

business than in government offices. The initiative, enterprise and risk-taking attitude cannot develop in secure government jobs.

ISLAMIC ECONOMIC SYSTEM

Islam is a complete code of life⁵ and perfect guidance in all human activities. In economic field, there are enough of Islamic teachings which form the basis of what we can call Islamic Economic System. This system is quite different from capitalism and socialism. Islam has its own peculiar approach to solution of various economic problems. Basic structure of Islamic economic system is found in the Holy Quran and Hadith.⁶

Islamic economic system is that part of Islamic way of life which relates to the economic activities of the people. Its essential elements are eternal as revealed by Allah (The God) in the Holy Quran and clarified and exemplified by Ahadith and Sunnah (Sayings and practice of The Prophet, PBUH). It has flexibility in details of economic institutions, formed in response to the needs of a particular period of human civilization.

FEATURES

Islamic Economic System has the following features.

1. **A Part of Overall Philosophy of Life** Islamic economic system is not an independent system like capitalism. It is a part of a *life system* which is called Islam. Its full benefits can be achieved when the society becomes Islamic in all respects. Thus, its successful introduction requires that we observe Islamic values in political and social fields also.

2. **Objectives** Islamic system has some clear objectives to achieve. These objectives are broader than those of socialism and capitalism. Moreover, *conscious efforts are made by the people in their individual capacity and by the state in this direction. The system is not automatic.* Its main objectives are:

(i) *General welfare of the people.* Islamic system has the concept of 'Falah' which includes the welfare in this world as well as welfare in the world hereafter. Islamic state is essentially a welfare state.

(ii) *Basic needs of the people should be met on priority basis:*

(iii) *All efforts should be made to establish social justice.*

(iv) *Exploitation of all kinds is to be eradicated.*

(v) *The economic and social life of the people will be organised in a peaceful, smooth and harmonious way. Conflict should be avoided.*

3. **Basic Values** All economic activities are based on certain moral values and economic problems are to be solved in the light of these values. The conduct of every

⁵ or a particular way of life.

⁶ Due to lack of political freedom, decay in social life and ignoring of research and education, the Islamic system is yet to be fully translated into modern economic terminology. But the work of the Muslim scholars over past 50 years is encouraging. Well-educated and enlightened Muslim thinkers have produced volumes of literature in different Islamic countries. It is hoped that with passage of time, a good model of Islamic economy under modern conditions will emerge.

5. **Economic Stability** Socialism brings economic stability. Unlike capitalism, where fluctuations in prices, incomes and employment level occur regularly in the form of a business cycle, economic conditions under socialism remain stable. There is no fear of over production, unemployment or inflation.

DEMERITS

1. **Loss of Economic Freedom** Everybody has a natural love for freedom of action. This is a strong objection against socialism that people have no freedom. They cannot set up a business of their choice. Jobs are allotted according to the scheme of the planning authority. A person may be unsatisfied with his job but can not easily shift to some other occupation. But freedom is such a charming thing that people like to accept a lower standard of living provided there is freedom.

2. **Loss of Consumer's Sovereignty** Under socialism, the quantities of various goods to be produced are decided by the central planning authority. Consumer's choice is given less preference. So the consumer loses freedom of choice. This fact decreases people's welfare and satisfaction. A person who likes brown shoes, if offered black ones, cannot feel satisfied.

3. **Lack of Incentives** Self-interest is a natural instinct which is a motive force in capitalism. A person puts his best efforts only if he feels that the fruits of his labour will come to him. But under socialism, people are expected to work for common cause and social welfare. So they do not find much interest in the job. The result is that their productivity is very low.

4. **Economic Equality Not Achieved** A basic slogan of socialism is economic equality. But experience has shown that socialism fails to bring equality. The difference between the rich and the poor continues and the goal of classless society is not achieved. Only new classes emerge. In place of conflict between capitalists and labourers, a new kind of conflict and inequality appears i.e. between powerful factory managers and workers or between bureaucrats and lower office workers.

