Islamic economy in comparison with western economies

By

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Economy can be defined as the state of a country or region in terms of the production and consumption of goods and services and the supply of money. It can also be defined as the process or system by which goods and services are produced, sold, and bought in a country or region.

Most of the westerners do not realize that Islam has its own unique economic system. The Koran – the last divine revelation to humankind – brought to Muslims a pious code of life to live by, and an economic system through which they can deal financially with each other. With this divine economic system, Muslims ruled the world successfully for 1000 years. With the eclipse of Muslim caliphate, and the occupation of the Muslim land by the West, the Islamic economic system faded away and was replaced by the western economic systems. The economic western systems however, whether were communism, socialism or even capitalism although carrying within logic economic principles proved ineffective.

Capitalism, the major economic system adopted by most of the modern world today, is facing a major crisis. The American economy is not growing even half as quickly as it did in the 1990s. Japan has become the sick man of Asia, and Europe is sinking into a recession that has begun to slow down the German export machine and threatens prosperity.

Capitalism in the 21st century is a capitalism of uncertainty. Politicians and business leaders everywhere are now calling for new growth initiatives, but the governments' arsenals are empty. The billions spent on economic stimulus packages following the financial crisis have created mountains of debt in most industrialized countries and they now lack funds for new spending programs.

Central banks are also running out of ammunition. They have pushed interest rates close to zero and have spent hundreds of billions to buy government bonds. Yet the vast amounts of money they are pumping into the financial sector are not making its way into the economy.

Be it in Japan, Europe or the United States, companies are hardly investing in new machinery or factories anymore. Instead, prices are exploding on the global stock, real estate and bond markets - a dangerous boom driven by cheap money, not by sustainable growth.

Experts with the Bank for International Settlements have already identified "worrisome signs" of an impending crash in many areas. In addition to creating new risks, the West's crisis policy is also exacerbating conflicts in the industrialized nations themselves. While workers' wages are stagnating and traditional savings accounts are yielding almost nothing, the wealthier classes -- those that derive most of their income by allowing their money to work for them -- are profiting handsomely.

The middle class has also been negatively affected: For years, many average earners have seen their prosperity shrinking instead of growing. The gap between rich and poor is in fact getting wider and wider.

In this sense, the crisis of capitalism has turned into a crisis of democracy. Many feel that their countries are no longer being governed by parliaments and legislatures, but by bank lobbyists, which apply the logic of suicide bombers to secure their privileges; either they are rescued or they drag the entire sector to its death (1).

The international financial crisis began in 2007 and intensified throughout late 2008 and early 2009. The International Monetary Fund (“IMF”) has estimated that the crisis will give rise to losses in excesses of one trillion dollars. This crisis has now revealed just how vulnerable the Western financial services industry is due to its own greed and irresponsible fiscal policies. The collapse of revered financial institutions such as Lehman Brothers, the sales of financial services firms Merrill Lynch to Bank of America and First Boston to JP Morgan Chase, and the trillion dollar bailout package are just a few examples of how capitalism as a system, had gone bad, the likes of which have arguably not been seen since the Great Depression.

In the middle of the western global financial crisis, Islamic finance has become a dynamic, fast-growing global phenomenon. According to the IMF, there are over 300 Islamic financial institutions spread over 51 countries, plus well over 250 mutual funds that comply with Islamic principles. Moreover, Islamic banking has had growth rates of about 15 percent per annum over the past 10 years. Estimates are that the market should continue to grow considerably in the near future, given the amount of oil wealth in much of the Muslim world and a recent surge in demand for investment products developed according to the tenets of Sharia.

The booming of the Islamic economy in the midst of the worst global financial crisis motivated me to compare between the Islamic economics and those of the West.

Capitalism

As long ago as 1776, the Scottish philosopher Adam Smith set down many of the main principles of capitalism in his now classic book An "Inquiry into the Nature and Causes of the Wealth of Nations".

Capitalism is based on the Darwinian concept of survival of the fittest.

The capitalist economists came to the conclusion that in order to ensure that the needs of the people are met there must be supply of goods and services to satisfy the needs of the people. The thinking being that if production exists then the needs of the people can be fulfilled. They believed that production could be regulated by price. If a need exists within society then someone would enter the market to supply it, if he could make a profit. Therefore, a need of the people would be fulfilled. For example, people need shoes and they can afford to pay a certain price for shoes – the production would commence as long as the producer could produce at a profit. In this way, the capitalists believe that needs of society would be met as long as production regulated by price profit motive exists.

The approach of the capitalists towards fulfilling the needs of the people is then to try to ensure that the economy keeps growing and GDP keeps increasing and then in their view they have a successful economy. They therefore conclude that as long as growth in production occurs, they have discharged their economic duty and the economic needs of people in their society are being well looked after. The needs of individuals are not considered but the production is measured collectively.

Under capitalism, each individual or business works in its own interest and maximizes its own profit based on its decisions. A market economy is one where the allocation of resources and the trading of goods and services are through the decentralized decisions of many firms and households. Prices and the willingness of the market to pay those prices determine economic output, which, in turn, determines the allocation of resources.

The market system fosters competition that generally produces the most efficient allocation of resources. In pure capitalism, also known as laissez-faire capitalism, the government's role is restricted to providing and enforcing the rules of law by which the economy operates, but it does not interfere with the market. (Laissez-faire means "let it be.")

Under capitalism, the factors of production are privately owned; economic transactions take place in markets, where buyers and sellers interact; and businesses and employees are free to pursue their own self-interest.

Because consumers are free to buy what they want, the competition for their funds will require businesses to satisfy their needs, or else they will cease to exist due to lack of sales. This consumer sovereignty is what effects the efficient allocation of resources.

The main purpose of the government in regard to the economy is to promote free markets, keep inflation low and steady, protect the rights of private property, and to guarantee contracts.

Disadvantages of the capitalist system

In May 1949, Albert Einstein argued at length against capitalism and for socialism in Monthly Review:

“The economic anarchy of capitalist society as it exists today is, in my opinion, the real source of the evil. We see before us a huge community of producers the members of which are unceasingly striving to deprive each other of the fruits of their collective labour—not by force, but on the whole in faithful compliance with legally established rules. In this respect, it is important to realize that the means of production—that is to say, the entire productive capacity that is needed for producing consumer goods as well as additional capital goods—may legally be, and for the most part are, the private property of individuals.

“For the sake of simplicity, in the discussion that follows I shall call “workers” all those who do not share in the ownership of the means of production—although this does not quite correspond to the customary use of the term. The owner of the means of production is in a position to purchase the labour power of the worker. By using the means of production, the worker produces new goods, which become the property of the capitalist. The essential point about this process is the relation between what the worker produces and what he is paid, both measured in terms of real value. Insofar as the labour contract is “free,” what the worker receives is determined not by the real value of the goods he produces, but by his minimum needs and by the capitalists' requirements for labour power in relation to the number of workers competing for jobs. It is important to understand that even in theory the payment of the worker is not determined by the value of his product.

“Private capital tends to become concentrated in few hands, partly because of competition among the capitalists, and partly because technological development and the increasing division of labour encourage the formation of larger units of production at the expense of smaller ones. The result of these developments is an oligarchy of private capital, the enormous power of which cannot be effectively checked even by a democratically organized political society. This is true since the members of legislative bodies are selected by political parties, largely financed or otherwise influenced by private capitalists who, for all practical purposes, separate the electorate from the legislature. The consequence is that the representatives of the people do not in fact sufficiently protect the interests of the underprivileged sections of the population. Moreover, under existing conditions, private capitalists inevitably control, directly or indirectly, the main sources of information (press, radio, education). It is thus extremely difficult, and indeed in most cases quite impossible, for the individual citizen to come to objective conclusions and to make intelligent use of his political rights.

"…Technological progress frequently results in more unemployment rather than in an easing of the burden of work for all. The profit motive, in conjunction with competition among capitalists, is responsible for instability in the accumulation and utilization of capital, which leads to increasingly severe depressions. Unlimited competition leads to a huge waste of labour, and to that crippling of the social consciousness of individuals, which I mentioned before.

"This crippling of individuals I consider the worst evil of capitalism. Our whole educational system suffers from this evil. An exaggerated competitive attitude is inculcated into the student, who is trained to worship acquisitive success as a preparation for his future career.

"I am convinced there is only one way to eliminate these grave evils, namely through the establishment of a socialist economy, accompanied by an educational system which would be oriented toward social goals. In such an economy, the means of production are owned by society itself and are utilized in a planned fashion. A planned economy, which adjusts production to the needs of the community, would distribute the work to be done among all those able to work and would guarantee a livelihood to every man, woman, and child. The education of the individual, in addition to promoting his own innate abilities, would attempt to develop in him a sense of responsibility for his fellow men in place of the glorification of power and success in our present society." (2).

Does having growth in production secure the needs of every individual in society or does it restrict the profits to the people with wealth already? Does having a high GDP ensure that needs of the most vulnerable in society are met? The disabled, the elderly the mentally ill are they all expected to seek the capitalist dream.

The statistics speak for themselves in most capitalist nations. Whilst the US by many is perceived to be the land of opportunity and immense wealth, in 2011, a staggering 46.2 million people were in poverty. Additionally, 5.1 percent of all U.S. households (6.1 million households) accessed emergency food from a food pantry one or more times. A huge number of the population of the US does not have enough to buy food without seeking handouts.

The US is not the only capitalist nation with a huge chunk of its population that cannot meet its basic needs. The UK for instance without social welfare, would have a large proportion of its population with no means for food or housing. The extensive use of social welfare in Western countries shows that the idea of increasing production leads to the fulfilment of the basic needs for all is flawed. This is why if the thought of the western economists was implemented as a solution alone then a large percentage of the citizens of these countries would find themselves in abject poverty and not have enough for survival. To prevent riots and social turmoil politicians in the west address this flaw by providing government handouts, benefits and welfare schemes, whilst maintaining the pretence that their economic ideas are true and work.

Some wealthy and uninformed individuals have referred to the lowest-income 47% of Americans as the "takers," who enjoy government benefits at the expense of the high-earning one percent. But their claim is meaningless. The total amount paid out in 'welfare' (Temporary Assistance for Needy Families) is less than the investment income of just three men in a single year.

The monthly TANF income for a family of four is less than what the average member of the Forbes Top 20 made in one second at the office.

The 47% don't own stocks. They don't own anything. The so-called 'takers' have ZERO wealth. The value of any assets owned by nearly half of the country is surpassed by their debt.

Recipients of 'entitlements' are accused by the uninformed of getting something for nothing. The opposite is true. According to the Urban Institute, the typical two-earner couple making average wages throughout their lifetimes will receive less in Social Security benefits than they paid in. Same for single males. Almost the same for single females.

Getting something for nothing? Yes, the rich are. Tax expenditures, which are deductions and exemptions that primarily benefit the highestearning individuals, cost about 8% of the GDP, the same percentage that goes to Social Security and Medicare.

If just one of the tax breaks for the rich, the $113,700 cap on Payroll Tax, were eliminated, Social Security would be almost entirely funded for the next 75 years.

In the last few months American citizens, some of them children, have been arrested for:

· Looking for Indian arrowheads on federal land.

· Throwing peanuts on the school bus.

· Lying about a home address to get the kids into a better school.

· Sitting on a milk crate.

