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Economics Principles of Islam

Islam has laid down some principles and prescribed certain limits for the economic activity of man so that the entire pattern of production, exchange and distribution of wealth may conform to the Islamic standard of justice and equity. Islam does not concern itself with time-bound methods and techniques of economic production or with the details of the pattern and mechanisms and equity. Islam does not concern itself with time- bound methods and techniques of economic production or with the details of the organizational pattern and mechanisms. Such methods are specific for every age and are evolved in accordance with the needs and requirements of community and exigencies of the economic situation. What Islam aims, is that whatever be the form or mechanism of economic activity, the principles prescribed by it should find a permanent and paramount place in such activities under all circumstances and in all ages.

According to the Islamic point of view, God has created for mankind the earth and all that it contains. It is, therefore, the birthright of every human being to try and secure his share out of the world. All men enjoy this right equally and none can be deprived of it. Nor should one man get precedence over another. From the standpoint of Islam, there can be no bar on any individual, race, or class for taking to certain means of livelihood or adopting certain professions. All are entitled to equal opportunities in the economic realm. Similarly, no distinction is valid in Islam which would result in creating a monopoly of a particular means of livelihood for a particular person, class, race or group of people. It is the right of all men to strive and get their share of the means of sustenance provided by God on the earth. Islam ensures that this effort should be made in the context of equal opportunities and fair chances for all.

Right of Property

Resources which are provided by nature free of cost and which can be use directly by man may be utilized freely and everyone is entitled to benefit from them to the extent of his needs. Water flowing in the rivers and springs, woods in the forest trees, fruits of wild plants, wild grass and fodder, air, animals of the jungle, minerals under the surface of the earth and similar other resources cannot be monopolized by anyone. Nor can a restriction of any sort be imposed on their free use by God's creatures to fulfill their own needs. Of course, people who many want to use of these things for commercial purposes can

be required to pay taxes to the state. Or if there is a misuse of the resources, the Government may step in and set the things right. But there is no bar on the individuals to avail of God's earth as long as they do not interfere with the rights of others or of the state.

Anyone who takes possession of the natural resources directly and renders it of value acquires a rightful title over it. For instance, if somebody takes possession of an uncultivated piece of land, on which nobody has a prior right of ownership, and makes a productive use of it he cannot be arbitrarily dispossessed of that piece of land. This is how rights of ownership originated in the world. When man appeared for the first time in the world and population grew, everything was available to everyone. And whoever took possession of anything and made it useful in any manner became its owner; that is to say, he acquired the right of using it especially for his own purpose and obtaining compensation from others if they wanted to use it. This is the natural basis of all the economic activities of mankind and must not be tampered with. This right of ownership which one may acquire by permissible legal means is to be honored under all circumstances. The legality of ownership can be inquired thoroughly by the competent authority through legal means to determine its validity in accordance with the Shari'ah law. If, it be found to be illegally acquired, such ownership be annulled and be terminated accordingly.

However, in no case, shall there be allowed any state or legislation to arbitrarily divest the people of their legitimate rights of ownership without justifiable cause. Islam cannot approve of an economic policy which destroys the rights conferred by the Shari'ah how– ever attractive its name may be and whatever welfare pre– tensions it may make. Social justice and collective good are very dear to Islam, but not at the cost of rights given by the Shari'ah.

It is as unjust to reduce or remove the restrictions placed by the Shari'ah on the rights of individual ownership for the sake of collective good of the community as it is to add such restrictions and limitations which do not fit into the scheme of the Islamic law. It is one of the duties of an Islamic state to protect the legal (Shari'ah) rights of the individuals and to ensure that they fulfill their obligations to the community as enjoined by law. That is how Islam strikes a balance between individualism and collectivism.

The Problem of Equality

If we observe the phenomena of nature and God's blessings unto mankind we find that He has not observed equality in the distribution of His bounties and favors but in His infinite wisdom has accorded precedence to some individuals over others. Beauty of form, pleasantness of voice, excellence of physique and mental talents, etc, have not been granted to men in equal degree. The same is the case with the material means of life. Human nature has been so ordained that divergence, variety and inequality among men in their modes and standards of living seem to be most natural thing. Variety is the spice of life and the driving spirit behind human effort and excellence. Consequently, all those schemes and ideologies which are forced to mankind are unrealistic and impossible to achieve. The equality in which Islam believes is equality in respect of the opportunities of struggle for securing a

livelihood and for climbing the uppermost rung of the ladder of well-being and prosperity.