5. **State too Powerful** There is too much concentration of power in state. And when absolute political and economic power is held by the state, individuals are reduced to cipher. Due to loss of personal liberty, there is degradation of human personality and his capabilities deteriorate. Under too many controls and limited opportunities, even a dynamic personality becomes a dull and routine worker.

6. **Maladjustment in Demand and Supply** Since no indicator exists in the form of price, the changes in demand and supply are not noticed in time. So there is chronic maladjustment in demand of commodities and their supply. The central planning authority tries to adjust supply to demand but due to fixed prices in the market, it is difficult to know what changes have taken place in consumers' preferences.

7. **Bureaucracy and Red Tapism** In all spheres, bureaucratic attitude is developed. Duties are performed as a routine. There is excessive bossism. Prompt decisions are not taken, so there is all round inefficiency. The civil servants are actually unsuitable for business decisions. The condition and considerations are quite different in

Muslim consumer, producer or a person in any other capacity must conform to these universal values of Islam.

(a) *Halal & Haram* There are two kinds of activities -- Halal and Haram. Halal activities are those which are desirable and have been permitted by Islam. Haram activities are those which have been forbidden. They are harmful for the society. For example, production of wine, gambling, hoarding, adulteration, under-measuring etc. are not 'halal'.

(b) *Justice* It means that everybody must get his due. Rights of the people are to be protected through justice (even at the cost of annoyance of one's relatives).

(c) *Equality* Islam does not believe in complete economic equality. Some inequalities are bound to arise due to difference in capabilities of different human beings. Islam believes in social and human equality. In many respects, a slave is also equal to his master, e.g., he must be given the same food. Everybody has equal right as far as basic necessities of life are concerned.⁷

(d) *Cooperation* People must cooperate with others for common well-being. They should develop helpful attitude towards fellow beings.

(e) *Brotherhood* All Muslims must behave to each other as if they are brothers. They must share sorrows and happiness of other Muslims, rich or poor.

(f) *Moderation* Islam believes in moderation in all economic activities such as the use of resources, consumption of goods, work and leisure.

(g) *Benevolence* People are enjoined to treat others with benevolence. i.e. to make others pleased, they may sacrifice and give them more than their due right or share.

4. Right of Private Property and Concept of Ownership Islam allows the right of property. A person can earn wealth and get property through his own efforts or through inheritance. However, the concept of ownership in Islam is quite different from that in other systems. According to Islamic view, everything belongs to Allah. **Man is only a trustee and not the absolute owner of what he possesses.** He must not misuse this trust by using his property and resources against the teachings of Islam, e.g., A person can not use his house as a gambling den. Similarly a car owner, whose car gives excessive smoke, must be stopped to create trouble for the health of others. The property should not be used against public interest. Nobody can keep the property unused permanently. A land permanently kept uncultivated must be resumed by the state and distributed among farmers.

5. Circulation of Wealth and Equitable Distribution. Islam is against concentration of wealth in few hands and aims at its wider distribution. **The situation where some roll in millions while some starve is against the spirit of Islam.** There are many verses in the Holy Quran which stress the importance of circulation of wealth.

⁷ **Why This Difference?** Present system of VIPs and VVIPs must be reformed to bring about equality. After all, why an MPA should display his status on the roads through stickers on cars or get free tickets for a cricket match.

Islam teaches its followers that if they have surplus wealth and property, they should give it to other deserving persons such as orphans, destitutes, widows, poor neighbours and the disabled. Distribution of wealth is made equitable through Zakat and abolition of interest.

(a) **Zakat** In Islamic economic system, Zakat has a great role to play. **Zakat is the right of the poor in the wealth of the rich.** It is an effective means for transferring of a part of wealth from the rich to the poor. It cures many evils which arise in a society where there is concentration of wealth and great social inequality among people.