Meanwhile, not a single banker was arrested for these actions:

· HSBC Bank laundered money for Mexican drug cartels.

· Goldman Sachs designed and sold mortgage packages that were meant to fail.

· Bank of America and Lehman Brothers hid billions of dollars of bonuses and loans from investors.

If you could gather the world's 200 richest individuals, ask each one his or her net worth, get the actual numbers from Forbes, and then add it all up, the total would be more than the total wealth of half the population of the world, 3.5 billion people.

The U.S. is one of the greatest contributors to this shameful disparity. It's no coincidence that America is the third least taxed developed country and the fourth highest in wealth inequality among all nations. It is also no surprise, with so little revenue going to the general public, that America is the fourth worst in the overall well-being of its children.

Corporations have doubled their profits and cut their taxes in half in ten years. The burden of taxes, which Oliver Wendell Holmes called the price of a "civilized society," has been shifted to workers. For every dollar of employee payroll tax paid in the 1950s corporations paid three dollars. Now it's 22 cents.

Globalization has allowed U.S. corporations to stop paying for national defence and infrastructure and all the benefits of the U.S. legal and educational systems. All of the following companies had sizable U.S. revenues, but they claimed losses here while declaring billions of dollars of profits overseas.

· Bank of America, with 82% of its revenue in the U.S., declared $7 billion in U.S. losses and $10 billion in foreign profits.

· Citigroup, with 42% of its revenue in North America (almost all U.S.), declared a $5 billion U.S. loss and a $28 billion foreign profit.

· Pfizer, with 40% of its revenues in the U.S., declared almost $7 billion in U.S. losses to go along with $31 billion in foreign profits.

· Abbott Labs, with 42% of its sales in the U.S., declared a $256 million U.S. loss and $12 billion in foreign profits.

· Dow Chemical, with 32% of its sales in the U.S., declared a $15 million U.S. loss against foreign profits of over $5 billion.

If there's any way capitalism can work, it has to be regulated, otherwise blind greed takes over. The sneering head at the top of the body watches limbs being chopped off, but it does not seem to recognize that Americans are all bleeding to death (3).

Edward Bawman reported:

“Capitalism has not necessarily corrupted democracy – Republicans have done more in that regard with disenfranchisement and gerrymandering, but it has become sufficiently corrupt that it is undermining its value for those who are not wealthy. In particular, when the middle class stops growing and increasing its economic value, capitalism is failing its primary function. No economy does well in the long-term unless its middle class does so as well.

One of government’s primary functions is redistribution, which is critical for the greater good, which itself is critical for any modern society's success. The combination of capitalism and socialism is one of the ways this is accomplished. Capitalism also needs to be well regulated by government or it will, by nature, become antithetical to these goals. Like the myth of free markets, capitalism is not inherently self-regulating, all thanks to human nature.

The theories of democracy and capitalism are both quite different from their realities, for the same reasons that utopian theories are failures in the real world. Human nature and these theories do not align well. Corruption is inevitable, and even government cannot do more than manage it (4).

Michael Sanders wrote:

"For the rest of the world, capitalism is not working. A billion live on less than two dollars a day. With global population exploding to 10 billion by 2050, inequality gap will grow, fuelling revolutions, wars, adding more billionaires and more folks surviving on two bucks a day.

"Free-market capitalism seems to destroy the world. Americans have drifted from having a market economy to becoming a market society where almost everything is up for sale, a way of life where market values seep into almost every sphere of life and sometimes crowd out or corrode important values, non-market values.

"In one generation, market ideology consumed America's collective spirit. The years leading up to the financial crisis of 2008 were a heady time of market faith and deregulation — an era of market triumphalism. The era began in the early 1980s, when Ronald Reagan and Margaret Thatcher proclaimed their conviction that markets, not government, held the key to prosperity and freedom.

"And in the 1990s with the "market-friendly liberalism of Bill Clinton and Tony Blair, who moderated but consolidated the faith that markets are the primary means for achieving the public good.

"Today almost everything can be bought and sold. Today markets, and market values, have come to govern our lives as never before. We did not arrive at this condition through any deliberate choice. It is almost as if it came upon us.

“Over the years, market values were coming to play a greater and greater role in social life. Economics was becoming an imperial domain. Today, the logic of buying and selling no longer applies to material goods alone. It increasingly governs the whole of life.

“New free-market capitalism is trapped in American brains.Yes, it’s everywhere: Markets to allocate health, education, public safety, national security, criminal justice, environmental protection, recreation, procreation, and other social goods unheard-of 30 years ago. Today, we take them largely for granted.

“Examples: for-profit schools, hospitals, prisons ... outsourcing war to private contractors ... police forces by private guards almost twice the number of public police officers ... drug companies, aggressive marketing of prescription drugs directly to consumers, a practice prohibited in most other countries.

“More: Ads in public schools ... buses ... corridors ... cafeterias ... naming rights to parks and civic spaces ... blurred boundaries, within journalism, between news and advertising ... marketing of ‘designer’ eggs and sperm for assisted reproduction ... buying and selling ... the right to pollute ... campaign finance in the U.S. that comes close to permitting the buying and selling of elections .

“The horror goes on. During a time of severe drought in the western US, with California reportedly left with one year’s supply of water, the fossil-fuel fracking industry is polluting the remaining surface and ground water.

“All of these activities–use of antibiotics as animal feed, use of GMO herbicides, fracking–are profitable because they impose huge external costs on the environment and on third parties who are not participants in the profits gleaned by externalizing the costs of production.

“The external cost imposed on the climate by fossil-fuel use is the source of the life-threatening crisis that humanity confronts. Capitalists make money by exploiting labour and by externalizing the costs of the wastes produced by the productive process by imposing the wastes on the environment. It is the short-term time horizon of production organized by selfish private interests focused on quarterly profits that is destroying the liveability of the earth.

“Governments, despite pressure from corporations, have realized that pollution is a problem, and governments have imposed some regulation. The regulation raises some costs to corporations, but the regulation is insufficient to halt very much of the externalization of the cost of production (5).

One of the most enduring critiques of capitalism is that it is morally and culturally corrosive. Even if we grant that capitalism is more efficient than planned economies, the question remains: are the economic gains worth the cultural cost?

Perhaps the first cultural critique of capitalism is that it destroys traditional culture and ways of living. Competitive global market economies undoubtedly transform traditional cultures, and this is not limited to far off places in Africa, Latin America, or the Polynesian Islands. In the history of Western Europe and the United States, market economies played a vital role in transforming traditions and radically altering social interaction. One of the main ways the market does this is through innovation. As new technologies, industries, and goods and services emerge, they make older ones obsolete; old industries are shut down and new ones emerge. New forms of management and technology and division of labour transform traditional work and social relations, and new technologies alter traditional roles of women and men in the house. These sweeping changes can also destroy traditional work and social relationships that play an essential cultural and economic role in the lives of a community or nation. At the same time, it is important not to understate the real positive social benefits that come from economic growth and the reduction of extreme poverty. This is what Joseph Schumpeter called “creative destruction,” and it would be naïve to deny that creative destruction does not come with serious trade-offs. Some traditional and artisanal trades are lost forever and this can be a cultural impoverishment. At the same time, because we associate global capitalism with modernization we assume it only has negative effects on traditional culture.

While capitalism does indeed transform, and even destroy, aspects of traditional cultural life, the most destructive global forces of cultural transformation especially in the developing world come less from market economies than from the Western, secular, organizations like the United Nations, the World Bank, the NGO industry, and the U.S. and European governments. These powerful institutions wield “soft” and “hard” power to foist a reductionist vision of life upon millions of the world’s poor.

Activities of groups like the UN, UNICEF and Planned Parenthood, impose secular ideas of family, motherhood, sexuality, abortion, contraception, and forced sterilization on the world’s poor. It is bad enough when a country like China does this to their own people, but when bureaucrats in Washington or Paris are manipulating poor families in the developing world, and tying aid packages to so called reproductive rights it is a naked act of cultural imperialism. There now exists what the New York Times has called a “daughter deficit” and what The Economist has labelled “gendercide.” Millions of baby girls are being aborted in the developing world as people are encouraged by international agencies and NGOs to have small families. For a variety of cultural reasons, when forced to choose, many of the families choose to have baby boys and abort their unborn daughters. The consequences of the loss of all these human lives is of course incalculable, but that isn’t the extent of it. The birth ratio of boys to girls is now so skewed that this will have devastating social and political consequences. This is not the result of free markets. It is a product of selfish consumerism, bad anthropology and faulty economics—an outgrowth decades of educational policy and top-down social and economic planning that grows out of the zero-sum-game fallacy, which in turn fosters a distorted ideology that dominates development insiders. Not surprisingly, these insiders are rarely proponents of the free market, and if they do give the market a nod it is a kind of techno-bureaucratic capitalism ruled by elites who haunt Davos each year.

Critics also charge capitalism with promoting radical concepts of autonomy, such as the type of entrepreneurs untethered from moral absolutes portrayed in The Social Network. This type was evident among some bankers during the financial crisis and still is among techno-utopian entrepreneurs who believe they can re-engineer the human soul and even escape death itself through technology. While the market does enable people to indulge in a lifestyle marked by the illusion of radical autonomy, the main sources of such thinking and behaviour are not market economics, but a number of harder to diagnose intellectual and spiritual crises that plague the west. These include things like reductionist rationalism that makes all questions of truth, beauty, and the good life a matter of personal predilection; a nominalist conception of human freedom where freedom is merely the exercise of the will separated from truth and reason; the radical individualism of Hobbes, Locke, and Rousseau; and radical scepticism, which makes reason a slave to the passions. A market economy can help spread these ideas.

Capitalism has profound effects on culture and it is a mistake to think that the market economy is neutral or that markets left to their own devices will work everything out for the best (6).

The essence of ethical capitalism is to work hard and achieve monetary success. The purpose is to create a product, refine a service, and make a good profit. However, what "capital" companies often do, is to take over and manipulate a company for massive personal profit. A determination is made at some point to either:

1. Build up a promising business with good potential, or

2. Destroy a troubled business and grab all the money they can, while leaving the workers with nothing.

In many instances, the huge amount of profit taken by the capital company could have been used to restore the business, or at least provide support for the fired workers.

There is nothing wrong in making a simple bond or stock investment in a business. The unethical method is to step in and "manage" a company, which you did not create, and manipulate it for huge personal profit, while the personnel are fired and left with nothing. There are other types of abuse, such as Wall Street gambling on "derivatives" — often incurring huge losses that require a bailout.

One of the great features of the modern economy is that firms can be owned by a diverse group of outside investors while day-to-day business operations are delegated to full-time managers. Such ownership arrangements allow for immense economic gains since capital is allocated to its highest use and risk is born more efficiently.

Adam Smith set out the principles of market economics in The Wealth of Nations(1776). But he had written an earlier book, The Theory of Moral Sentiments (1759). The two themes are connected. Markets serve human needs properly only if markets operate in a moral context. The loss of that wider moral tradition has allowed the financial sector to forget what a good marketplace looks like, to abandon competition for cartels, and to acquiesce in the disenfranchisement of the poor.

This drift toward monopoly power is one of the biggest threats to wellbeing faced by people and communities today.