Islam desires that no legal, functional or traditional handicaps should exist in society, to prevent an individual from struggling for a living according to his capacity and talent nor should any social distinctions subsist with the object of safeguarding the privileges of a particular class, race and dynasty or group of people. And those schemes and ideologies which serve the vested interests or which want to perpetrate the hold of a certain group are repugnant to Islam and can have no place in its scheme of things.

Such movements seek to establish, through force and resort to artificial means, an unnatural inequality in place of the natural limited inequality which feeds the springs of incentive to effort in a society. Hence, Islam aims at wiping them out and putting the economic system on the natural footing so that the opportunities of struggle may remain open to all. At the same time Islam does not agree with those who desire to enforce complete equality in respect of the mean of production and the fruits of economic endeavor, as they aim at replacing, limited natural inequalities by an artificial equality.

Only that system can be the nearest to human nature in which everyone joins the economic struggle at the start and in the circumstances in which God has created him. He, who has inherited an airplane, should struggle to be equipped with it; while he who has only a pair of legs should stand on his feet and try to move ahead.

The laws of society should neither establish a permanent monopoly of the airplane owner over his airplane nor make it impossible for the bare–footed to acquire an airplane nor such that the race for every one of them should compulsory begin from one point. And under the same conditions and they should all per force be tied to each other right till the end of the race. Contrary to this the economic laws should be such as to make it possible for the bare–footed who started his race under adverse conditions, to secure and possess an airplane if he can do so by dint of his struggle and ability. And for him who inherited the airplane, to be left behind in the race and be without it if that is due to his own inability or incapacity or inefficiency. Effort should be paid and inactivity penalized.

Social Justice

Islam does not wish that this economic race takes place in an atmosphere of cold impartiality, moral neutrality and social apathy. It deems it desirable that the participants in the economic race should be considerate and sympathetic to one another. On the one hand, Islam through its moral injunctions aims at creating a feeling of mutual love and affection among the people. Under which they may help their weak and weary brethren and at the same time create a permanent institution in the society to guarantee help and assistance to those who are lacking in the necessary means of subsistence. People who are unable to take part in the economic race should secure their share from this social institution. And those who need some assistance commence their struggle in the economic field may also receive it in full measure from this institution.

To this end, Islam has commanded that Zakat should be levied at the rate of 2.5% per annum on the total accumulated wealth of the country as well as on the invested capital. On agricultural produce 10% are levied on lands which are irrigated by natural means (through rains) and 5% on irrigation's which require man's efforts. And 2.5% is required on mineral products. The annual Zakat should also be levied at a specified rate, on the herds of cattle owned by anyone beyond a certain minimum number.

The amount of Zakat thus collected is to be spent on giving assistance to the poor, the orphans and the indigent, etc. This provides a men's of social insurance in the presence of which no one in an Islamic society can ever remain without being well provided with the necessities of life. No worker can ever be forced through fear of star to accept any conditions of employment which may be dictated to him by the industrialist or the landlord to his disadvantage. And nobody's physical health can ever be allowed to fail below the minimum standard of fitness for lake of proper medical care and hospitalization.

With regards to the position of the individual, vis-vis the community, Islam aims at striking such a balance between them as it would promote the individual liberty of a person and at the same time ensure that such freedom is not detrimental to the interests of the community as a whole. But it is positively conducive to its growth and tranquility. Islam does not approve of a political or economic organization which aims at merging the identity of the individual into that of the community and depriving him of the freedom essential for a proper development of his personality and talent.

The inevitable consequence of nationalizing all the means of production in a country is the annihilation of the individual by the community, and in these circumstances the existence and development of his individuality becomes extremely difficult, if not impossible. Just as political and social freedom is essential for the individual, economic freedom is likewise indispensable for civilized moral existence. Unless we desire to completely eliminate the individuality of man, our social life should have enough margins for an individual to be free to earn his living, to maintain the freedom of his conscience, and to be able to develop his moral and intellectual faculties according to his own inclinations and aptitudes.

