam contains within its political teachings such factors that directly contribute toward development and economic growth as well as such factors that help create an environment which is conducive for healthy economic decision-making leading to increased growth potential and desirable economic performance.

Economic Factors and Growth

Here we begin with an overview of the Islamic economy through the eyes of Islam's economic doctrines that have already been established in the previous pages so as to reach some conclusions whether economic growth is promoted, retarded or unaffected.

Islam views the economy as part of the larger natural order, an essential corollary of human existence and man's position as *khalīfah* (vicegerent or manager) of the earth. The market system embodying the principles of private ownership and private enterprise and the price-system mechanism find basis in the Islamic framework, and in this sense, Islam, by and large, favors the liberal market economy model. However, in certain sectors of the economy like public and quasi-public goods, it sees an important role for public sector and public policy. Also, wherever gross inequalities are present and where market failures occur, it sees a role for responsible government intervention and participation. In general, Islam permits the efficient market system to operate freely but imposes restraints where the redistributive mechanism fails to uphold equity considerations.

Several examples of state intervention at different levels can be pointed out. For instance, where poverty is widespread and deep, Islam calls

for a comprehensive strategy to help the poor through a well-targeted program of transfers and safety nets including direct delivery and provision of essential goods, as well as disproportionate attention to the needy through government expenditures. Similarly, where lack of work opportunities prevail, Islam argues for provision of capital through grants and loans so as to enable the unemployed/underemployed to become adequate income-earning members of society. Or where landed assets are grossly skewed, Islam calls for reform of the landholding structure and redistribution of these assets. Meanwhile, Islam argues for a sufficiency wage-structure and equalization of work and education opportunities and also provides numerous policy prescriptions that lead to increased income potential and opportunities. These examples reflect the notion that whereas the market, by and large, efficiently and equitably distributes goods and incomes, where certain segments of the society are left out of this process or where the initial distribution of income-earning assets is inequitable, the state has to act responsibly and proceed to correct the sources of inequity as well as provide the safety nets necessary for healthy survival. It cannot simply sit back and wait for the market to solve these problems because the market mechanism has its limitations which are well known and understood.

Beyond these considerations, let us now look at the specific factors operating in the Islamic economy that influence consumption, production, distribution, saving, investment, trade, and productivity and consequently, economic activity and growth.

Firstly, Islam promotes the work ethic and private economic enterprise and urges the creation of wealth. It favors accumulation of wealth through saving and investment, and recycling of wealth through reinvestment on a continuous basis. It simultaneously discourages conspicuous consumption and suggests modest living. Consequently, the economy develops high saving levels and accompanying high investment levels, the latter also due to the fact that Islam penalizes hoarded wealth through the *zakah* tax. Given the assumption of a stable political environment and the facilitative role the government plays to encourage private enterprise, continuous investment of capital in productive activities and new output (in contradistinction to speculative activities which Islam strongly discourages) increases the gross economic output on an ongoing basis.

Secondly, the banking and financial system proposed by Islam plays a critical role in expanding output and spreading wealth widely. On the one hand, the financial institutions provide capital on a profit-sharing basis to all entrepreneurs, large or small, asset-worthy or not. The principal criteria for provision of capital are the viability and profitability of the enterprise and integrity of the entrepreneur. Assuming that these criteria are

adequately met, it can be visualized that a whole spectrum of businesses in manufacturing, construction, services and other sectors ranging from small-scale enterprises to large-scale operations will evolve, contributing to increased output and employment. On the other hand, the resultant benefits and material rewards will be spread widely, particularly among people who previously may never have had opportunities to become entrepreneurs due to lack of capital. These increased incomes and dispersion of wealth will not only influence consumption demand and saving positively, they will also contribute toward the growth of a middle class and provide motivation for upward mobility and further entrepreneurship.

Thirdly, the institution of *zakah*, discussed in some detail earlier, contributes in numerous significant ways toward the performance of the economy. It helps create and sustain demand for wage-goods, enables people to stand on their own feet through its social insurance mechanism, provides for loans and grants for tools and equipment to start mini-enterprises, and in general helps restore equilibrium in the economy. But perhaps the most significant contribution of *zakah* is in providing nutrition and health to a significant portion of the population—adults as well as children. A well-nourished and healthy populace (both the present and the future labor force) combined with proper schooling, training and motivation not only leads to increase in current productivity but also contributes to future societal gains.

Fourthly, the role that the public sector plays in the Islamic economy in ensuring its overall health and development is very significant. Here we point out and discuss only one dimension of that role—one that is related to laying the foundation for economic growth: the provision and development of infrastructure. Infrastructure, as is well established, forms the base of a sound economy, and reflects the capital of a society embodied in roads, highways and other transportation and communications systems, as well as water resources systems, power plants and other public services. Education, health, skills and other human resource qualities of the population are also often included in the widened definition of infrastructure (or social overhead capital). All these sectors will rightly compete for attention of policy makers in an Islamic framework. However, particular attention will need to be paid to sectors which feature pervasive external economies. These include transportation, communication and education. Transportation and communication contribute to increased elasticities, improved linkages, organized markets and the efficiency with which the price system works, and permit the achievement of economies of scale in production and distribution. Similarly, education spreads its effects in numerous directions—in instilling economic calculation, in increasing capacity to communicate and understand market signals and

prices, and in adapting to new technology and techniques. In short, education, *inter alia*, contributes toward rationality, market efficiency and productivity. Hence, if the policy makers emphasize these three key sectors and facilitate their development without neglecting others, not only will the market system function more efficiently but a sound base will also be laid for an enlarged output potential and future economic growth.

Fifth and finally, Islam proposes the concept and principle of Ummah, the universal brotherhood and community of Muslims. This principle, if extended to the area of Islam's economics and Muslim economies and institutionalized, as it should be, can become a strategic factor in promoting social and economic harmony, on the one hand, and trade, development and economic growth, on the other.

In a general sense, ummatic economics implies the economics of caring, sharing, fairness, equity, and cooperation in all that is good. It also implies the idea of public interest and community as is reflected in the notion of social economics. At the internal level (i.e., at the level of an economy), this would mean non-adversarial relationships between members of the community or rather cooperative relationships between employer and employee, management and labor, and all other economic actors. Ummatic economics would also mean cooperative financial/business relationships like *muḍārabah* and *mushārahah* in various sectors of the economy, and in general, pooling of resources for economic benefit.

At the external level (i.e., among and between Muslim economies), ummatic economics would mean cooperation in all possible areas such as reduction in barriers to trade; facilitation in movement of capital and labor; pooling of resources (finance, management and labor) for investment in various countries and regions; cooperation in science, technology, research and development; reduction in military expenditures through joint defense; establishment of common markets; and establishment of an international *zakah* fund and an Islamic development fund(s). For instance, an Islamic common market or regional common markets can institutionalize reduction in trade barriers, increase mobility of capital and labor, and create a fund/bank for joint development, thereby promoting trade, development and growth. Similarly, capital-rich countries can invest in capital-scarce and labor-abundant countries creating mutual benefits. An international *zakah* fund can provide financial resources from *zakah* surplus countries to poorer Muslim countries and an Islamic (or regional) development fund(s) can provide for non-interest bearing loans for development projects in less developed Muslim countries. Similarly, joint defense can substantially reduce otherwise burdensome military expenditures and release sources for economic priority projects. Given all this, the transformation of the principle of Ummah as well as of the

propositions of ummatic economics into concrete forms and institutions can in many significant ways contribute to overall development, provide resources for investment and spur economic growth.