A better economy need not mean jettisoning the disciplines of the market economy. It does mean recognising that the market's inbuilt tendency to erode competition damages us all unless held in check. Regulation may be part of a solution, but it risks giving too much power to the state. The missing link is one which Adam Smith would have understood – the rediscovery of a moral consensus (he called it mutual sympathy) to mark the limits to markets so that, paradoxically, the market can deliver what people – including those too poor to interest an uncompetitive market – want and need.

It's not about morality versus markets – it's the recognition that the market is a brilliant distributional mechanism with great power to adapt and self-correct, provided there is enough moral awareness among the players to prevent the accumulation of overweening monopoly power. More and more people see that markets without an underpinning moral framework create disasters (7).

Capitalism’s pursuit of profit is destroying life on earth. As it seems, capitalism is not working: A billion lives are living on less than two dollars a day. With global population exploding to 10 billion by 2050, that inequality gap will grow, fuelling revolutions, wars, adding more billionaires and more folks surviving on two bucks a day.

Capitalism is working for the Forbes 1,000 Global Billionaires whose ranks swelled from 322 in 2000 to 1,426 recently. Billionaires control the vast majority of the world’s wealth, while the income of American workers stagnated.

Communism

Communism, also known as a command system, is an economic system where the government owns most of the factors of production and decides the allocation of resources and what products and services will be provided.

The most important originators of communist doctrine were Karl Marx and Frederick Engels. Like the socialists before them, they wanted to end the exploitation of the masses by the few. The capitalist system at that time required workers to work under harsh and dangerous conditions for little pay. The end goal of communism was to eliminate class distinctions among people, where everyone shared equally in the proceeds of society, when government would no longer be needed.

Karl Marx agreed with Louis Blanc in how labour and income should be managed: "From each according to his abilities, to each according to his needs." However, it seems clear from history that Adam Smith had the correct principle, which is that people work in their own self-interest.

Marx and Engels believed that there was a class struggle between the masses, which Marx referred to as the proletariat, who could only offer their labour, and the owners of the means of production, which included land, raw materials, tools and machines, and especially money. Karl Marx called these members of the ruling class the bourgeoisie. He believed that a political revolution was essential because the state was a central instrument of capitalist society, and since the bourgeoisie had a stranglehold on the government, it would, in many cases, be necessary to use force and violence to overthrow the capitalists.

Although Marx and Engels believed that property should belong to society, they did not really give much thought to how economic decisions would be made. Communist countries, particularly Russia and China, decided on a centrally planned economy. The centrally planned economy had the following major attributes:

- The government owns all means of production, which is managed by employees of the state.
- These employees operated under party-appointed economic planners, who set output targets in prices and frequently interfered with the operations to satisfy personal or party desires.

And because communist economies are not efficient and because of the Communist Party's desire to retain power, most economic resources were devoted to industrialization and to the military, depriving consumers of food and other necessary products, causing intense competition for these limited necessities, where many people had to wait in long lines for common consumer goods, such as toilet paper.

Another major feature of communist economies was their emphasis on the country's self-reliance, discouraging international trade and investment.

Major decisions were made by the highest-ranking members of the Communist Party, which, in the Soviet Union, was the Politburo. The Politburo frequently met with the Central Committee that consisted of the heads of the local Communist Party factions and government ministries, the military, police, and other major participants in the economy.

Although the purpose of communism was to serve the needs of the proletariat, communist governments simply became repressive regimes that exploited their people to aggrandize their own power, exploiting the masses even more so than the capitalists do.

Properties of Communism

- All members of the economy share both work and benefits.
- Those that do not provide their share of effort and resources to the system are culled.
- Successful communistic systems tend to be small and homogeneous.
- A healthy communistic system results in a cooperative society.

Advantages of Communism

- Communism is an internally stable economic system, in that those that participate benefit and those that do not are culled - creating an incentive to participate.
- Communism requires common goals and agreed upon rules/laws to allocate responsibilities and resources. If successful, this leads to a spirit of sharing - which builds stronger social communities, creating a stable economy.
- Due to their sense of cooperation, healthy communistic systems are very efficient at distributing resources within their localized areas - particularly in times of need.

Disadvantages of Communism

- Large or geographically broad populations tend to be diverse, making it difficult to maintain a common goal or set of rules for shared effort and resources.
- Large, diversified societies tend to gravitate towards systems of hierarchy, reducing the perception of fair distribution of work and resources - which can destabilize a communistic society.
- Allowing an influx of external culture increases the likelihood of destabilizing the homogeneity of the society. As such, communistic systems tend to block out external cultures and exclude outside competition, weakening the system's ability to learn from, or compete with, external economies.
- In a Communist system, the central authority dictates the means and quantity of production, and places strict rules on businesses.
- Since there is no competition amongst firms, each is given the same amount of money and each worker is paid the same, with the same expectations of each.
- All businesses are ultimately owned by the government.
- Populations tend to be treated homogeneously, meaning that common goals or sets of rules will not apply to different segments of the population and community.
- Without a price mechanism, supply and demand are difficult to balance perfectly over time.

Socialism

The definition of socialism varies widely, but it can be described as an economic system between communism and capitalism. Like communism, socialism seeks to redistribute the wealth more equitably by the communal ownership of natural resources and major industries, such as banking and public utilities. Socialists also seek to nationalize monopolies, which greatly enrich their owners at the expense of the proletariat. However, unlike communism, most small or nonessential enterprises would remain privately owned. Also unlike the Communists, most socialists do not advocate violence or force to achieve their economic system.

Socialism is based on the concept of everyone gets their share. This economic system exists in those environments where resources are plentiful, or populations are extremely small (such as family units).

Properties of Socialism

- All members of the economy share benefits, regardless of their economic value to the system.
- Successful socialistic systems depend on sufficient resources for the entire population.
- A healthy socialistic system results in non-economic productivity.

Advantages of Socialism

- In environments with plentiful resources, socialism provides all members with their survival needs, creating a stable social environment.
- Members that cannot participate economically - due to disabilities, age, or periods of poor health - can still impart wisdom, emotional support and continuity of experience to the system.
- Freedom from work provides opportunity for some societal members to explore non-economically-productive pursuits, such as pure science, math and non-popular arts.

Disadvantages of Socialism

- Slow economic growth, less entrepreneurial opportunity and competition, and a potential lack of motivation by individuals due to lesser rewards.
- It creates distorted or absent price signals, results in reduced incentives, thus leading to reduced prosperity, has low feasibility, and has negative social and political effects.
- Since there is no culling and no economic advantage to working harder, socialistic systems provide no inherent incentive to participate. This makes socialism internally unstable.
- Due to a lack of incentives, socialistic systems tend not to be competitive, making them externally unstable.
- Productivity and efficiency are difficult to achieve without profit motive for the workers.
- It is difficult to achieve internal balances between supply and demand without price mechanism.
- There is loss of consumers' sovereignty in a socialist economy. Consumers do not have the freedom to buy whatever commodities they want. They can consume only those commodities, which are available in department stores. Often the quantities, which they can buy are fixed by the state.
- There is also no freedom of occupation in such a society. Every person is provided job by the state. But he cannot leave or change it. Even the place of work is allotted by the state. All occupational movements are sanctioned by the state.
- Under socialism, there is arbitrary allocation of resources. The central planning authority often commits mistakes in resource allocation because the entire work is done on trial and error basis.
- A socialist economy is said to be a bureaucratic economy. It is operated like a machine. So it does not provide the necessary initiative to the people to work hard. People work due to the fear of higher authorities and not for any personal gain or self-interest.

The Global Economy

The global economy refers to the economy of the world, comprising of different economies of individual countries, with each economy related with the other in one way or another. A key concept in the global economy is globalization, which is the process that leads to individual economies around the world being closely interwoven such that an event in one country is bound to affect the state of other world economies. This concept of being tied together in order to have free trade, and cheaper foreign markets is known as globalization. Globalization has allowed for trading between countries with less restrictions, and thus, businessmen can sell their products all over the world and consumers can have a plethora of products from various countries to choose from.

In the past century or so, the focus on globalization has intensified a lot. More and more trade has been done between different countries, and restrictions on movement and business across borders have been reduced a great deal. People are now able to sell their commodities in any market across the world. Likewise, consumers also enjoy a much wider variety of goods and services since they can sample them from other places and not just their own countries alone.

Advantages of a Global Economy

- Resources of different countries are used for producing goods and services more efficiently.
- Consumers get much wider variety of products to choose from.
- Consumers get the product they want at more competitive prices.
- Companies are able to procure input goods and services required at most competitive prices.
- Companies get access to much wider markets
- It promotes understanding and goodwill among different countries.
- Businesses and investors get much wider opportunities for investment.
- Adverse impact of fluctuations in agricultural productions in one area can be reduced by pooling of production of different areas.
- Free movement of goods and services across borders improve the quality of these goods and services. This can be attributed partly to the increased competition. Logically, a local manufacturer will be forced to produce better quality goods because now the consumers have the option of buying from foreign companies,

which are likely to be of high quality since they are exports. Likewise, the same manufacturer will need to up their game if they are to have any chance of penetrating foreign markets.
- A global economy leads to high growth. A larger market for producers and a wider variety for consumers. There is increased consumer wealth and thus more trade, leading to even further growth.
- Thanks to the global economy, a shirt is now likely to cost just about the same in New Delhi as it would in New York. This makes it easier to set the standards for goods and services, with only slight discrepancies in different countries, thus making trade much easier and reducing the chances of exploitation.

Disadvantages of Globalization:

- Developed countries can stifle development of undeveloped and under-developed countries.
- Economic depression in one country can trigger adverse reaction across the globe.
- It can increase spread of communicable diseases.
- Companies face much greater competition. This can put smaller companies, at a disadvantage as they do not have resources to compete at global scale.
- Because there are opportunities across borders, there is always a danger of there being high economic growth with a lot of inequality. This is because the wealthy in society are usually better placed to take advantage of the opportunities, thus growing wealthier and leaving the poor with little or nothing.
- Along with globalization comes a new concept: outsourcing. Outsourcing involves delegating labour from developed countries to the developing ones where the cost of labour is much cheaper. This helps the multinational companies in the developed world to cut on the cost of labour, and make bigger profits. Essentially, for the worker in the underdeveloped country, this is unfair exploitation (8).

Islamic economy

Most westerners think that Islamic economy is a new social science Muslims had invented only in the 1920s. They forget however, that Muslims in their golden days ruled the world successfully for one thousand years with the Islamic economic system (9).

Between the 8th and 12th centuries, the Muslim world developed many advanced concepts and techniques in production, investment, finance, economic development, taxation, property use such as Hawala, an early informal value transfer system, Islamic trusts known as waqf, systems of contract relied upon by merchants, a widely circulated common currency, cheques, promissory notes, early contracts, bills of exchange, (mufawada), advanced agricultural techniques, high literacy rates, and enlightened capture and use of slaves.

Specific Islamic concepts involving money, property, taxation, charity included zakat (the "taxing of certain goods, such as harvest, with an eye to allocating these taxes to expenditures that are also explicitly defined, such as aid to the needy."); Gharar ("the interdiction of chance ... that is, of the presence of any element of uncertainty, in a contract (which excludes not only insurance but also the lending of money without participation in the risks); and riba (charging interest or at least high interest on money lent). These concepts, like others in Islamic law and jurisprudence, came from the "prescriptions, anecdotes, examples, and words of the Prophet, all gathered together and systematized by commentators according to an inductive, casuistic method." Sometimes other sources such as al-urf, (the custom), al-'aql (reason) or al-ijma (consensus of the jurists) were employed. In addition, Islamic law has developed areas of law that correspond to secular laws of contracts and torts.