Living on a dole or virtual dole at the hands of others cannot be very satisfying. Even though it is plentiful because the retardation of mental, moral and spiritual development to which it ultimately leads can never be compensated or counter– balanced by mere physical welfare and prosperity which too are doubtful.

Just as Islam does not like such a system, it also does not favor a social system which gives unbridled economic and social freedom to individuals and gives them a blank check to secure their individual interest and achieve their objective even at the whole or by exploiting and misappropriating the wealth of others.

Between these two extremes Islam has adopted the middle course according to which the individual is first called upon, in the interest of the community, to accept certain restricts, and is then left free to regulate his own affairs. He has freedom of enterprise and competition within a framework which guarantees the good of both the individual and the society. It is not possible to explain all these

obligations and restrictions in detail and I shall, therefore, content myself with presenting a bare outline of them.

Obligations and Restrictions

Take the case of earning a livelihood first. The meticulous care with which Islam has distinguished between right and wrong in respect of the means of earning wealth is not to be found in any other legal and social system existing in the world.

It condemns as illegal all those means of livelihood which injure, morally or materially, the interests of another individual or of the society as a whole. Islamic law categorically rejects as illegal the manufacture and sale of liquor and other intoxication, adultery, professional dancing and obscenity, gambling, speculation, race and lotteries, transactions of speculative, imaginary, fraudulent or controversial nature; business transactions in which the gain of one party is absolutely guaranteed and assured while that of the other party is left uncertain and doubtful; price manipulation by withholding the sale of necessities of life; and many other similar transactions which are detrimental to the interests of community.

If we examine this aspect of the economic laws of Islam, we will find a long list of practices declared illegal most of which can and are making people millionaires in the capitalistic system. Islam forbids all these unfair means and allows freedom of earning wealth only by those means through which a person renders some real and useful service to the community and thereby entities himself to a fair and just compensation for it.

Islam accepts the rights of ownership of an individual the rights of ownership of an individual over the wealth earned by him by legitimate means but even these rights are not unqualified. A man can spend his legitimate wealth, only in legitimate avenues and by legitimate means. Islam has imposed restrictions on expenditure so that while one can lead a decent life, one cannot waste one's riches on luxurious pursuits. A person cannot transgress the prescribed limits of exhibiting his status and affluence and behave as super being vis–vis other persons. Certain forms of illegal and wasteful expenditure have been clearly and unequivocally prohibited while some others, though not expressly banned, may be prohibited at the discretion of the Islamic state.

One is permitted to accumulate wealth that is left over after meeting his legitimate and reasonable requirements, and these savings can also be used in producing more wealth but there are some restrictions on both of these activities. In the event of accumulation of wealth he will, of course, have to pay Zakat at the rate of 2.5% per annum on the accumulation exceeding the specified minimum. If he desires to invest it in business he can only do so in what is declared as legitimate business.

It is permissible for a man to undertake the legitimate business himself or to make his capital available to others on a profit-loss sharing basis. It is not at all objectionable in Islam if, working with in these, a man

becomes even a millionaire; rather, this will constitute a Divine favor. But in the interests of the community as a whole Islam imposes two conditions on the individual; first, that he should pay Zakat on his commercial goods and 'Ushr (1/10) (which has not required any man effort for irrigation) and 5% on irrigated produce which has required man'., efforts of the value of agricultural produce, secondly, that he should deal fairly and honestly with those whom he brings into his partnership in trade industry or agriculture, with those whom he takes in his employment and with the state and the community at large. If one doe: not do justice to others, particularly his employees, of his own accord, the Islamic state will compel him to do so.

Then again, even wealth that is accumulated within these legal limits is not allowed by Islam to be concentrated at a point or place for a long time. By virtue of its inheritance Islam spreads it over a large number of persons from generation to generation. In this respect, the spirit of Islamic law is different from that of other laws prevailing in the contemporary world. Most of the inheritance laws attempt to keep the wealth once accumulated by a person concentrated in the hands of the beneficiary from generation to generation.

As against this, Islam has made a law under which the wealth accumulated by a person in his lifetime is distributed among all of his near relatives soon after his death. If, there are no near relatives, then distant relatives are to benefit from it in the proportions laid down by the law for each one of them. And, if no distant relative is forthcoming, then the entire Muslim society is entitled to its inheritance. Under this law, the creation or continuance of any big family of capitalists or landlords becomes impossible.

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