Summarizing the discussion above, we have suggested that Islam's economic doctrines favor a liberal market economy model with a sizeable public sector and with the government playing the role of protector of the underprivileged. The doctrines also point to certain core factors that not only engender economic development but also contribute to sustainable economic growth. These factors are: promotion of the work ethic, private enterprise and investment; the Islamic banking and financial system; the institution of *zakah*; the public sector and its concomitant contribution to infrastructural development; and the institution of Ummah and its corollary of ummatic economics. Beyond these considerations, it can be suggested that growth in the economy will be positively influenced if the policy measures and socioeconomic reforms suggested by Islam are adopted with efficacy. Islam, for instance, calls for a stable monetary policy, a policy of non-inflationary growth. It suggests avoidance of deficit-financing and irresponsible borrowing and requires prudence in fiscal policy. It argues for taking the shortest course to poverty alleviation, employment promotion and human resource development. It suggests reforms in the areas of land ownership and land tenure, banking and credit, education, health and training.

Islam also calls for the reactivation of *zakah*, an institution that has been dormant for quite some time. It points out the power embodied in the principle/institution of Ummah. It provides for public participation in decision-making at all crucial levels through the institution of *shūrā*. As such, Islam provides some key institutions itself and suggests the further development of institutional mechanisms for promoting general and economic welfare.

In general, Islam argues that society operate responsibly, that it work hard and produce, take care of its poor and needy, and behave ethically within the boundaries of Shari'ah. It puts forth ethical-moral values and provides psychological motivation for such normative behavior. It also calls for responsible government and an enlightened, just and competent leadership—a leadership sensitive to the needs of society. And it suggests flexibility and pragmatism in policy-formation as long as the boundaries of right and wrong are not crossed.

In short, Islam embodies numerous social, political and economic factors, which if taken in conjunction can create and provide an environment in which an economy can grow healthily, peacefully and optimally. In other words, if the normative teachings of Islam are correctly understood, as has been argued in this study, and applied in a rational way, there is no

reason to believe that the economy will not flourish. It will have significant growth which will also be equitable. Particularly, if the political leadership is responsible as well as pragmatic, encourages reform in the important socioeconomic areas, and encourages technological development (i.e., both in a broad sense and in the sense of appropriate technology), then economic growth will follow on the heels of increased human capital and better distributed income-earning opportunities. This is what the research of the last few years in the area of economic development also suggests. The role of commitment on the part of the government and citizenry, the willingness to sacrifice, and the ability to channel collective energies toward a better life for all can provide the tools necessary for development as well as for growth. However, the role of effective political leadership will remain paramount in any development and growth effort.

Above and beyond the foregoing, it needs to be understood that Islam takes a dynamic view of life, of society and economy. It sees man not living from day to day but rather operating from a long term perspective. It suggests strategy and policy formulation keeping in view future needs and not only present concerns. It calls for a positive collective and concerted effort at improving economic life intertemporally and intergenerationally as well. Keeping this in view, we can suggest that an Islamic economy would be a planned economy. This notion is reinforced by the responsibilities that Islam places on the state in terms of meeting basic needs, creating work-opportunities for all members of the labor force, and development of human resources, all of which require planned, multidimensional efforts at both institutional and policy levels.

What also needs to be understood is that economic resources are a gift of God for man, to be used as a trust, and therefore productively, efficiently and ethically. On the one hand, this implies utilizing resources technically efficiently, as well as allocating them efficiently. On the other hand, it implies producing such goods as are beneficial to mankind and not those goods which lead to disvalues and disutilities. In other words, pursuit of economic growth should be made with a keen moral sense that truly facilitates and embellishes human life, enlarges the possibilities of human health and happiness, not one that leads to human self-destruction.

In the final analysis, Islam's concern is with man—his well-being and his welfare. So economic growth has to be consistent with human welfare and consistent with a better quality of life. Not only the benefits of growth must be widespread, its harm to ecology and environment must also be limited. It is in this wider perspective that growth should be viewed. If society pursues the overall balanced path that Islam is suggesting and as outlined in this study, then perhaps both man and the economy will grow.

GLOSSARY

a‘māl sāliḥah —good actions; deeds of piety.

‘adl —justice; socioeconomic justice.

al ‘adl wa al iḥsān—justice and beneficence/kindness, enjoined by the Qur’an.

al ‘afw—lit. what one can spare or surplus beyond one’s needs, used in the context of social spending by the Quran.

aḥādīth—traditions/sayings of the Prophet Muhammad, sing. hadith.

ahl al ra’y—knowledgeable people.

ajr—wages or reward.

al ākhirah—afterlife.

Allah—God. Allah is the Arabic proper name of God as given in the Qur’an, and the word has no plural or gender.

‘amal—work; labor; deeds.

amānah—trust.

amīn—trustee; trustworthy.

al ‘āmilīn ‘alayha—the *zakah* administrators; one category of *zakah* beneficiary.

'amilu al ṣāliḥāt—those who are doing virtuous deeds.

amr—command; authority.

al amr bil m'arūf wa'l nahy 'an al munkar—commanding good and prohibiting evil, a Qur'anic teaching.

"amruhum shūrā baynahum"—their common affairs are decided by mutual consultation.

amwāl—wealth; possessions, property.

anfus—persons, lives, pl. of *al naf*

Anṣār—Helpers; Madinan Muslims who hosted and assisted the Prophet and the newly-arrived Muhajirīn.

anfāl—windfall or additional gains.

aqāmu al ṣalah—conducted prayer; upholding/constancy in the act of worship in Islam.

arṣāq—monthly food rations; refers to the scheme started by 'Umar, the second caliph.

aṣl—principle; foundation; fundament; origin.

'aṭāyā—allowances.

awqāf—charitable public endowments, sing. *waqf*.

'azm—deciding about a course of action; intention.

bay'—trade; sale.

al bay'(bai') al mu'ajjal—sale against deferred payment; commonly used term for lease-purchase.

bay'(bai') al salam—deferred delivery.

bayt al māl—public treasury.

biḡha'—prostitution or whoredom; from *root baḡhi* which means to treat unjustly and to oppress.

al birr—virtue and righteousness.

al bukhī—niggardliness.

al dīn—religion; faith; term used by the Qur'an for Islam.

dīwān—bureau; refers to census bureau established by Caliph Umar.

al dunyā—present life.