Adam Smith is considered by the West the first theorist of what we commonly refer to as capitalism. His 1776 work, An Inquiry into the Nature and Causes of the Wealth of Nations was published in (1776).

The Arab Muslim historiographer Ibn Khaldun (1332-1406 AD) who was born 441 years before Adam Smith said:

“Civilization and its well-being as well as business prosperity depend on productivity and people's efforts in all directions in their own interest and profit. When people no longer do business in order to make a living and when they cease all gainful activity, the business of civilization slumps and everything decays.”

Sources of income permissible in Islam were mentioned in several verses in the Koran (Al-Baqarah, 188; Al-Nisa;, 29). Sources of income prohibited in Islam were mentioned in the Koran (bribery (Al-baqarah, 188; usurping other’s property, Al-Baqarah, 188; fraud, Al-Imran, 161; stealing and robbery, Al-Maidah, 38; income from sources of vulgarity, Al-Noor, 19; Gambling, Al-Maidah, 90; wine and its business, Al-Maidah, 90; interest, Al-Baqarah, 275.

Moral directives of Islam in conducting business is mentioned in the verses: Al-Isra’, 35; Al-Tawba, 34; Al-Nahl, 92 & 134; Al-Najm, 40; Al-Baqarah, 282.

Prophet Muhammad said that Allah’s mercy descends on one who is gentle at the time of buying, selling, and requesting payment.” [Tirmizi].

Prophet Muhammad said: “whosoever sells a defective product without disclosing its defect to the purchaser, shall earn the permanent anger of Allah and the angels continuously curse such a person.” [Ibn-Maja].

Prophet Muhammad said: “The seller and the buyer have the right to keep or return the goods as long as they have not parted or till they part; and if both the parties spoke the truth and described the defects and qualities [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.” (Bukhari, No: 1937).

It is reported by Jabir that the Prophet said: “The flesh and body that is raised on unlawful sustenance shall not enter Paradise. Hell is more deserving to the flesh that grows on one’s body out of unlawful sustenance.” [Ahmad].

Abu Said related that the Prophet said: “The truthful and trustworthy businessman will be in the company of Prophets, saints and martyrs on the Day of Judgment.” [Darimi, Tirmidhi].

Islamic economy then, dates back to the time of the Koran and the prophet of Islam and is not just a social science invented by Muslims as some unknowledgeable Westerners claim.

Islam is not an ascetic religion and does not aim at depriving Muslims of the good things that Allah has provided. It takes a positive view of life considering humans not as born sinners eternally condemned for their original sin, but as vicegerents of Allah for whom everything on earth has been created.

Virtue in Islam, therefore lies not in shunning the bounties of Allah, but in enjoying them within the framework of the values for "righteous living" through which Islam seeks to promote human welfare.

The values for righteous living that Islam propagates permeate all sectors of human activity. There is no strictly mundane sector of life according to Islam. Action in every field of human activity, including the economic, is spiritual provided it is in harmony with the goals and values of Islam.

It is really these goals and values that determine the nature of the economic system of Islam. A proper understanding of these is therefore essential for a better perspective of the economic system of Islam. These goals and values are:

a. Economic well-being and the moral norms of Islam;

b. Universal brotherhood and justice;

c. Equitable distribution of income; and

d. Freedom of the individual within the context of social welfare.

The Islamic economy can then be adequately defined as that branch of knowledge, which helps to realize human well – being through allocation and distribution of scarce resources that is in conformity with Islamic teachings without unduly curbing individual freedom or creating continued macroeconomic and ecological imbalances.

The sources of Islamic economics are the Koran and the Sunnah of the Prophet. They provide guidelines for economic behaviour and a blueprint of how the economic system of a society should be organized. Therefore, the values and objectives of the Islamic economic systems must necessarily conform to, and comply with, the principles derived from these fundamental sources.

The Islamic economy is based on four sources:

- The Koran – the Word of Allah the Creator.
- The Sunnah of the Prophet - the sayings and practices of the Prophet Mohammed peace be upon him.
- Ijma', the common belief of Muslim scholars.
- Qiâs, a method that uses analogy - comparison – to derive Islamic legal rulings for new developments. Qiyâs is a method that Muslim jurists use to derive a ruling for new situations that are not addressed by the Koran and the Sunnah of the Prophet like many new developments. By way of qiyâs, these issues can be referred back to those that are explicitly mentioned in the sacred texts.

These four sources constitute the components of the Sharia, and these components are used as a basis for governing economic affairs.

The Islamic principles on which the Islamic economy is founded

In order to understand how the Islamic economy operates, certain Islamic principles on which the economic system was founded must be explained first.

1- In Islam, wealth does not belong to people but only to Allah. It is Allah Who owns everything in the world. People deceive themselves when they imagine they own possessions. They did not personally create the things they imagine they possess, and they have no power whatsoever to maintain them. Neither can they prevent them ceasing to exist. There is no question of them owning anything; because they themselves were nothing but dust, then Allah created them, owned them, and are under His control.

In the Koran it is revealed that all objects and entities belong to Allah:

To Him belongs all that is in the heavens and the earth and all that is between them, and all that is underneath the soil (Taha, 6).

To God belongs all that is in the heavens and in the earth, and unto Him all matters are returned (Al-Imran, 109).

Islam teaches that man is Allah’s viceroy on earth. This principle of vicerengy (Istikhlaf) is derived from the cardinal principle of Tawheed (Allah is the One and only God). Allah is the Lord of all beings (Rabb al Alamîne). Accordingly, ownership in Islam belongs to Allah, who entrusted man in all wealth on earth with a view to exploiting it according to Allah’s will and commandments.

Allah commands in the Koran:

Believe in Allah and His Messenger, and expend of that unto which He has made you successors. And those of you who believe and expend shall have a mighty wave (Al-Hadîd, 7).

Based on the above, Allah has delegated the proprietary rights to mankind under specified terms i.e. trusteeship. Man is therefore subject to the terms of that trust and must not forget that the real owner is Allah and man’s ownership is granted by Him.

2- Allah has not attached much importance on worldly gains but on the deeds imprinted with wisdom and piety. Worldly gains are fleeting but good deeds have a lasting value in the sight of Allah. On the Day of Judgment none of our present landmarks will remain. We shall stand before Allah as we were created with none of the adventitious possessions that we collected in this life, which will all have vanished.

We read in the Koran:

Wealth and sons are the adornment of the present world; but the abiding things, the deeds of righteousness, are better with Allah in reward, and better in hope (Al-Kahf, 46).

Believers, who have faith in Allah and attach no importance to the transitory baubles of this world, who know that all things come from Allah alone and who therefore spend what they have on His path, may hope for Allah’s mercy and paradise. Since they prefer the life of the hereafter, which Allah says will last for all eternity, over the life of this world, it is actually they who are the wealthy ones.

3- Private ownership is recognized by Islam but only as per pro – as a delegation from the original Lord to His agent man. Thus man cannot dispose of whatever is in his possession without restriction, or in a manner discordant with the terms inscribed by the Lord.

Private ownership in Islam is not a social function, nor is natural wealth the property of the society or collectively. All wealth belongs to Allah alone and private ownership is only a metaphoric expression. There are three main restrictions on private ownership:

- Ownership must be acquired by legitimate means. Private ownership should not jeopardize the public interest. If public interest requires the acquisition of a private property, the owner must be fully and fairly compensated.
- The owner must invest and utilize what he owns in a satisfactory manner and without violating the divine Laws (10).

People today, struggle to make money and possess goods and property. Allah reveals that believers must be filled with passion for Him alone, and that their hearts can only be contented by repeating His name, and that they fear losing His pleasure by behaving in any other way. Believers have a strong desire to give their possessions to others in need, for the purpose of gaining the pleasure of Allah, to whom they are so passionately devoted. They fervently spend their assets on Allah's path.

The Koran reveals:

There are men who neither commerce nor trafficking diverts them from the remembrance of Allah and to perform the prayer, and to pay the alms, fearing a day when hearts and eyes shall be turned about (An-Nur, 37).

Believers regard ssets not only as investment tools, but also as a means by which to give thanks and draw closer to Allah. They spend their wealth in divine service and do not at later date remind the recipient reproachfully of the favour done to him. Believers spending willingly in the way of Allah shall have their reward in heaven, they shall have no ground for alarm nor shall fear fall upon them nor shall they come to grief. In fact, a kind word exhibiting friendly disposition and forgiveness is far better than charity followed by reproach inducing mental pain.

4 - The evil of amassing wealth

Man has extreme love for wealth and also relentlessly exerts efforts to attain it. Islam teaches that there is nothing more to chasing after wealth than the wastage of a person's life for that which has no value. Instead he could have earned an everlasting bliss in Paradise, but he lost this due to his craving after provision - which had already been assured to him and allotted to him, by Allah, and it was not possible for anything to come to him except what was decreed for him - then on top of this he does not benefit from that, but rather abandons it and leaves it for someone else.

After death, man departs from his wealth and leaves it behind, but he will be the one held accountable for how he dealt with it. Since death awaits everybody, then being satisfied with this world is foolishness. In fact, wealth is not ours except when we spend it.

Craving for wealth is of two types: beneficial craving and that is spending in the way of Allah, and harmful craving and that is craving after this world.

In the Koran Allah condemns three vices: (1) scandal mongering, talking or suggesting evil of men or women by word or innuendo, or behaviour, or mimicry, or sarcasm, or insult; (2) malicious talk about someone who is not present; (3) piling up wealth, not for use or service to those who need it, but in miserly hoards, as if such hoards can prolong the miser's life or give him immortality.

Allah warns against amassing money; it shall not confer eternity nor avert retributive punishment in the abyss of Hell.

Woe unto every backbiter, slanderer, who has gathered riches and counted them over thinking his riches have made him immortal.
No indeed; He shall be thrust into the Crusher; and what shall teach thee what is the Crusher? The Fire of Allah kindled roaring over the hearts covered down upon them, in columns outstretched (Al-humazah, 1-9).

The Prophet of Allah explained to Muslims how to distribute property, provisions and charity to all people.

He said: “Surely Allah sent the prophets to spend wealth on the needy and to teach people the way of spending. Allah never sent prophets to amass wealth and forget the poor. The prophets forbade the rich from amassing wealth and saving it in banks and treasuries while others are left to live in miserable poverty.”

The prophet said:

"Two ravenous wolves which spend the night amongst sheep whose shepherd is absent, will not cause more havoc for the people than will love of status and wealth to a Believer's Deen (religion)."

This analogy given by the Prophet clearly illustrates the dangers of craving wealth and worldly status. The Prophet explains that desire for wealth is more dangerous to man than hungry wolves are to a flock of stranded sheep. The Prophet explains that very few sheep can escape the havoc caused by the wolves, implying that very little of a Muslim's religion is safe in the face of his lust for wealth and status. This is a severe warning against the evil of craving wealth and status in the world.

For a man to chase after wealth is to waste his efforts on something that he cannot change. The provision of every man is fixed by Allah, and he cannot increase it. So, rather than running after something that has already been guaranteed for him, the Believer should strive to attain a high rank in Paradise, rather than wasting his life in hoarding riches.

