

Lesson 30: Islamic Economic System (1)

1. The Middle Path

Islam is a complete way of life. It is not only concerned with the spiritual upliftment of human beings, it is equally concerned about their material and physical wellbeing. Islam guides its followers in financial and economic matters, in social and political affairs, and also in moral and personal spheres of human life.

In this lesson, I will briefly describe the economic system. However, one must always remember that the Islamic economic system is not in itself complete; it is a part of the overall system of life. Islam is a compact system of life in which all its aspects (religious, ideological, social, political and ethical) are well synchronized. Muslims will succeed only if they put the whole system into work, and not just choose and pick from it according to their likes and dislikes.

Anyhow, for this lesson, the simplest way to describe the Islamic economic system is by highlighting its differences with capitalism and communism.

Capitalism is an economic doctrine based on the idea of private ownership of the means of production and distribution. It is a system in which the capitalist is given a free hand; and government does not regulate anything for the benefit of the workers. For example, there is no minimum or fair wage. Everything is left on the principle of supply and demand. The rich get richer and the poor get poorer. Poverty is equated to idleness; personal shortcomings are considered the chief cause of poverty. Hence, in its ideal system, capitalism has no room for compassion and benevolence towards the poor and the needy.¹

A similar mentality also existed among some aristocrats of Mecca. The Qur'ān says,

“When it is said to them, ‘Give charity from what God has given to you,’ the unbelievers say to the believers, ‘Should we feed the person whom God, if He wished, could feed?’” (36:47)

It was to remedy this situation that some thinkers of the West promoted the ideas of communism. The

economic doctrine of communism is based on the idea of centralized public ownership of the means of production and distribution. The communists went to the other extreme and completely denied the concept of private ownership. Communism was a reaction to the vices of capitalism; but a reaction which tried to completely suppress a concept ingrained in us by nature, that is, private ownership. Naturally, as soon as the masses were given political freedom, they rebelled against communism. The collapse of this system in Soviet Union and Eastern Europe is a living testimony to this fact.

Although communism has failed, it had quite an impact on the economic policies of many countries. Quite a few Western capitalist countries, to prevent the spread of communism, modified their economic system and created what is now known as welfare states. A welfare state allows provisions to prevent exploitation of the workers and to provide for the basic needs of each citizen.

Islam is “a straight path;” and naturally, its economic system is based on very balanced standards. Islam, in contrary to communism, recognises the concept of private ownership. But, in contrary to capitalism, Islam has limited the means of acquiring wealth to prevent the excessive accumulation of wealth in a minor quarter of the society.

The Islamic economic system is based upon the belief that only Allah is the real and actual owner of everything. But God has also implanted the concept of ownership in our nature; and thus, we are allowed to “own” the wealth of this world. The Qurʾān says, **“Whatever is in the heavens and the earth belongs to Allah.” (2:284)** Allah is the owner of the whole universe. It is in this capacity that He has allowed us to own the blessings of this world by saying, **“He has created for you whatever that is in the earth.” (2:29)**

However, Islam also wants to prevent the excessive accumulation of wealth in the hands of a few people so the society may not fall into two classes: one is overstuffing, while the other is starving. The chance of such a situation is very real. A look at one of the richest nation in the world, the United States of America, and its problem of the poor, hungry and homeless people will bear us out. The Qurʾān justifies the concept of tax by saying, **“...so that (the wealth) may not become a monopoly of the rich among you.” (59:7)**

In the early period of the Islamic history, such a situation actually occurred. When `Uthmān bin `Affān became caliph, he handled the public wealth in such a manner that within a short time, his tribe, the Umayyads, became the richest people in the Muslim empire. Imam `Ali bin Abi Tālib, in a famous sermon, explains the reasons why he was reluctant to accept the caliphate after `Uthmān's murder. The Imam says, “Had it not been for the pledge of Allah with the learned people that they should not be indifferent to the gluttony of the oppressor and the hunger of the oppressed, I would have cast the rein of caliphate on its shoulders...”² Top in the list of priorities of Imam `Ali's caliphate was the re-establishment of social justice in the Muslim community. And it this same agenda which created strong opposition to `Ali among those who were used to special privileges during the previous caliphate.

Islam does not only teach equality of the Muslims in the eyes of Allah, but it also promotes equality in economic sphere. However, “equality” in Islam does not mean “similarity”. Islam aims to elevate all its followers to the level of *ghina*—being free from want. It is this equality which Islam strives for in its economic system.