'al it'ām—feeding.

faḍl Allah—wealth or bounties of God.

al faḡshā'—immoral acts or practices.

falāḡh—happiness and peace in the worldly life and success in the after-life; felicity.

al faqīh—Muslim jurist.

al faqīr—poor, destitute or indigent.

fard al kifāyah—collective obligations; obligations of sufficiency.

al fasād fī al arḍ—corruption on earth; state of general lawlessness in society—moral or sociopolitical—that the Qur'an condemns and wants to prevent.

fī sabīl Allah—lit. in the way of God, but implies all social/collective causes; *zakah*-expenditure category.

fī al riqāb—for the cause of freeing human beings from bondage; a category of *zakah* beneficiary.

al fuqahā'—Muslim jurists, sing. *faqih*.

al fuqarā'—poor people, sing. *faqir*; a category of *zakah* beneficiary.

al furqān—criterion to judge right from wrong; a name and characteristic of the Qur'an.

al ghārimūn—people overwhelmed by debts; a category of *zakah* beneficiary.

ḥadīth—saying of Prophet Muhammad.

ḥajj—annual pilgrimage to Mecca; pillar of faith.

ḥalāl—canonically permitted.

ḥalalan ṭayyiban—lawful and good.

ḥaqq—duty; right.

ḥarām—canonically forbidden.

ḥarīm—reserved public or private area around a water source.

ḥayā'—modesty.

hijrah—migration.

ḥisbah—judicial structure to oversee business and social ethics and protection of consumers and labor.

'ibādah—service to God; worship of God.

ibn al sabīl—wayfarer; a category of *zakah* beneficiary.

iḥsān—beneficence; kindness.

ijārah—hiring or leasing.

ijmā'—consensus.

Ijtihād—reasoning predicated on individual research and judgment.

ikh̄lās—sincerity.

Imām—community leader in religious as well as lay matters; used in the sense of head of state/government in the traditions cited here.

Imān—belief and conviction that Allah is indeed the one and only God and that Muhammad is His last prophet, essential for a Muslim.

infāq—charitable and social spending; also, spending in general.

isrāf—overspending; wastefulness.

ithm—sin.

ithmun kabirun—sin or great evil.

itrāf—luxury, indulgence.

al jabbār al ‘anūd—stubborn tyrant.

jamā‘ah—group (of people); community.

jihād—to strive, struggle and exert oneself.

ju‘l—commission.

kasb—earnings.

kyayr (khair)—good; excellent; best.

khalīfah—man as vicegerent of God on earth; in essence, manager of earth and its resources.

khilāfah—vicegerency; refers to man’s assignment as trustee on earth.

kharāj—land taxes.

kufr—infidelity; denial of God’s teachings.

ma‘rūf—right and good; well known.

masākīn—needy people; sing. *miskeen*; a category of *zakah* beneficiary.

matā'—means of enjoyment.

ma'īshah—work, fulfillment.

minhāj—an open road or way; a way of life.

miskīn—needy poor.

al mu'allafah qulūbuhum—those whose hearts are to be won over; a category of *zakah* beneficiary.

muḍārabah—partnership between capital and labor or financier(s) and entrepreneur(s); business organization principle.

Muhajirūn—Makkan Immigrants.

Muhtasib—supervisor of the market; equivalent to head of consumer and labor protection agency; see *ḥisbah* above.

al mukātabah—written contract that was meant to free slaves.

manāfi' u li al nās—benefit for man.

munkar—evil and wrongdoing.

murābahah—cost-plus financing.

mushārahah—partnership between two or more persons all of whom share in finance as well as entrepreneurship and management, though not necessarily equally; business organization principle.

mutawakkil—trusting in God.

mutrif ūn—rich, arrogant people.

mu'ākhāh—the functional Muslim brotherhood established by the Prophet in Madinah.

al nafs—self; person; soul; life, pl. *anfus or nufus*.

al nahy—prohibition.

al naṣṣ—explicit text.

al ni‘mah—blessings, favors, grace.

al niṣāb—level of income/wealth after which *zakah* is levied.

al nīyah—intention; ethic of intent.

qāni‘—contented.

al qarḍ al ḥasan—loan with unstipulated due date; beneficence loan; used in the Qur’an in the context of ‘loan to God’ or social spending as being a *qarḍ ḥasan*.

qirād—partnership between capital and labor, same as *muḍārabah*.

qist—equity; justice.

Qiyās—deductive analogy, a principle of jurisprudence.

Qur’ān—the word of God (Allah) as revealed to Prophet Muhammad. The Qur’an remains in its entirety in the original, complete form preserved by God.

qurbā—next of kin.

Rabb—Sustainer, a name and characteristic of God.

raḥmah—mercy.

rahn—mortgage.

Ramaḍān—the ninth month in the Islamic lunar calendar; the month of fasting.

ribā—usury.

rihān—future pledge.

al riqāb—those in bondage; a category of *zakah* beneficiary.

al rizq—sustenance.

ṣadaqah—charity; charitable act and expenditure.

ṣadaqāt—charitable acts and expenditures, pl. of *sadaqah*.

sāhib al niṣāb—possessor of *niṣāb*.

al sā'ilūn—those who ask for help.

sakḥkhara—to employ or utilize.

al salam—a sale in which price is paid in advance for goods to be delivered later; term used in the books of Hadith.

al ṣalāh—prayer or the act of worship in Islam; a pillar of faith.

Sharī'ah—Divine Principles; the non-time conditioned moral-legal code of Islam.

shūrā—the principle of mutual consultation, consultation-consensus model; a fundamental political principle of Islam.

ṣidq—truthfulness.

al ṣirāṭ al mustaqīm—the straight path; the path of Islam.

Sunnah—practice, teachings and sayings of Prophet Muhammad.

Sunnat Allah—lit. practice of God; law of God for mankind.

surāh—part or chapter; used for the parts of the Qur'an.

tabdhīr—squandering.

tafṣīl—detailed statement; elaborate exposition. The Qur'an speaks of itself as a *tafṣīl*.

taqwā—a central moral concept of Islam which combines restraint, piety, faith, God-fearingness and commitment to God in one—in

short, God-consciousness. *Taqwa* is used repeatedly in the Qur'an as a characteristic of the true believers.

tawāzun—balance; equilibrium in life.

tawhīd—unity and transcendence of God, the basis of Islam.

taysīr—to make easy; facilitation.

ṭayyibāt—good and wholesome things.

al ṭayyibāt min al rizq—good and wholesome things given as sustenance by God.

tazkīyah—purification.

al 'ulamā' (ulama)—lit. the learned ones or scholars; commonly used for traditional scholars of Islam.

ulu al albāb—people of understanding and insight.

ulu al amr—those with authority or in charge; political leadership.

Ummah—community; nation.

al Ummah al Muslimah—Muslim community.

ummatan wasatan—median community; balanced nation avoiding extremes.

'ushr—lit. one-tenth; used for *zakah* on agricultural produce from naturally-irrigated land.

uṣūl—principles, sing. *asl*.

wazā'if—regular salaried jobs.

yatāmā—orphans.

al yawm al ākhir—the Day of Judgment.

yawm al Jumū'ah—day of congregation; Friday.

zakah—generic term for the obligation of sharing one's wealth with the poor and the community at (the yearly rate of 2 1/2%) above a certain minimum (*niṣāb*) level of income/wealth.

zīnat Allah—beautiful things and gifts given by God.

zulm—injustice, oppression; antonym of '*adl*'.

zulm al nafs—self injustice.