The Prophet said:

"The Holy Spirit Gibreel (Gabriel) has inspired to me that no person shall die except after he has completed his share of Rizq (wealth, sustenance, livelihood appointed for them), so fear Allah when seeking wealth".

The wealth of this world has no lasting benefit for man. It must eventually be abandoned, and all that it brings is accountability for its possessor on the Day of Judgment. This in itself is indeed enough to show the blameworthiness of craving for wealth.

The Prophet said:

“A servant says, ‘My wealth, my wealth’, but out of his wealth three things are only his: whatever he eats and makes use of; or what he spends on his apparels and this also wears out; or that he gives as charity, and this is what he stored for himself (as a reward in the Hereafter), and what is beyond this it is of no use to you because you are to depart and leave it for other people.”

The Koran teaches us:

‘O Children of Adam! Wear your beautiful apparel at every time and place of prayer: eat and drink, But waste not by excess, for Allah loves not the wasters. Say: Who has forbidden the beautiful (gifts) of Allah, which He has produced for His servants, and the things, clean and pure, (which He has provided) for sustenance?’ (Al-A’raf, 31-32).

It is fine then to enjoy good foods and surround ourselves with beauty. If we can afford comforts, we should be grateful for them. But then, what qualifies as lawful spending and what is excess?

Spending in the way of Allah is a great virtue. It has paramount importance in divine religions. All prophets emphatically urged their followers to spend in the way of Allah.

The greatest benefit of spending in the way of Allah is that it establishes a strong bond between a person and his or her Creator. What is evident from practical experience is that people's hearts are affixed to their wealth. On the other hand, those who spend in the way of Allah would find that they are in an everlasting attachment with their Lord because they have entrusted their wealth to Him.

Spending in the way of Allah helps the believer to establish strong ties with the society. Prayer and charity are a prerequisite for one to be a true servant of Allah. Prayer helps in developing a true relationship with the Almighty Lord, and charity establishes a deep-rooted connection among the members of society. Hence, both play an unsurpassed role in nurturing and developing the person conceived by the Noble Koran. It is precisely for this reason that prayer and zakat (alms giving) are mentioned in the Koran side by side.

Allah says in the Koran:

“This Book, there is no doubt in it, is a guide to those who fear Allah; Who believe in the Unseen (existence of Allah, accountability in the Hereafter, blissful eternal life in Paradise, eternal tormenting life in Hell) are steadfast in prayer, and spend out of what We have provided for them (Al-Baqarah, 1-2).

These two pillars in fact constitute the foundations upon which the entire structure of people's relationship with the Creator and with one another is erected. The fabric of the Sharia is also built upon Prayer and charity.

The best possible way whereby one can demonstrate affection toward one's neighbors is to sympathize with them and financially help them out whenever they are in trying circumstances. By offering Prayer, people can appropriately show their obedience to and love for their Lord. Similarly, people can express love and affection toward their neighbours and all the needy by lending them a helping hand.

The key to wisdom is spending in the way of Allah. Allah describes the benefits of spending in His way as follows:

“The devil threatens you with poverty and enjoins you to be niggardly, and Allah promises you forgiveness from Himself and abundance, and Allah is All-Embracing, All-Knowing. He grants wisdom to whom He pleases, and [for] whoever is granted wisdom, he indeed is given a great good, but none will grasp the message but men of understanding” (Al-Baqarah, 268–269).

Only charity that is given purely for the sake of Allah can bring this great benefit and reinforce what is yet feeble in one's heart. It is for this reason that the parable described in the Koran just before the above-quoted verses begins as follows:

“And the parable of those who spend their wealth in search of Allah's pleasure and for the strengthening of their souls is as the parable of a garden on an elevated ground…)” (Al-Baqarah, 265).

Another benefit of spending in the way of Allah is that it augments the wealth of the spender.

Allah says:

“The parable of those who spend their substance in the way of Allah is that of a grain that grows seven ears, in every ear a hundred grains, and Allah gives manifold increase to whom He pleases, and Allah is All-Embracing, All-Knowing.” (Al-Baqarah, 261).

While spending sincerely in Allah's way will doubtlessly bear fruit in the hereafter, it will also give rise to a fabulous increase for the spender in this worldly life.

Prophet Muhammad is reported to have said:

"Every day two angels come down from heaven and one of them says, 'O Allah! Compensate every person who spends in Your cause,' and the other angel says, 'O Allah! Destroy every miser'" (Al-Bukhari).

While the spenders in the way of Allah gain the pleasure of their Lord, as well as the respect and love of people, others remain far behind. Extremely obsessed with piling up their riches, people who do not spend in the way of Allah cannot visualize peace of mind and the spiritual elevation and satisfaction that can be obtained by such charitable conduct (11).

Economizing is then permissible in Islam, but not accumulating possessions. Believers trust only in Allah, not in accumulated goods and possessions. Allah increases their wealth in return for the devotion they show to Him. He gives them much more than what they expend in His way. He multiplies His blessings on them.

5- Those who reject faith neither their wealth nor their numerous progeny shall profit them or afford them help against what Allah has for them in store. These are the inmates of Hell dwelling therein forever.

As for the unbelievers, their riches shall not avail them, neither their children, against Allah; those are the inhabitants of the Fire, therein dwelling forever (Al-Imran, 116).

6- Purpose of life in Islam

Islam teaches that the real objective of our existence is to worship Allah through righteous actions.

Allah revealed:

I have not created jinn and mankind except to serve Me (Adh-Dhariyat, 56).

Securing material wellbeing is an obligation in Islam for those in a position of responsibility, but it is not the ultimate goal of this life. A Believer must never allow his thoughts and actions to be consumed by such an objective. In contrast, the secular-Capitalist mentality views economic well-being as the central focus of one's very existence – resulting in perpetual mental anxiety, consumed by chasing the fleeting desires of this world. Islam deems the satisfaction of one's needs as necessary and indispensable, but does not view them as the purpose of life. As Allah has warned in the Koran that wealth becomes an allurement and a delusion if man loses sight of his real purpose.

Allah revealed:

Every soul shall taste of death; you surely be paid in full your wages on the Day of Resurrection. Whosoever is removed from the Fire and admitted to Paradise, shall win the triumph. The present life is but the joy of delusion (Al-Imran, 185).

Therefore, the right path is to engage in worldly economic matters in the manner prescribed by Allah and His Prophet, both at societal and individual level.

Allah states:

"But seek, amidst that which Allah has given you, the Last Abode, and forget not your portion of the present world; and do good, as Allah has been good to you. And seek not to work corruption in the earth: surely Allah loves not the workers of corruption (Al-Qasas, 77).

Muslims are then instructed by their Lord to focus on the next world while not forgetting the worldly things needed for surviving in this world.

Allah says in the Koran:

"O people, the promise of Allah is surely true (Day of Accountability, reward and punishment) Therefore, let not the worldly life (power, business, wealth, knowledge, long life, status , lust, etc.) delude you, and let not the Deluder (Satan) delude you concerning Allah. Surely Satan is an enemy to you; so take him for an enemy. He calls his party only that they may be among the inhabitants of the Blaze (Fatir, 5).

All worldly things are a trial for humankind (including wealth, businesses, families, careers etc.). Wealth leads the pack. Majority of the problems challenging the world are because of the diversion from Allah's path because of money.

7- Ways of spending wealth in Islam

Islam emphasizes that its followers spend their wealth.

Allah says in the Koran:

“O believers, expend of that wherewith We have provided you, before there comes a day wherein shall be neither traffic, nor friendship, nor intercession; and the Kafirs (unbelievers) – they are the evildoers (Al-Baqarah, 254).

In this verse Allah commands the believers to spend their wealth in this life the way He inscribed for lawful spending.

Paying Zakat is mandatory for all Muslims. Zakat means “that which purifies”. The Muslim must purify his money by paying zakat. Zakat is obligatory upon all Muslims because it is one of the five pillars of Islam. It is a form of obligatory alms-giving and religious tax. It is based on income and the value of all of one's possessions. It is customarily 2.5% of a Muslim's total income, savings and wealth above a minimum amount known as Nisab. Nisab is the minimum amount for a Muslim net worth to be obligated to give zakat. Zakat is due on wealth until one year passes.

After having paid Zakat, there is an obligation on each and every Muslim to spend more in the Way of Allah. Whatever remains with us after taking care of our needs and those of our dependants, and after paying Zakat, is recommended to be spent in good works and in charity.

We read in the Koran:

And they ask you what they ought to spend. Say: 'That which is beyond your needs.' Tus Allah makes clear to you His Laws in order that you may give thought (Al-Baqarah, 219).

On whom Muslims must spend their money. There are guidelines in the Koran explaining ways of spending in the way of Allah: a) Support own families; b) Support relatives who are financially weak; c) Support orphans; d) Support other poor people; e) Support Muslim organizations dedicated to Da'wah; f) Support Muslims in case of Jihad (the battle); g) Support people who are new to Islam; h) Perform Hajj as soon as one is financially and physically capable of; i)Sponsoring others for Hajj (and/or Umrah) who are not financially well-off.

All these categories of expenditure, when done with an intention of pleasing Allah, are considered as spending in the way of Allah. However, there is a priority list defined by Allah, and that is:

They will question thee concerning what they should expend. Say: 'Whatsoever good you expend is for parents and kinsmen, orphans, the needy and the traveller; and whatever good you may do, Allah has knowledge of it (Al-Baqarah, 215).

Spending in the Way of Allah is the best trade. This is for those who are too busy in their businesses and find no time to give a thought about spending in the Way of Allah. Allah calls such people to His way, attracting their attention by means of providing them the best trade possible.

Allah says:

"O you who believe! Shall I guide you to a trade that will save you from a painful torment? That you believe in Allah and His Messenger, and that you strive hard and fight in the Cause of Allah with your wealth and your lives: that will be better for you, if you but know!" (As-saff, 10).

Allah says about the reward He prepares for those who spend their wealth in His way:

And He will forgive your sins and admits you into Gardens underneath rivers flow. He will lodge you in fine dwellings in the Gardens of Eternity, that is indeed the supreme achievement (As-Saff, 11).

Allah assures that whoever spends in His Cause, He shall bless His wealth. Such a person shall experience manifold increase in his/her wealth, up to 700 times.

"The likeness of those who expend their wealth in the Way of Allah is as the likeness of a grain of corn that sprouts seven ears, in every ear a hundred grains. So Allah multiplies unto whom He will; Allah is All-Embracing, All-knowing (Al-Baqarah, 261).

8- Wealth's role in attaining Birr (piety - righteousness)

Being pious and obedient to Allah's Laws does not mean simply turning our faces at prayer toward the east or the west, but it entails the adherence to the principles and rules of Allah's system of faith and worship. Being righteous entails that we believe in Allah as the only God of the universe and worship Him alone without partner or partners. It necessitates to believe in the Day of Judgment and in Muhammad and in all the Prophets and Messengers that came before him. It requires to believe in the Koran and in all previous authentic Books that came before it. It calls for spending for the sake of Allah on the poor among our kindred and on the orphans and on those in need, and on the wayfarer who does not have the need for transportation, and on those who make request for aid in time of distress, and on freeing the slaves, and to engage in the act of worship with appropriate acts and rites, and to fulfil the promise, and to exercise patience when befallen with a misfortune, and during the distress of warfare against the enemy. These are they who stood true to the honour of Allah, and these are they who entertain the profound reverence dutiful to Allah.