2. The Economic Equality

To bring about this equality in the economic condition of the people, Islam has introduced various methods. An important method is the transferring of the excess wealth from the fortunate sector of the society to its less fortunate members. This is done on two different levels: on an individual level and on a collective level.

On Individual Level:

Economic equality is pursued through the moral and ethical teachings of charity. In Arabic, this is known as *sadaqa* and *infāq*. There are many verses in the Qur'ān which command the Muslims to help others voluntarily. There are more verses dealing with voluntary charity than the obligatory dues. Every one is morally obliged to help others according to his or her own means and resources.

First level of charity:

They ask you (O Muhammad) as to what they should spend (in way of charity). Say, “Whatever can be spared (from your wealth after your own expenses).” (2:219)

Second level of charity:

...The pious (are) those who...spend (in charity) from whatever We have given to them. (2:3)

Third level of charity:

The pious people (are) those who spend (benevolently) in good and bad days. (3:134)

In all these levels, one must remember to follow the path of moderation:

neither keep your hand shackled to your neck (out of greed), nor outspread it completely open—otherwise you will sit reproached and denuded. (17:29)

Someone asked Imam Ja`far as-Sādiq about a group of people who are prosperous while their Muslim brothers are in severe need. Is it right for the rich people to eat and drink satisfactorily while their brothers are hungry, especially during the difficult days? The Imam said, “Surely a Muslim is brother of a Muslim; he does not oppress his brother, neither abandons him nor deprives him. The Muslims are obliged to work hard for their brother, to relate to him, to help him, and to be charitable towards the needy people.”^{[3](#)}

On Collective Level:

Economic equality is guaranteed through the obligatory taxes on the excess wealth of every Muslim. In an ideal Islamic society, the Islamic government is responsible for enforcing the laws of Islamic taxes like khums, zakāt, fitrah, khirāj, etc. For example, while explaining the role of an Imam in his capacity as a leader, Imam Musa al-Kādhim says, “The Imam is the heir of a person who has no heir, and he is the provider of a person who has no provider.”⁴

This economic security is to be extended to all the subjects of an Islamic state, even if they are non-Muslims. Once Imam ‘Ali passed by an old man who was begging on the side of the road. The Imam asked, “What is this?” The people said, “O Amaru ‘l-mu‘minīn, he is a Christian.” The Imam said, “You have used him until he became old and is unable (to work any longer), and then you have deprived him (of his basic needs)!! Provide for him from the public treasury.”⁵

In short, Islam aims at eliminating the “need” (*ḥajāt*), and elevating the needy people to the level of being “free from want” (*ghani*).

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This lesson is entirely based on

Khums: An Islamic Tax (Third Edition, 1992) of Sayyid M. Rizvi

Question Paper on Lesson 30

Question 1: [20 points]

True or False:

- (a) Muslims are allowed to pick and choose from the Islamic system according to their likes and dislikes.
- (b) The Islamic economic system is not the same as capitalism.
- (c) Allah is the real owner of everything that exists.
- (d) Imam ‘Ali accepted the caliphate to maintain the social and economic status quo.
- (e) Islam is not concerned about the economic aspects of the Muslim society.
- (f) According to the Qur’ān, the Muslims said, “Should we feed the person whom God, if He wished, could feed?”
- (g) In the Islamic economic system, “equality” does not mean “similarity”.
- (h) Khums, zakāt, and fitra are Islamic taxes.
- (i) Infāq and nifāq means the same thing.

(j) The security provided by the Islamic economic system is restricted to Muslim citizens only.

Question 2: [15 points]

Briefly compare the Islamic economic system with capitalism.

Question 3: [15 points]

Explain the concept of economic equality in Islam.

1. A prominent example in our time of such thinking was U. S. President Ronald Reagan. Patti Davis, Reagan's daughter, blamed her father's policies for fostering homelessness in the United States; she ridiculed her father's anecdotes about "welfare cheats" and his view that people are "homeless by choice." (See Globe & Mail, September 21, 1990.)

2. Sayyid ar-Razi, Nahju 'l-Balaghah, sermon No. 3.

3. Hasan b. Hasan al-Hurr al-'Amili, Was'ilu 'sh-Shah, vol. 11 (Beirut: Dār Ihyā'ī 't-Turāthi 'l-'Arabi, 1391 AH) p. 597.

4. Muhammad b. Ya'qūb al-Kulayni, al-Usūlu 'l-Kafi, vol. 1 (Tehran: Dār al-Kutubi 'l-Islāmiyya, 1388 AH) p. 542.

5. Al-'Amili, Was'il, vol. 11, p. 49.

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