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Index of Qur'anic Verses

(Listed according to the Qur'anic order)

- * "Show us the straight path" (1:6).5
- * "This divine writ—let there be no doubt about it—is a guidance for all the God-conscious" (2:2).5 7
- * "[they are those] who are steadfast in prayers, and spend out of what We have provided for them as sustenance" (2:3).176
- * "On earth will be your dwelling place and your means of livelihood for a time" (2:36).92
- * "Thus We have appointed you as a median community (ummatan wasatan) that you may be witnesses to mankind and the Messenger be a witness over you" (2:143).45
- * True piety [or righteousness] does not consist in turning your faces toward the east or the west [i.e., in compliance with mere formal and-outward forms]—but truly pious are they who believe in God, the Last Day, the angels, the revelations, the prophets; who give of their wealth—despite their love for it—to needy kinsmen, orphans, the poor, the wayfarer, those who ask for financial help, and for the freeing of human beings in bondage; who establish prayers, pay *zakah*, fulfill their pacts when they make them; are steadfast in hardship, adversity and in time of peril—these are the true [believers] , and it is they who are conscious of God (2:177).44 176 192
- * "guidance for mankind" (2:185).7
- * "... God intends every facility for you; He does not want to put you to difficulties ..." (2:185).107
- * "They [your wives] are garments unto you and you are garments unto them" (2:187).60

- * “They will ask you as to what they should spend on others. Say [O Muhammad]: Whatever of your wealth you spend shall be for your parents, and for the near of kin, and the orphans, and the needy, and the wayfarer; and whatever good you do, verify, God has full knowledge thereof” (2:215).192
- * “They ask you concerning intoxicants and gambling. Say [O Muhammad]: In them is great evil (*ithmun kabirun* or sin) and some benefit for man (*manafi’u li al nas*); but the evil which they cause is greater than the benefit which they bring” (2:219).106
- * “And they will ask you what they should spend [in social causes]. Say [O Muhammad]: whatever you can spare (*al ‘afw*)” 2:219.171
- * “In both of them there is great evil as well as some benefit for man; but the evil which they cause is greater than the benefit which they bring” (2:219).125
- * “They will ask you as to what they should spend on others. Say [O Muhammad]: whatever of your wealth you spend shall be for your parents, and for the near of kin, and the orphans, and the needy, and the way-farer; and whatever good you do, verily, God has full knowledge thereof.” The Qur’an follows up 2:219 by stating: “In this way God makes clear unto you His message, so that you might reflect—on this world and the life to come” (2:220).172
- * “No person shall be burdened beyond his capacity” (2:233).170
- * “He [God] repays manifold” (2:245).174
- * “O you who believe! Cancel not your charity by reminders of your generosity or by injury [i.e., by hurting the feelings of others]—like those who spend their property [only] to be seen by men but neither believe in God or the Last Day” (2:264).174
- * “Satan inspires you with [fear of] poverty [for investing in society] and commands you indecency; God, on the other hand, promises you forgiveness and prosperity [for such investment]” (2:268).158
- * “If you do deeds of charity openly, it is well; but if you bestow it upon the needy in secret, it will be even better for you, and it will atone for some of your bad deeds. And God is aware of all that you do” (2:271).174
- * “[And give] unto [such of] the needy poor who, being wholly wrapped up in God’s cause, are unable to go about the earth [in search of livelihood]. He who is unaware [of their condition] might think that they are free from want, because they obtain [from begging]; [but] you can recognize them by their special mark: they do not beg of men with impor-

- tunity. And whatever good you may spend [on them], verily God knows it all” (2:273).95 191
- * “Trade (*bai*’ or buying and selling) is like usury,’ but God has permitted trade and forbidden usury” (2:275).118 122
 - * “Those who believe and do deeds of righteousness, and establish *salah* and dispense *zakah*—they shall have their reward with their Sustainer.” (2:277).180
 - * “If the debtor is in a difficulty, grant him time till it is easy for him to repay. But if you remit it by way of charity, that is best for you if you only knew” (2:280).118 195
 - * “And be conscious of the day on which you shall be brought back unto God, whereupon every human being shall be repaid in full for what he has earned, and none shall be wronged: (2:281).118
 - * And be not loath to write down every constructual provision, be it small or great, together with the time at which it falls due; this is more equitable in the sight of God, more reliable as evidence, and more likely to prevent you from having doubts [later]. If, however, it be a transaction which you carry out on the spot among yourselves, there is no blame on you if you do not reduce it to writing. But take witnesses whenever you make a commercial contract, but neither scribe nor witnesses should suffer harm, for if you do [them harm], behold, it will be sinful conduct on your part. And remain conscious of God who teaches you—and God has full knowledge of everything. (2:282).111 112
 - * “God does not burden any person with more than he is well able to bear” (2:286).60 170
 - * “In his favor shall be whatever good he does” (2:286).60
 - * “You cannot attain righteousness unless you spend on others out of what you cherish yourselves; and whatever you spend, verily, God has full knowledge thereof” (3:92)172
 - * O you who believe! Be conscious of God with all consciousness that is due to Him, and die not except in the state of submission to Him [i.e., as Muslims]. And hold fast, all together, unto the bond of God, and do not draw apart from one another. And remember the blessings which God bestowed upon you: how, when you were enemies, He brought your hearts together, so that through His blessing you became brethren; and [how when] you were on the brink of a fiery abyss [in consequence of spiritual ignorance], He saved you from it. In this way God makes clear His messages [or signs] unto you, so that you might find guidance.

Let there be of you a community who call [people] to virtue, enjoin the doing of what is right and forbid the doing of what is wrong, and it is they who shall attain to a happy state [or be successful]. And be not like those who have drawn apart from one another nad have taken to conflicting views after all evidence of truth has come unto them: for them is a dreadful penalty. (3:102-5). 52

- * “And hold fast, all together, unto the bond with God, and do not draw apart from one another” (3:103). 45
- * “Let there be of you a community who call [people] to virtue, enjoin good and prohibit evil—these shall be the successful ones” (3:104). 50
- * “You are indeed the best community (ummah) that has ever been brought for [the good] of mankind: [because] you enjoin the doing of what is right and forbid the doing of what is wrong, and you believe in God” (3:110). 44
- * “O you who believe! Do not gorge yourselves on *riba* (usury), doubling and redoubling it—but remain conscious of God, so that you might attain felicity” (3:130). 118
- * “Obey God and obey the Apostle” (3:132). 4
- * “who spend [for social causes] in time of plenty and in time of hardship” (3:134). 177
- * “Say [O Muhammad]: Verily all matters [or affairs] are wholly God’s” (3:154). 43
- * “And take counsel with them in all matter of social concern; then, when you have decided upon a course of action, put your trust in God. For, verily, God loves those who put their trust in Him” (3:159). 70
- * “whether the property be small or large—a determinate share” (4:7). 202
- * “O you who believe! Do not devour one another’s possessions wrongfully—not even by way of trade based on mutual agreement—and do not destroy one another: for behold, God is indeed a dispenser of grace unto you” (4:29). 109
- * “Men shall have a benefit from what they earn, and women shall have a benefit from what they earn” (4:32). 95
- * “And worship God [alone], and do not ascribe divinity, in any way, to anyone beside Him. And do good (*ihsan*) unto your parents, the near of kin, and unto orphans, and the needy, and the neighbor from among your own people, and the neighbor who is a stranger [human beings at large], and the friend by your side [spouse and fellow traveler], and the wayfarer and those under your protection rightfully” (4:36) 98