Allah states in the Koran:

It is not piety that you turn your faces to the East and to the West (in prayer). The piety is this: to believe in Allah, and the Last Day, the angels, the Book, and the Prophets, to give of one's substance, however cherished, to kinsmen and orphans, the needy, the traveller, beggars, and to ransom the slave, to perform the prayer; to pay the alms. And they who fulfil their covenant when they have engaged in a covenant, and endure with fortitude misfortune, hardship and peril, these are they who are true in their faith, these are the truly god-fearing (Al-Baqarah, 177).

In conclusion, believers will not attain piety until they spend of what they treasure and cherish in divine service, and whatever of good they spend Allah knows it well.

We read in the Koran:

You will not attain piety until you expend of what you love; and whatever thing you expend, Allah knows of it (Al-Imran, 92).

The Koran teaches that the believer who gives in charity and keeps his duty to Allah and fears him, and believes that Allah will compensate him for what he spends in Allah's way, Allah in return will make smooth for him the path of ease and goodness. But he who is greedy miser and thinks himself self-sufficient and does not believe in Allah and the Last Day, Allah will make smooth for him the path of evil, and his wealth will profit him not when he falls into the Fire.

Surely your striving is to diverse ends. As for him who gives (in charity) and is god-fearing and confirms the reward most fair, We shall surely ease him to the Easing. But as for him who is a miser, and self-sufficient, and cries lies to the reward most fair, We shall surely ease him to the Hardship; his wealth shall not avail him when he perishes (Al-Lail, 4-11).

Allah has warned his servants a blazing Fire (Hell), none shall enter it save the most wretched that denies and turns away from Allah's commands. As for the god-fearing, they will be far removed from it, because they spend their wealth in the way of Allah and expect no favour from anyone to be paid back, except to seek the countenance of the Lord the Most High. They will surely be pleased with their Lord when He rewards them with Paradise.

The Koran teaches:

Now I have warned you of a Fire that flames, in which none but the most wicked will burn, who denied (the truth), and turned away. The most pious one will be spared this - who gives his wealth to purify himself, and owes no favour to anyone, which is to be repaid, acting only for the sake of his Lord the Most High – and he shall surely be satisfied (Al-Lail, 14-21).

9- Rights to wealth

In a capitalistic economy, wealth is almost anything of monetary value that one accumulates in sufficient quantity. Islam however requires Muslims to have both enduring and endearing wealth. Islam not only encourages every Muslim to work and earn a legitimate income to sustain him and his family, but also encourages every Muslim to work hard to achieve perfection and excellence in his chosen profession.

Rights to wealth from the Islamic perspective is that all wealth belongs to Allah and man is only a trustee. Allah is the One who owns wealth and He has bestowed it on man.

Since Allah is the absolute owner, man is just a trustee and this is evidenced in the Koranic verse:

We offered the trust (moral responsibility and honesty, and all the duties which Allah has ordained) to the heavens and the earth and the mountains, but they refused to carry it and were afraid of it; and man carried it. Surely he was unjust (to himself), and ignorant (of its results) (al-Ahzab, 72).

Such parables are put forth in order to aid men to reflection. We may therefore take the mountains, the earth and the heavens as symbolical. The mountains stand for firmness and stability: they have been created for this quality, and they are always true to that quality. The mountains have no free will of any kind. If we take the earth as a compendium of the terrestrial nature we see around us, it obeys the fixed laws of Allah, and there is no will or trust. If we take the heavens either as celestial space, or as symbolical of the angels. They absolutely obey Allah’s will and law: they have no will of their own (12).

These sets of standards aim to prevent the enmity that often occurs between different socioeconomic sections. Of course, it is true that the gathering of money concerns almost every human being who participates in transactions with others. Yet, while these standards recognize money as being among the most important elements in society, they do not lose sight of the fact that its position is secondary to the real purpose of human existence, which is the worship of Allah.

A society that implements Islamic laws and promotes Islamic manners will find that it brings together all the systems – political, social, and economic, that it deals with. Islam teaches that Allah has created provision for every person who He has brought to life. While the earth has sufficient bounty to satisfy the needs of humankind, the challenge for humans lies in discovering, extracting, processing, and distributing these resources to those who need them.

In that sense, Islam regulates human behaviour, and one type of human behaviour is economic behaviour. Muslims deal with economic behaviour as a means of production, distribution, and consumption of goods and services. In Islam, human behaviour -whether in the economic area or others - is not value free; nor is it value neutral. It is connected with the ideological foundation of the faith.

The Islamic economic system is therefore based upon justice. It is through justice that the existence of the rules governing the economic behaviour of the individual and economic institutions in Islam can be understood. Justice in Islam implies the concepts of “right” as equivalent to fairness, “putting things in their proper place”, “equality”, “equalizing”, “balance”, “temperance” and “moderation.”

In practice, justice is defined as acting in accordance with the Sharia, which, in turn, contains both substantive and procedural justice covering economic issues. Substantive justice consists of those elements of justice contained in the substance of the Sharia, while procedural justice consists of rules of procedure assuring the attainment of justice contained in the substance of the Law. The notion of economic justice, and its attendant concept of distributive justice, is particularly important as an identifying characteristic of the Islamic economic system. The rules governing permissible and forbidden economic behaviour on the part of consumers, producers and government, as well as questions of property rights, and of the production and distribution of wealth, are all based on the Islamic view of justice (13).

Based on the above, the Islamic economy aims at: (1) fulfilling the basic human needs including food, clothing, shelter, health, and education to every strata of society. (2) Ensuring equality of opportunity for all people. (3) Prevent concentration of wealth and minimize inequality of income and wealth distribution funds in society. (4) Ensure to everyone the freedom to adhere to moral values. (5) Ensuring stability and economic growth.

This Islamic concept of ownership is part of this general view of trusteeship (amanah). In this respect, two kinds of productive assets have been reserved for public ownership. The first is public utilities such as large streams, bridges, land around town left for common use and the banks of a stream. The second are natural resources entrusted to the society at large. Four such resources have been mentioned by the Prophet: water, herbage, fire and salt. However, Islamic jurists have long argued that these things should be considered symbolic. Other things having similar properties are also included by implication.

In general, Islam recognizes private ownership, although it is held in trust for Allah. Where the rights have been conferred upon the individual, nobody can deprive him of that except in cases where Shariah (and not the state) provides express sanctions for that. The purpose is to fulfil the needs of the poor. Islam achieves this by an array of means and through a graduated methodology to minimise the negative effects on inducements and at the same time protect the individual’s rights.

When it comes to ownership rights, Allah has clearly laid down the terms of the trust. If one violates these terms he will be answerable to Allah. If the violation is serious, the legal right of ownership is suspended. Within these limits, the owner is given a high degree of freedom to make use of the object of ownership and to claim the benefits resulting from its use (14).

10- Securing the needs of the people

Unlike capitalism, Islam does not wash its hands of securing the needs of the people as individuals. The capitalist economists consider that if their growth and GDP statistics are good then the economy is working. This is not the case with Islam.

Islam obliges the state to ensure that its citizens have their basic needs and necessities met as well as allowing the luxuries as much as possible. This would be done firstly by letting those capable of working to do so.

It is narrated that the Prophet Muhammad shook the hand of Sa'ad ibn Muadh and found his hands to be rough. When the Prophet asked about it, Sa'ad said: "I dig with the shovel to maintain my family." The Prophet kissed Sa'ad's hands and said: "(They are) two hands which Allah loves." The Prophet said: "Nobody would ever eat food that is better than to eat of his own hand's work."

In contrary to capitalism, Islam assumes that not all people will be in a position to work in order to secure their livelihood. Islam addressed this issue by firstly obliging the family of such people to look after them and ensure that their needs are being met. If this was not possible then the bait al mal (state treasury) would provide for them.

11- Inheritance in Islam

The Islamic heritage system is one that is comprehensive and astonishing in its detail. It has covered all cases and all situations in the fairest way.

The money and the property that we possess in this life is a trust from Allah and our responsibility to use it for His sake extends beyond our death, for on the day of Judgement we will surely be asked about our wealth and how we spent it.

The Prophet said:

"The two feet of the son of Adam will not move on the Day of Judgement in front of his Lord until he is asked about five things: about his life and how he lived it? About his youth and how he lived it? And about his money how did he earn it and what did he spend it on? And what did he do with his knowledge?"

In Islam, the heirs to a person's estate can take two forms. There are the fixed share inheritors: for the husband, half or one-fourth, depending upon if there are children or not), and there are the residual inheritors, who will receive the balance of the estate once the fixed shares have been calculated.

Allah says in the Koran:

"Allah commands you as regards your children's (inheritance): to the male, a portion equal to that of two females; if (there are) only daughters, two or more, their share is two-thirds of the inheritance; if only one, her share is a half. For parents, a sixth share of inheritance to each if the deceased left children; if no children, and the parents are the (only) heirs, the mother has a third; if the deceased left brothers (or sisters), the mother has a sixth. (The distribution in all cases is) after the payment of legacies he may have bequeathed or debts. You know not which of them, whether your parents or your children, are nearest to you in benefit; (these fixed shares) are ordained by Allah. And Allah is Ever All-Knower, All-Wise." (Al-Nsa', 11).

Islamic scholars have derived several essential instructions from this verse, the most important being:

- Debts and bequests are taken from the estate before division amongst the heirs.
- A son receives twice as much as a daughter.
- If the deceased children are female only they receive two-thirds of the estate divided equally among them. The leftover would also be returned to them if there are no residual heirs.
- If the deceased is survived by only one daughter, she receives half the estate. The leftover would also be returned to them if there are no residual heirs.
- If there are children, parents receive one-sixth of the estate each.
- In the absence of children, if the deceased leaves siblings, (maternal or paternal) the mother then receives one-sixth.
- In the absence of children and siblings the mother then receives one-third of the estate.

The Koran says:

“In that which your wives leave, your share is a half if they have no child; but if they leave a child, you get a fourth of that which they leave after payment of legacies that they may have bequeathed or debts. In that which you leave, their (your wives) share is a fourth if you leave no child; but if you leave a child, they get an eighth of that which you leave after payment of legacies that you may have bequeathed or debts. If the man or woman whose inheritance is in question has left neither ascendants nor descendants, but has left a (maternal) brother or a sister, each one of the two gets a sixth; but if more than two, they share in a third, after payment of legacies he (or she) may have bequeathed or debts, so that no loss is caused (to anyone). This is a Commandment from Allah; and Allah is Ever All-Knowing, Most-Forbearing.” (Al-Nisa’, 12).

Once again ,Islamic scholars have derived a number of rulings from this verse.

- If a married woman dies without children her husband receives half of her estate; if there are children he receives one-fourth.
- A wife is a woman who was married to the deceased when he died. If there is more than one (maximum four) their share is divided equally. A wife’s share of her husband’s estate is one-quarter – if there are no offspring; if there are, her share is one-eighth.
- The shares for males and females of the same rank (brother and sister, son and daughter etc.) are that the males receive twice as much as the females.
- The maternal siblings are the only exception to the above rule. If there is only one maternal sibling, he or she receives one-sixth. If there are two or more, they share one-third.