(b) **Prohibition of Interest** Islam is deadly against the institution of interest. Actually interest is the greatest means of economic exploitation. It supports a rich idle class on the labour of the poor. Interest is an unearned income and is the basis of many social evils.⁸

6. Role of Government An Islamic state is a welfare state. The government has the responsibility to establish such a state. It has not only to maintain law and order but also to **take all steps to create an atmosphere where everybody can earn a respectable living through lawful means.** The government has to eradicate social evils and malpractices such as corruption, nepotism, drugs, monopolies and black marketing. An Islamic state is expected to implement all such policies and plans which regulate economy and bring prosperity and progress for society.

7. No class conflict Islam creates a society where brotherhood, benevolence and cooperation prevail. Nobody is subjected to exploitation. Employers are bound to pay just and due wages to labour. Labourers have to perform their duties honestly. In a society where rich are duty-bound to help the poor, there can be no question of conflict between them. Because no legitimate occupation is looked down upon, as a wider concept of Islamic brotherhood is promoted.

8. Dignity of Labour Islam firmly believes in dignity of labour. No profession is to be degraded. **A labourer must be given due honour and be paid wages without delay.**

9. Fair Market Practices All transaction in markets and dealings should be fair and just. Malpractices such as hoarding, speculation; under weighing, adulteration, artificial monopoly are not to be allowed. Selling through deceit or misleading advertisements is not permitted.

10. Public and Private Sectors An Islamic economy is a kind of mixed economy. The relative importance of public and private sectors will vary according to circumstances. The government can undertake any productive activity and can nationalize any enterprise in the common interest.

⁸ Islam judges all economic and social activities on the criteria that whether these increase the collective welfare of society and whether everybody, rich or poor, is duly rewarded for his efforts. Honest human labour is more basic and respectable than hoards of wealth. So, by abolishing interest, Islam desires to compel all human beings to constantly and actively participate in economic activities throughout their lives. Interest, creates idle capitalist class at the cost of labour of workers.

11. **Equality of Opportunity** In Islamic economic system, steps will be taken to create equality of opportunity for all. Restrictions will be put on 'haves' and support will be provided to 'have nots' to narrow the gap between them. The government must spend huge amounts on public utilities, education, health and highways.

12. **Nature of freedom** Islam allows freedom in economic activities. But this freedom is not absolute and must be enjoyed within limits prescribed by Islam to protect the rights of others.

13. **Balance between Individual and State Roles.** Islam keeps a balance between individual and state roles. Neither individual freedom, desires and efforts are completely sacrificed for the state nor state is kept weak or ineffective so that it can not ensure social justice and implement policies for general welfare.

COMPARISON OF CAPITALISM, SOCIALISM & ISLAMIC ECONOMIC SYSTEM

The three economic systems, i.e., capitalism, socialism and Islamic system have different approaches to solve the economic problems of a society. These have been compared in the following lines.

1. **Distinguishing character** If we compare the three systems we find that they stress on different aspects in economic field.

- **Capitalism's** main stress is on **freedom** of action. There is freedom of enterprise, freedom of contract and freedom of using one's property. Consumers are also free to buy and consume anything. The role of state in economic matters is kept to the minimum. State undertakes only those activities which are impossible to perform individually.
- **Socialism** stresses on **equality**. It aims to control all means of production through state ownership. The resources are then used for collective benefit of the people. Inequalities of incomes and economic opportunities are reduced. The slogan of equality has been so much attractive during 20th century, that many countries went through socialist revolutions.
- **Islam's** basic theme in economic matters is **justice**. There should be social justice and everybody should get his due. Some economic inequality between rich and the poor may exist but social injustice or exploitation of the poor is not tolerated.

2. **Ownership and Use of Productive Resources** Under capitalism people have the right to own property and to use it as they like. They can purchase, sell, hire and transfer wealth and property to anybody. Owners of means of production can use them for their personal gain and earning profit. In socialism all means of production are owned by the state. People are employed in different capacities who earn wages. There is no question of earning of rent, interest or profit.

In Islamic economic system, private ownership of property and means of production is allowed. However, the nature of ownership is different from that under capitalism. A