- * “O you who believe! Obey God and obey the Apostle and those entrusted with authority (*ulu al amr*) from among you. If you are at variance over any matter, refer it to God and the Apostle, if you [truly] believe in God and the Last Day. This is the best [for you], and best in the end” (4:59).71
- * “Such of the believers as remain passive [lit. sit at home]—other than the disabled—cannot be deemed equal to those who strive hard in God’s cause with their possessions [or financial expenditures] and their lives [or persons]. God has exalted those who strive and exert themselves with their possessions and their lives far above those who remain passive” (4:95).58 156
- * “Those who die in privation and misery and answer the angel’s inquiry regarding them with pleas of oppression, of weakness and impotence, are told: Was not the earth wide enough for you to run away from that predicament? Surely, their abode is Hell, the terrible plight” (4:97).86
- * “Whosoever does good deeds, whether male or female, while being believers, they shall enter paradise” (4:124).62
- * “O you who believe! Stand out firmly for justice, as witnesses to God, even as against yourselves, or your parents, or your kin” (4:135). . . .55
- * “[O you who believe]! Help one another [or cooperate] furthering virtue and God-consciousness, and do not help one another [or do not cooperate] furthering evil and rancor; and remain conscious of God” (5:2).49
- * “They ask you what is lawful to them. Say [O Muhammad]: Whatever is good (*tayyibat*) is lawful to you . . .” (5:4).106
- * “O you who believe! Remain conscious of God and seek to come closer to Him, and strive hard in His cause, so that you may prosper” (5:35).58
- * “For everyone of you, We have ordained a shari’ah (Divine Principles or Law) and a *minhaj* (an open way)” (5:48).32
- * “O you who believe! Make not unlawful [or deprive yourselves of] those good things of life (*tayyibat*) which God has made lawful for you, but do not transgress the bounds of what is right [by excess]: verily, God does not love the transgressors of the bounds of right. Thus partake of the lawful good things (*halalan tayyiban*) which God grants you as sustenance and be conscious of God, in whom you believe” (5:87-88). . . .92 107
- * “It is He who is God in heaven and God on earth” (6:3).43

- * “The command is for none but for God” (6:57)43
- * “. . . He [God] has explained to you in detail what He has made *haram* (forbidden) for you . . .” (6:119).106
- * “Render the dues [unto the poor] that are proper on the day the harvest is gathered” (6:141).162
- * “. . . Give measure and weight with [full] justice . . .” (6:152) . . .120
- * “It is We who have placed you [mankind] with authority [or ability] on earth, and provided you therein with means of fulfillment of your life (*ma‘ayish*): small are the thanks you give” (7:10).41 92
- * “Say [O Muhammad]! Who has forbidden the beautiful gifts of God which He has produced for His servants and the things, clean and pure, for sustenance (*al tayyibāt min al rizq*)!” (7:32).41 92
- * “Give just measure and weight, nor without from the people the things that are their due . . .” (7:85).120
- * “They will ask you [O Muhammad] about the *anfāl*. Say: the *anfāl* are for God and the messenger.” (8:1)137
- * “And know that whatever property you acquire, one-fifth thereof belongs to God and the Apostle [the Islamic government], and the near of kin [of the deceased believers], and the orphans and the needy, and the wayfarer.” (8:40)138
- * “Say [O Muhammad] unto the believers: If it be your fathers, your sons, your brothers, your spouses, or your kindred; the wealth that you have gained; the commerce in which you fear a decline; or the dwellings in which you delight—[if all those] are dearer to you than God and His Apostle and the struggle in His cause, then wait till God brings about His decision [or manifests His will]; and [know that] God does not guide the rebellious.” 9:24.42
- * “The *zakah* is [meant] only for the poor and the needy, those who collect the tax, those whose hearts are to be won over, for the freeing of human beings from bondage, for the relief of those overwhelmed by debts, for the cause of God, and for the wayfarer: [this is] an ordinance from God—and God is All-Knowing, Wise” (9:60).178 189
- * “The *zakah* is [meant] only for the poor and the needy, those who collect the tax, those whose hearts are to be won over, for the freeing of human beings from bondage, for the relief of those overwhelmed by debts, for the cause of God, [all priority social needs], and for the wayfarer: [this is] an ordinance from God—and God is All-Knowing, Wise” (9:60).178

- * “And [as for] the believers, both men and women—they are friends and protectors of one another: they enjoin virtue and forbid evil, and are constant in prayer, and render *zakah*, and pay heed unto God and His apostle. It is they upon whom God will bestow His Grace: verily, God is Almighty, Wise!” (9:71).49 62 180
- * “to take out of their possessions *zakah*” (9:103).179
- * “Command [O Muhammad!] Work (*i‘malū*), soon will God observe your work . . .” (9:105).93
- * “Why should there not turn up from every division [of Muslims] a group in order that they might understand the faith deeper and, when they return to their people, they might admonish them so that their brethren can also improve their conduct by desisting [from possible mistakes]” (9:122)59 96
- * “The produce of the earth which provides food for man and animals” (10:24).92
- * “Verily, God does not change a people’s circumstances unless they bring about a change in their inner selves [which is reflected in their actions]” (13:11)51
- * “And [We] have provided therein means of subsistence for you [mankind] and for those for whose sustenance you are not responsible” (15:20).92
- * “Behold, God enjoins justice and the doing of good, and generosity towards [one’s] fellow-men; and He forbids all that is shameful and all that runs counter to reason, as well as envy; [and] He exhorts you [repeatedly] so that you might bear [all this] in mind” (16:90). . . .98
- * “be balanced and help the needy financially but do not stretch yourselves to a point that you may become destitute and not be able to take care of familial needs.” (17:29).113
- * “Indeed, We have conferred dignity [or honor] on the children of Adam, and borne them over land and sea, and provided them with sustenance out of the good things of life, and favored them far above most of Our creation: [but] one Day We shall summon all human beings [and judge them] according to the conscious disposition which governed their deeds [in life] . . .” (17:70-1).40
- * “To Him belongs whatever is in the heavens and on earth, and all between them, and beneath the soil” (20:6).84
- * “There is therein [enough provision] for you not to go hungry nor go naked nor to suffer from thirst nor from the sun’s heat” (20:118-9). . . .91 209