A man came to the Prophet and asked, “Which charity is the most superior in reward?” He replied, “The charity which you give out while you are healthy and are afraid of poverty and wish to become wealthy. Do not delay it to the time of approaching death and then say, ‘Give so much to such and such, and so much to such and such.’”

This means that giving charity is not to be delayed giving until one’s feel unwell and fear that death may be approaching. Because at death it becomes too late, for the wealth is no longer ours, it belongs to our inheritors (15).

12- The Islamic Will

Islam is much more than a religion; it is a way of life. Islam is a guide from Allah to direct us through the present life and to the next life. It is for this reason that Allah guided us through the process of death and dying. Death will come to each and every one of us; however there are things we can do to make our passing easier for those we leave behind. One of those things is to make sure we leave an Islamically sound will. Islam has placed great emphasis on both the laws of inheritance and making a will, thus there is compelling evidence that every sane adult Muslim should have a will.

The Islamic will, in Arabic, al wasiyah is a set of instructions that come into effect after a person's death. The will is acted upon after the payment of funeral expenses and any outstanding debts.

Islamic law allows a person to bequeath up to 1/3 (one third) of his or her estate to whomever he or she wishes, providing the beneficiaries are not from amongst those who will benefit from the remaining 2/3 (two thirds).

It is an opportunity to help a poor relative who would not otherwise qualify for a share or even to leave something to a person of another faith, because they cannot inherit from the other two thirds of the estate.

When an estate is divided according to this divine system of law that is outlined in the koranic text and in the traditions of the Prophet, it would be highly rewarding in the sight of Allah. Besides this, there are a number of compelling reasons why a person should make an Islamically acceptable will. Firstly it gives a person peace of mind to know that their wishes will be carried out after their death. It helps resolve or avoid completely the unnecessary disputes that sometimes occur after a person's death.

An Islamic will gives a person the opportunity to help those less fortunate. He or she can assure that the charities they supported in their life are not neglected at their time of death. A will helps not only the beneficiaries, but can help the deceased person too who may wish to set up provision for an ongoing charity, an action that continues to be rewarded even after death. In accordance with the principle that one third of a person's estate may be distributed as he or she wishes, the prophet Muhammad said, "Allah was being generous to you when He allowed you to give one-third of your wealth (in charity) when you die, to increase your good deeds."

The Prophet also said:

"When a man dies his actions come to an end except for three: an ongoing charity; knowledge that benefits others or pious offspring who pray for him".

As with any legal document, an Islamic will must be witnessed. A person making a will should choose his witnesses carefully, remembering that a person who inherits is not able to be a witness. If he or she does so they will not be able to inherit. The ideal situation would be to choose two trustworthy Muslim men to witness the signing of the will. However if this is not possible, then two non-Muslim men may be taken as witnesses.

In most cases it is possible to make an Islamic will that is legally acceptable in almost any part of the world. Islamic wills have been praised for their thoroughness and the fact that they are almost never considered uncertain.

When a Muslim dies, there are four duties, which need to be performed. These are:

- payment of funeral expenses
- payment of his/her debts
- execution his/her will
- distribution of the remaining estate amongst the heirs according to Sharia

A will is a transaction which comes into operation after the testator's death. The will is executed after payment of funeral expenses and any outstanding debts. The one who makes a will is called a testator. the one on whose behalf a will is made is generally referred to as a legatee.

The importance of the Islamic will is clear from the following two hadith:

"It is the duty of a Muslim who has anything to bequest not to let two nights pass without writing a will about it." (Sahih al-Bukhari).

"A man may do good deeds for seventy years but if he acts unjustly when he leaves his last testament, the wickedness of his deed will be sealed upon him, and he will enter the Fire. If, (on the other hand), a man acts wickedly for seventy years but is just in his last will and testament, the goodness of his deed will be sealed upon him, and he will enter the Garden." (Ahmad and Ibn Majah).

The will gives the testator an opportunity to help someone (e.g. a relative need such as an orphaned grandchild or a Christian widow) who is not entitled to inherit from him. The will can be used to clarify the nature of joint accounts, those living in commensality, appointment of guardian for one's children and so on. In countries where the intestate succession law is different from Islamic law it becomes absolutely necessary to write a will.

13- Riba (usury) is forbidden in Islam

Riba is one of the most serious sins in Islam. Allah says in the Koran:

“Allah has permitted trade and has forbidden riba (Albaqrah, 275).

In the Koran, Allah does not declare war on anyone except those who deal with riba:

O believers, fear you Allah; and give up what is still due to you from usury, if you are true believers. But if you do not, then take notice that Allah shall war with you, and His messenger; yet if you repent, you may retain your capital. Do not wrong (others) and you will not be wronged (Al-Baqarah, 278-279).

The Prophet warned that consuming riba is one of the seven sins that doom a person to Hell (Bukhari and Muslim).

The Prophet said:

“Allah has cursed the one who consumes riba, the one who gives it, the one who witnesses over it, and the one who writes down the transaction.”

But why dealing with riba is haram (unlawful)?

Islam being a complete code of life, offers its own economic system to guide human behaviour in the economic sphere. Muslims believe that the absence of the practice of interest is an essential feature of an Islamic economic system.

The real reason for the prohibition of riba (interest) is to establish social justice .

It is clear that the institution of interest is something which, runs counter to the scheme of things which Islam stands for and which Allah wants to see established on earth. In Islam, a person has to earn what he seeks to obtain. The lender of money does nothing thereby to entitle him to anything other than the money lent. It may be argued that the interest which the lender charges is by way of exacting a reward for him originally having taken the trouble and possibly undergone the hardship of amassing the capital which is being lent. This may be true, but the objection to the arrangement where interest is charged for a loan is that the borrower is under obligation to return the loan and run the risk of incurring a loss. The lender, in fact, puts no effort, the capital that lies in the hands of the lender means a purchasing at his command .

In the pre-Islamic Arabian society, interest or riba was considered similar to trade. But the Koran has forbidden taking interests on loans. In trade, there are two parties involved – one is the purchaser and the other is the vendor. The vendor makes a particular product or commodity by exerting his labour, money and time or he purchases it from someone else. In both cases, the vendor along with his capital employs labour, time, intellect and experience and presents it before that buyer and by selling he makes some profit on top of it. In exchanging the product, sometimes he may incur a loss instead of making a profit. So the vendor has to take the risk of loses while going for trade.

On the other hand, in interest transactions there is no division of profit between the two parties based on equality. A person lends his money to someone as a loan on the condition that the borrower has to pay a certain amount of money in addition to the principal within the given time period. Here, the lender or financier gets additional pre-fixed money with the principal. During this period, it is not always possible for the debtor to make a profit. This is, in fact, an exchange of time and leisure. From the point of view of trade, the moment a commodity is exchanged for its price the transaction ends. The purchaser does not give anything after that transaction to the vendor. In their transaction, whether of houses, land or other material, the original remains intact and is returned to the owner afterwards. It is only for the use of it that the hirer has to pay the rent to the owner, but in the case of interest, the debtor actually spends the amount borrowed from the creditor and has to return the same amount with an addition by way of interest (16).

The scholars of Islam have suggested the following reasons as to why riba is haram (forbidden).

- Whole nations, large and small, have foreign debts so large that their riba payments on these debts are a crushing burden on the entire country. Some 11 million children die each year around the world due to conditions of poverty and debt. To set an example, in 1985 Nigeria borrowed $ 5 billion, and it had already paid $ 16 billion, yet it had been told that it still owes $ 28 billion. The $28 billion came about because of the injustice in the lenders' interest rates.
- Riba conflicts with the spirit of brotherhood and sympathy, and is based on greed, selfishness and hard heartedness.
- Riba is one of the major contributors towards inflation.
- Riba causes trauma and depression due to mounting debts.
- Riba is a sure gain without any possibility of loss, hence all the risk is taken by the borrower, rather than sharing the risk and the profits with both parties.
- Riba creates a monopoly in society, where the rich are rewarded for being wealthy, while those who are not are forced to pay extra!

During the global financial crisis in 2008 and 2009, the Daily Vatican newspaper, "Osservatore Romano", reported the Vatican as saying that the Islamic finance system may help Western banks in the crisis as an alternative. The Vatican advised: "The ethical principles on which Islamic finance is based may bring banks closer to their clients and to the true spirit which should mark every financial service."

Where a riba-based market fails, Islamic financial institutions do not suffer the same consequences since the risk is shared by both parties. Lenders will be more careful, as they also share the risk of losing money if the borrower cannot pay back the original sum.

Given all the problems that riba creates it is no wonder that Islam prohibits such a detestable act.

Divine rules governing the Islamic economic system

Islam essentially allows economy to operate freely according to the market forces under Islamic guidelines for production, distribution, marketing, investment trade, exchange, wages etc. The state can also interfere in this free economy to restore equilibrium and establish justice and other Islamic objectives. In an Islamic economy, there is an "allow ability constraint" (a term introduced by Dr. S.N.H Naqvi in his book. (S.N.H. Naqvi: Ethics and Economics. An Islamic Synthesis, First edition, Chapter-5, published by Islamic Foundation, U.K).

1- Lawful production: Under the Islamic economic system, the entrepreneur can produce only permitted things. He is not allowed to trade in pigs, wine, gambling, slavery, prostitution, etc. Profit should be normal in such an economy after giving proper wages to the labourers in accordance with Islamic principles. Some forms of trade practices, exchange, investment, and land tenancy in agriculture are prohibited . It also disallows monopoly and hoarding and consider them as social evils. Islam is not being said capitalistic because it allows forces of demand and supply to operate in the economy. Forces of demand and supply are fundamental economic forces, which were operational even before capitalism.

2- Ownership: As previously mentioned, Allah is the true owner of all things. However, Allah in His mercy allows human beings to inherit wealth, own it and use it but only according to His commands.

Allah says:

The land belongs to Allah. He allows it, to be inherited by whomsoever he pleases. (Al- A’raf, 128).

Do they not see that we have created for them ----- among the things fashioned by us----- cattle of which they become owners? (Yasin, 29).

Islam, therefore, allows man as Allah’s viceroy on earth, to inherit from Allah (that is to own) wealth. This is indeed a trust for proper use according to Allah’s instructions. We may call it Trust ownership.

In early Islam, there were three kinds of ownership: private, communal and state ownership. The books of Hadith are full of accounts of individual ownership. This was the standard ownership. Some important things like water, canals pastures and graveyards were communal properties. The state owned the mines, rivers and large tracts of land.

There is no bar on state ownership of enterprise in Islam. The basic economic institutions may be brought under state control, if this is required to establish social justice or protect the interests of the community.

Islam protects lawful property and is in favour of confiscation of unlawful property. Lawful property can be taken over by the state only for valid social reasons after due compensation. During the last Hajj the Prophet announced the principle of protection of lawful property. The Koran says, "don't eat each other's property wrongfully " (Al-Nisa’, 29).

3- Prohibition of Interest: Islam prohibits interest. This requires a total reorganization of the economy, banking, investment, exchange, business and international trade. Already in the last 30 years, hundreds of Islamic banks and financial institutions have been set up and this has become an alternative mode in most Muslim countries and some non- Muslim countries. Its viability and practicability has been accepted by economists and bankers and many consider this system superior in some respects. A body of literature has already come up on this subject.