- * “Verily [O you who believe in Me], this Ummah of yours is one ummah, and I am your Lord and Cherisher: Therefore serve me [alone]” (21:92).46
- * “Those [are Muslims] who, when We give them power on earth, establish prayers (*salah*), pay *zakah*, command god and prohibit evil” (22:40).43
- * “[Muslims are] those who, if We give them power on earth, shall establish prayers, pay *zakah*, command good and prohibit evil” (22:41).67
- * “[Muslims] are those who, if We establish them on earth, establish regular prayers and give *zakah*, and enjoin the doing of what is right and forbid the doing of what is wrong” (22:42).182
- * O you who believe! Bow down, prostrate yourselves, and adore your Lord; and do good; that you may prosper. And strive in His cause as you ought to strive: it is He who has chosen you [to carry His message], and has imposed no difficulties on you in [anything that pertains to] religion. [This is] the community [or creed] of your forefather Abraham. It is He who has named you Muslims—in the bygone times as well as in this [divine writ], so let the Messenger [Muhammad] be a witness over you [or example for you], and you be witnesses over mankind [or examples for mankind]. Thus, establish prayers, pay *zakah* and hold fast unto God. He is your protector—what an excellent protector and what an excellent helper! (22:77-8).58
- * “Verily, this community [or brotherhood] of yours is one community [or brotherhood], and I am your Lord and Sustainer: remain, then, conscious of Me!” (23:53).46
- * “Do you think We have created you in vain, and that you will not be returned to Us?” (23:115).3 39
- * “[O Muhammad] Tell the believing men to lower their gaze and be mindful of their chastity: this will be most conducive to their purity—[and], verily, God is aware of all that they do. And tell the believing women to lower their gaze and be mindful of their chastity, and not to display their charms [in public] beyond what may [decently] appear thereof” (24:30-31).63
- * “And We have distributed the water amongst them . . .” (25:50). . .93
- * “It is out of His mercy [or grace] that He has made for you the night and the day, so that you may rest therein and that you may seek of His bounty [respectively]; and [He has given you all this] in order that you may be grateful” (28:73).93

- * “Seek with [the wealth] which God has bestowed on you the home of the Hereafter, nor forget your portion of this world; but do good [unto others] as God has been good to you; and seek not corruption on the earth (*fasad fi al ard*), for verily, God does not like the spreaders of corruption” (28:77).87 172
- * “How many are the creatures that do not carry their own sustenance. It is God who feeds them and you. For He hears and knows [all things]” (29:60).84
- * “It is of the signs of God that He created from among yourselves spouses in whom to find quiescence; that He established between you and them love and compassion. For those who are rational, this is certainly a great sign of evidence” (30:21).60
- * “And among His signs is the sleep that you take by night and by day, as well as your [ability to go about in] quest of some of His bounties: in these, verily, there are signs for people who [are willing to] listen” (30:23).94
- * “the wealth you invest in usury so that it should [grow at the expense of other people’s wealth], does not grow in the sight of God; but whatever you spend for welfare (*zakah*)—supporting sincerely the cause of God—it is multiplied several-fold” (30:39).118 157 181
- * “beautiful pattern of conduct” (Qur’an, 33:21).27
- * Verily, for all those who have surrendered to God of males and females, those who believe of males and females those who are sincere of males and females, those who are truthful of males and females, those who are patient of males and females, those who fear God of males and females, those who give in charity of males and females, those who fast of males and females, those who preserve their private parts [from indecency] of males and females—God has prepared for them forgiveness and great reward (33:35).44
- * “It is not fitting for a believer, either man or woman, to have any option about a decision when a matter has been decided by God and His Apostle” (33:36).55
- * “O mankind! Call to mind the grace (*ni’mah*) of God unto you! Is there a Creator, other than God, to give you sustenance from heaven or earth. There is no God but He” (35:3).92
- * “Woe unto those who ascribe divinity to others beside Him, [and] those who do not give *zakah*: for it is they who [thus] deny the truth of the life to come” (41:6-7).180

- * “those who believe and put their trust in their Lord; those who avoid the greater sins and shameful deeds; and who, whenever they are moved to anger, readily forgive, and who respond to [the call of] their sustainer and establish regular prayers; and whose rule [in all matters of common concern] is mutual consultation (*shura*); and who, whenever tyranny afflicts them, defend themselves” (42:36-39).69
- * “He it is who has made the earth a cradle for you, and has made roads [and channels] for you in order that you may find guidance” (43:10).92
- * “It is We who portion out between them [people] their livelihood in the life of this world; and We raise some of them above others in ranks, so that some may command [or utilize] work from others. But the mercy of your Lord is better than the [wealth] they amass” (43:32).94
- * “The believers are indeed brethren to one another [constituting one brotherhood]: This Ummah of yours is one Ummah and I am your Lord. Therefore, serve Me” (49:10).46 52
- * “O people! We have created [all of] you out of a male and female, and We have made you into different nations and tribes so that you might come to know one another; [otherwise] the noblest of you in the sight of God is the one most possessed of God-consciousness (*taqwa*)” (49:13).46
- * “[The God-conscious would assign] in their wealth and possessions a due share for such as might ask and for such who was deprived [or who for some reason was prevented from asking]” (51:19).192
- * “I [God] have not created jinn and humans but to serve Me” (51:56). .3
- * “man can have nothing but what he strives for” (53:39).94
- * “See the fire which you kindle” (56-71).93
- * “Believe in God and His Messenger, and spend on others out of that of which He has made you trustees, for: those of you who have attained to faith and who spend freely [in social/God’s causes] shall have a great reward” (57:7).177
- * “lead you out of deep darkness into the light” and that “God is the most compassionate towards you, a dispenser of Grace” (57:9).177
- * “And why should you spend freely in the cause of God, seeing that God’s [alone] is the heritage of the heavens and the earth?” (57:10).177
- * “Whatever [means of income] God has bestowed on His Apostle . . . [all of it] belongs to God and the Apostle [the Islamic state], and the near of kin, and the orphans and the needy and the wayfarer, so that it

- should not become a benefit circulating among those of you as may [already] be rich.” (59:7).139 170
- * “God forbids you not with regard to those who fight you not for [your] faith nor drive you out of your homes [or homelands], from dealing kindly and justly with them: for, verily, God loves those who act equitably [or are just]. God only forbids you to turn in friendship towards such as fight you because of [your] faith, and drive you out of your homes [or homelands], or aid [others] in driving you forth. It is such as turn to them [in these circumstances] that do wrong” (60:8-9). . . .54
 - * “And when the prayer is ended, disperse freely on earth [for wordly pursuits] and seek the bounty of God but remember God often, so that you may attain to a happy state [or prosper]” (62:10).94
 - * “[It is] He who has created death and life, that He may try which of you is best in deeds” (67:2).3
 - * “He it is who has made the earth easy [or manageable] to live upon: Go about, then, in all its regions and partake of the sustenance which He provides, but [always bear in mind that] unto Him you shall be returned” (67:15).93
 - * “Say: what do you think? If all of a sudden your water were to varish underground, who [but God] could provide you with clean flowing water?” (67:30).93
 - * “In their wealth there is a definite right of the indigent and the deprived” (70:25).85
 - * “give *zakah*, and [thus] lend unto God a goodly loan: for whatever good deed you may offer up in your own behalf, you shall truly find it with God—yes, better and richer in reward” (73:20).168
 - * “Made the day as a means of subsistence [for you]” (78:11).92
 - * Have we not give him two eyes, and a tongue, and a pair of lips, and shown him the two highways [of good and evil]? But he would not try to ascend the steep uphill road . . . And what could make you conceive what it is, that steep uphill road? {It is} the freeing of a human being from bondage, or the feeding, upon a day of [one’s own] hunger, of an orphan, near of kin or of a needy [stranger] lying in the dust. Then he will be of those who believe, and enjoin patience in adversity, and enjoin deeds of kindness and compassion. Such are they have attained to righteousness [lit. people of the right side] (90:8:18)56 101
 - * Consider the human self, and how it is formed in accordance with what it is meant to be, and how it is imbued with moral failings as well as with consciousness of God. To a happy state [or success] shall indeed

attain he who causes this [self] to grow in purity, and truly lost is he who buries it [in darkness or corrupts it] (91:7-10).56

- * Verily [O men], you aim at most divergent ends! Thus, as for him who gives [to others] and is conscious of God, and believes in the truth of the ultimate good [or the moral imperative]—to him shall We make easy the path towards [ultimate] ease. But as for him who is niggardly, and thinks that he is self-sufficient, and calls the ultimate good [or the moral imperative] a lie—for him shall We make easy the path towards hardship: and what will his wealth avail him when he goes down [to his grave]? (92:4-11).56
- * Verily, We create man in the best conformation [or mold], and thereafter We reduce him to the lowest of the low [as a consequence of his betrayal of his original, positive disposition and his doings and omissions]—excepting only such as believe and do righteous deeds: and theirs shall be a reward unending (95:4).56
- * “Have you considered the denier of all religion (*din*)? It is he who pushes away the orphan, who does not enjoin the feeding of the poor. So woe to the worshippers who are neglectful of their prayer, those who [want but] to be seen [of men]; but deny all assistance [to their fellowmen]” (107:1-7).20 57

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- * “I am but a human being. Only when I order you to do something regarding your religious duties will you have to abide by it. But if I issue an instruction upon my personal opinion, then it is a mere guess and I am only a human being. Rather, you may know better your worldly affairs.”28
- * “A wise counsel is the lost property of the believer, wherever he finds it, he has greater right to it.”35
- * “We are all children of Adam and Adam was of dust.”46
- * “By God, you must enjoin right and prohibit wrong, and you must stay the hand of the wrongdoer, bend him a conformity and force him to do justice—or else, God will set the hearts of you all against one another;” and “A community in the midst of which sins [or injustices] are being committed, which could be but are not corrected, is most likely to be encompassed in its entirety by God’s punishment.”50
- * “If any of you sees something evil [or abominable], he should set it right by his hand; if he is unable to do so, then by his tongue; and if he is unable to do even that, then he should [abhor it] within his heart—but this is the weakest form of faith.”51
- * “Help your brother, whether he is an oppressor or he is an oppressed one.” The people said that it was understandable to help the oppressed one but questioned how was one to be helped if he himself was the source of injustice (*zulm*). The Prophet replied: “By preventing him from oppressing others [or doing injustice to others].”51
- * “You will recognize the believers by their mutual compassion, love and sympathy. They are like one body: if any one of its parts is ill, the whole body suffers from sleeplessness and fever;” “The faithful are to one

another like the bricks of a building—each part strengthening [or re-enforcing] the others;” “A Muslim is the one who avoids harming Muslims with his tongue or hands;” and “No one of you will have a faith till he wishes for his [Muslim] brother what he likes for himself.” .53

- * “Whosoever fulfills the needs of his brother, God will fulfill his needs; whoever brought his brother out of a discomfort, God will bring him out of the discomforts of the Day of Resurrection.”53
- * “Those who commit an act of aggression against a member of the non-Muslims, who usurp his rights, who make any demand upon him which is beyond his capacity to fulfill, or who forcibly obtain anything from him against his wishes, I will be his [i.e., the oppressed’s] advocate on the Day of Judgment.” He further said: “He who harms a non-Muslim harms me, and he who harms me, harms God.”.55
- * “Striving after knowledge is a religious duty of all Muslims.” ...63
- * “The Imam [or the government] is a guardian of his people and responsible for them [i.e., their welfare]”72
- * “The head of the state is the guardian of him who has nobody to support him.”72
- * “No obedience is due in sinful matters; behold, obedience is due only in the way of righteousness” and “No obedience is due to him who does not obey God.”73
- * “The highest kind of self-exertion (jihad) is to speak the truth in the face of a government that deviates from the right path.”73
- * “If any of you sees something wrong (*munkar*), he should correct it by hand; if he is unable to do so, then by his tongue; and if he is unable to do even that, then within his heart—this is the weakest form of faith.”73
- * “The difference of opinions among the learned of my community are [a sign of] God’s grace.”75
- * “there is indeed a *haqq* (right of society/state) on property apart from *zakah*” and “[wealth] shall be taken from the rich among them and turned over to the poor among them.”77
- * “Poverty may sometimes lead to *kufr* (denial of God’s teachings) .86
- * “It is better for anyone of you to take a rope and cut the wood [from the forest] and carry it over his back and sell it [as a means of earning his living] rather than to ask a person for something and that person may give him or not.”95

- * “Charity is *ḥalāl* (permitted) neither for the rich nor for the able-bodied.” 95
- * “Striving after knowledge is a sacred obligation for every Muslim.” . 97
- * “There is none among the Muslims who plants a tree or sows seeds and then a bird or a person or an animal eats from it, but is regarded as a rewardable *sadaqah* (or a charitable deed) for him.” 97
- * “Human beings are all God’s family, therefore, the most beloved of people in the eyes of God are those who do good to His family.” 98
- * “Your employees are your brethren upon whom God has given you authority. So if one has one’s brother under his control, one should feed them with the like of what one eats and clothe them with the like of what one wears. You should not overburden them with what they cannot bear, and if you do so, help them [in their job].” 99
- * “one who employs a laborer and takes full work from him but does not pay him for his labor.” 99
- * “Whosoever gets an office in our administration he may marry if he is unmarried; he may get a house if he does not possess it; he may keep a servant if he does not have one. But if anyone hoards wealth [with government funds], God shall make him rise up as the one who misappropriates or who cheats us.” 100
- * “The leader [or government] who has authority over people is a guardian and responsible for them.” 101
- * “The *ḥalāl* is that which God has made lawful in His Book and the *ḥarām* is that which He has forbidden, and that concerning which he is silent He has permitted as a favor.” 106
- * “The zealots will perish” (repeated three times). 107
- * “If anyone withholds goods until the price rises, he is a sinner,” and “He who brings the goods to the market is blessed with bounty but he who withholds them is cursed [by God].” 110
- * “The seller and the buyer have the right to keep or return the goods so long as they have parted or till they part; and if both the parties spoke the truth and described the defects and quality [of the goods], then they would be blessed in their transaction, and if they told lies or hid something, then the blessings of their transaction would be lost.” 111
- * “It is not permissible to sell an article without making everything [about it] clear, nor is it permissible for anyone who knows [bout its defects] to refrain from mentioning them.” 111

- * “Whoever pays in advance the price of a thing to be delivered later should pay it for a specified measure or specified weight for a specified period.”112
- * “If God spoiled the fruits, what right would one have to take the money [or property] of one’s brother?”112
- * “O God, I seek refuge with you from all sins and from being in debt.” When he was asked why, he replied that “One who is in debt tells lies and breaks promises.”113
- * “The upper hand is better than the lower hand, [i.e., one who gives in charity or spends for social welfare is better than the recipient].” ..114
- * “Muslims [or people] are partners in grass [pastures], water and fire [forests].”136
- * “The original rights of ownership in land are God’s and His Prophet’s [i.e., the Islamic State’s] and then to you [the people]. But whoever revives [state-owned] dead land has the right of ownership to it.” ..136
- * “the head of state is the guardian of one who has no guardian.” ..140
- * “Everyone of you is a guardian, and responsible for what is in his custody. The ruler (imam) is a guardian of his subjects and responsible for them; a husband is a guardian of his family and is responsible for it; a lady is a guardian of her husband’s house and is responsible for it; and an employee is a guardian of his employer’s property and is responsible for it. So all of you are guardians and responsible for your wards and things under your care.” This clear demonstration of responsibilities gave strength to the emerging Islamic culture and direction to state policy.146
- * “Every man is a guardian of his family and is responsible for it.”154
- * “To strive to earn a livelihood through the right means is an obligation after the duty of prayer” and “Bread earned by one’s own labor [or effort] is the best of all earnings.”154
- * “Keep some of your property to yourself for it is advisable unto you.”155
- * “That you leave your dependents well off is better than leaving them poor looking up to the mercy of others. Every expenditure you incur on your dependents is a *sadaqah* (charitable expenditure and therefore meritorious).”155
- * “We have bestowed property to be used to establish prayers and *zakah*.”156
- * “He is not a faithful who eats his fill while his neighbor [or fellow man] remains hungry by his side.”156

- * “Human beings are all the dependents of God, [therefore] the most beloved in the sight of God are those who do good are kind to His dependents.”156
- * “Only two [kinds of men] may rightly be envied: a man whom God has given wealth and thereupon endowed him with the strength to give it away in the cause of justice; and a man whom God has given wisdom and who acts in its spirit and imparts it [to others].”158
- * “they would collect all their remaining food in one sheet and then distribute it among themselves equally by measuring with a bowl. So, these people are from one, and I am from them.”161
- * “The food of one is enough for two, the food of two for four, and the food of four enough for eight.”161
- * “If anyone has land, he should cultivate it [himself] or lend it to his brother [free].”163
- * “Tell me why, if God withholds the fruit [or produce], any of you should take his brother’s property.”164
- * “He who cultivates land that does not belong to anybody is more rightful [to own it].”164
- * “If anyone has land, he should cultivate it himself or lend it to his brother for cultivation, or otherwise release it from his ownership.” ...164
- * “God has made it obligatory on them [the Muslims] to pay the *zakah* which will be taken from the rich among them and given to the poor among them.”168
- * “There is indeed a duty (*haqq*) on property apart from *zakah*.” ..168
- * “not to take the best property of the people as *zakah*.”186
- * “The *miskin* [needy] is not the one who goes around and asks people for a mouthful or two [of meals] or a date or two, but the *miskin* is that [individual] who has not enough [money] to satisfy his needs and whose condition is not known to others that others may give him something in charity, and who does not beg [or ask] of people.”191
- * “poverty may sometimes lead to unbelief.”192
- * “I am more rightful than other believers to be the guardian of the believers, so if a Muslim dies while in debt, I am responsible for the repayment of his debt, and whosoever leaves wealth [after his death] it will belong to his heirs.”194
- * “It is better for you to leave your heirs wealthy than to leave them poor asking others [for assistance].”203

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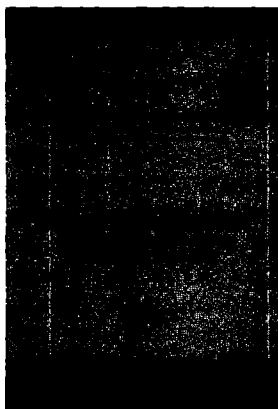
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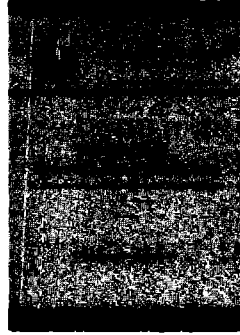
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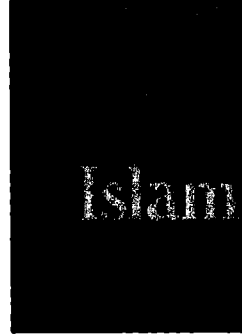
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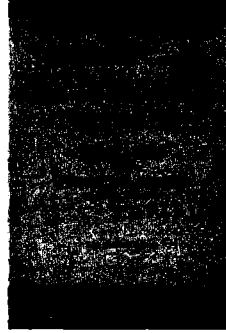
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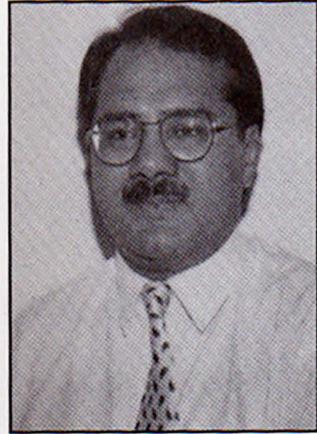
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ABOUT THIS BOOK

Allāh (SWT) calls the Qur'an "guidance for mankind" and consequently it is established as the primary source of value and ethics and as the comprehensive criteria for man's nature-remolding and society-building activities. The Qur'an not only establishes what the human has to believe in but also tells him/her what to do with his/her life, and also how and why. For Muslims, the Qur'an and its ancillary, the Prophet Muhammad's Sunnah, are the sources of all that is ideal, ethical and meaningful.

In this book Dr. Irfan Ul Haq examines the primary sources of Islam to extract and formalize from them the Islamic economic doctrines as well as the sociopolitical framework which guides the development of society. In particular, emphasis is placed on the problems of poverty, unemployment and lack of human resource development. What the study suggests is that if Islam is properly studied through an idealistic-rational integrated methodology and understood in its spirit and purposes, it reveals a core set of permanent values and principles that form the fixed dimension of Islam which then are applicable to virtually all human situations of society, polity and economy in all space-and-time. It is this in-built dynamism of Islam, demonstrated here with historical examples, that is utilized in approaching and providing solutions to contemporary economic problems and issues.

Written for students of social science and economics and students of Islam. *Economic Doctrines of Islam* nevertheless addresses itself to all such individuals who are interested in seeking divine guidance in the realm of ethical social and economic development of human societies at large.