4- Zakat: Islam has made Zakat compulsory on the wealth of rich

Muslims. This is spent for the weaker and distressed sections of the society. Zakat not only distributes wealth between the rich and the poor of the society, it also influences investment, savings and allocation of income and resources. A detailed study has been made in this regard by Dr. Monzer Kahf in his book "Islamic Economy" American Trust Publications, USA. A rich body of literature has come up in recent times on Zakat.

5- Concern for Poor: This is a special feature of Islam. Zakat is one institution, which testifies to this. Allah says, “We desired to show favour into those who were depressed in the earth, and to make them leaders and to make them inheritors and to establish them on earth (Al-Qasas, 5-6).

In these verses Allah, has expressed His desire to show favour on the depressed people. Islamic economy shall establish all possible institutions to carry out this desire of the Lord.

6- Distribution of inheritance: Islam has not left the distribution of inheritance to the whims of a person, In Islam a person cannot favour one over the other of his siblings or relatives for temporary or subjective reasons, as is the rule in the West. Islam distributes inheritable property among several groups of people: 1) children, 2) husband/wife, 2) parents, 3) brothers and sisters in certain situations.

This distribution has taken care of different groups keeping in view their social role, requirements and proximity of kinship relationships. For those who remain outside the list of inheritors, and are poor, they have a share in the will of the testator if he wished to. The testator can will up to one 3rd of his/her property for distressed relations or others outside the inheritors (17).

7- The market mechanism is a fundamental pillar of the Islamic economic scheme. But Islam demands actions by extra-market institutions to ensure that the market does not degenerate into jungle capitalism, and that self-interest and the profit-motive do not create a situation that is socially disruptive and in violation of norms of justice and fair play.

The Islamic economic system aims therefore to guarantee individual liberty, freedom of choice, private property and enterprise, the profit motive and possibilities of unlimited effort and reward . It also seeks to provide effective moral filters at different levels of life and activity and established institutions in the voluntary sector, as well as through state apparatus to ensure economic development and social justice in the society.

The promotion of production and the exchange of goods and services, the pursuit of genuine profit, protection of the market mechanism, and a legal framework for the fulfilment of contracts, are pillars of the Islamic economic system.

Effort, innovation, creativity, division of labour, technology and skills development have been emphasised by all major Muslim thinkers along with cooperation, compassion, justice, charity and solidarity.

Mechanisms, Institutions, and Instruments of the Islamic Economic System

Islamic economic and financial activities are shaped by the following measures:

1- Elimination of Riba

Riba can be roughly translated as "Usury", or unjust, exploitive gains made in trade or business. Riba is mentioned and condemned in several verses in the Qur'an (3:130, 4:161, 30:39 and perhaps most commonly in 2:275-280). It is also mentioned in many hadith. The term is often used for interest charged on loans and scholars equated it with all forms of interest. Most Islamic jurists describe two kinds ofRiba:

Riba an-nasiya: an excess (riba) charged for a loan in cash or kind.

Riba al-Fadl: the simultaneous exchange of unequal quantities or qualities of a given commodity.

2- Zakat and Sadaqah

Zakat or purification of wealth, is the third pillar of Islam. It is a mandatory payment of wealth. It is to give two and one half percent of total wealth held for the period of one year.

Sadaqah - Voluntary charity. This is given anytime in any amounts for the sake of Allah.

Both types are necessary for a true believer in Allah. As Almighty Allah tells about true righteousness in Islam - It is not by showing off, or just doing spiritual worship.

3- Awqaf or waqf

Awqaf is under the context of Sadaqah, an inalienable religious endowment in Islamic law, typically donating a building or plot of land or even cash for Muslim religious or charitable purposes with no intention of reclaiming the assets. The donated assets may be held by a charitable trust.

4- Gharar

Gharar is an Arabic word meaning risk, uncertainty, or hazard.

Financial products where details concerning the conditions of sale are unknown or uncertain are generally prohibited under Islamic law. Thus, all contracts should be devoid of uncertainty and speculation and parties must have perfect knowledge of the terms of exchange. In particular, the identification of the owner of the goods must be disclosed.

"You cannot sell what you do not possess" is the main rationale behind the prohibition of short selling. In modern terms, it means that derivative products should be prohibited because the buyer pays in advance for something he is not guaranteed to receive.

Conversely, some kind of gharar is accepted when it comes to forward contracts provided that payment and actual delivery are secured. This kind of gharar is called istisna. The stisna is a financial instrument in

Islamic finance in which a manufacturer agrees to complete a construction project on a future date for a fixed, agreed-upon price and with product specifications that both parties agree to. If the project does not fit the contract specifications, the buyer has the right to withdraw from it.

This financial instrument provides for payment flexibility between the manufacturer and the buyer. The contract does not demand that the buyer pay in advance or that the manufacturer receive only a lump sum at the time of delivery. Instead, both parties can set a schedule of payment.

Istisna instruments are widely used in the construction industry or for project financing and trade financing. For example,

- Kuwait Finance House (KFH) uses the istisna contract for home financing (properties under construction) and project financing.
- Qatar Islamic Bank (QIB) signed an istisna agreement in late 2010 to finance a major residential complex in the north of Qatar.

Usually, a contract for a not-yet-manufactured product presents some uncertainty about the product. Islamic law prohibits finance institutions from being part of transactions that involve uncertainty (called gharar). To avoid uncertainty, the istisna contract is as detailed as possible regarding what the end product will be.

In the istisna contract, the customer approaches the bank with the desired asset's specifications. Both the customer and the bank sign the istisna contract, and then the bank manufactures the product or the asset for the customer through its agent, such as a manufacturer.

5- Murabaha– a term often referred to as 'cost-plus financing' and in its simplest form, this contract involves the sale of goods on a deferred basis. The goods are delivered immediately and the price to be paid for the item includes a mutually agreed margin of profit payable to the seller. In this contract, the Sharia requires a financier to first procure the goods and then sell it on to the actual buyer at a mutually agreed mark-up as the financier's profit, and in that process the financier must also disclose to the buyer the market cost price (true cost) of the goods procured. The amount of profit earned (the mark-up on the true cost) in this transaction is not a reward for the use of the financier's money as the financier cannot receive the marked-up profit if the financier fails to perform the required service, such as delivery of goods purchased with the financing.

6- Musharakah (cost plus financing)

Murabahah means sale on profit. Technically a contract of sale in which the seller declares his cost and profit. This has been adopted as a mode of financing by a number of Islamic banks. As a financing technique, it involves a request by the client to the bank to purchase a certain item for him. The bank does that for a definite profit over the cost, which is settled in advance. Some people have questioned the legality of this financing technique because of its similarity to riba or interest.

Musharakah also means a contract of sale between the bank and its client for the sale of goods at a price plus an agreed profit margin for the bank. The contract involves the purchase of goods by the bank, which then sells them to the client at an agreed mark-up. Repayment is usually in instalments.

7- Mudarabah

The term mudarabah refers to a form of business contract in which one party brings capital and the other personal effort. The proportionate share in profit is determined by mutual agreement. But the loss, if any, is borne only by the owner of the capital, in which case the entrepreneur gets nothing for his labour. The financier is known as 'rabal-maal' and the entrepreneur as'mudarib'. As a financing technique adopted by Islamic banks, it is a contract in which all the capital is provided by the Islamic bank while the business is managed by the other party. The profit is shared in pre-agreed ratios, and loss, if any, unless caused by negligence or violation of terms of the contract by the'mudarib' is borne by the Islamic bank. The bank passes on this loss to the depositors (18).

8- Wakalah

1. The term wakalah in Arabic means agency. Therefore ,under the structure, an agency relationship is agreed between two parties to conduct a certain business undertaking. Based on this premise, the model describes an agency agreement between the operators, acting as the agent or "wakil" to the participant as the principal to manage the participation of the latter in a variety of takaful (a type of insurance system devised to comply with the sharia laws, in which money is pooled

and invested) products provided by the operator. In return for rendering the agency services, the operator is permitted to charge a fee under the agreement. The fee is payable from the takaful contribution paid by the participant. In this sense under the above model, management expenditure can be charged to the takaful fund as upfront charges. By this model, the operator earns its revenue from the agency fee described in the aforementioned as well as returns on the investment of its shareholders’ fund. However, there are also operators practising the above model who charged performance fees on its roles and services of managing the investment of the takaful fund. In the event of a cancellation or surrender, the participant will be refunded of the net balance of his contribution, if any, after deducting all the upfront charges such the wakalah fees and other management expenses from the takaful fund.

9- Ijarah

A term used for a leasing contract in Islamic law where a specified asset required by a party may be purchased by a financier and then leased by the financier to the party for an agreed rental and for an agreed period. The way lease rentals are calculated and the fact that the leased asset continues to be owned by the financier throughout the lease period, the rentals is not equated with receiving interest. The Ijara contract can be designed to allow return of the leased asset to the party at the end of the leased period. However, if the party may wish to acquire the leased asset at the end of the leased period, the party would have to have a separate agreement for this purpose before entering into the ijarah contract; in terms of the Shari'ah rules, such agreement cannot be binding on the parties.

10- Takaful

Takaful is commonly referred to as Islamic insurance. Takaful is founded on the cooperative principle and on the principle of separation between the funds and operations of shareholders, thus passing the ownership of the Takaful (Insurance) fund and operations to the policyholders. Muslim jurists conclude that insurance in Islam should be based on principles of mutuality and co-operation, encompassing the elements of shared responsibility, joint indemnity, common interest and solidarity.

In modern-day conventional insurance, the insurance vendor (the insurance company) sells policies and invests the proceeds for the profit of its shareholders, who are not necessarily policyholders. There is therefore a clear disjunction between policyholders and shareholders. Pay-outs to policyholders may vary depending on financial performance, but a minimum positive return is always contractually guaranteed.

In takaful, the policyholders are joint investors with the insurance vendor (the takaful operator), who acts as a mudarib – a manager or an entrepreneurial agent for the policyholders. The policyholders share in the investment pool's profits as well as its losses. A positive return on policies is not legally guaranteed, as any fixed profit guarantee would be akin to receiving interest and offend the prohibition against riba.

Takaful complies with the Sharia (which outlines the principles of compensation and shared responsibilities among the community) and has been approved by Muslim scholars. There is now general, health and family (life) takaful plans available for the Muslim communities.

Islamic insurance requires each participant to contribute into a fund that is used to support one another with each participant contributing sufficient amounts to cover expected claims.

The principles of Takaful may be summarised as follows:

- Policyholders co-operate among themselves for their common good.
- Every policyholder pays a part of the contribution as a donation to help those that need assistance.
- Losses are divided and liabilities spread according to the community pooling system.
- Uncertainty is eliminated in respect of subscription and compensation.
- It does not seek to derive advantage at the cost of others.

Theoretically, Takaful is perceived as cooperative insurance, where members contribute a certain sum of money to a common pool. The purpose of this system is not profits but to uphold the principle of : “bear ye one another’s burden.”

How does Takaful Works

All participants (policyholders) agree to guarantee each other and, instead of paying premiums, they make contributions to a mutual fund, or pool. The pool of collected contributions creates the Takaful fund.

The amount of contribution that each participant makes is based on the type of cover they require, and on their personal circumstances. As in conventional insurance, the policy (Takaful Contract) specifies the nature of the risk and period of cover.

The Takaful fund is managed and administered on behalf of the participants by a Takaful Operator who charges an agreed fee to cover costs. These costs include the costs of sales and marketing, underwriting, and claims management.

Any claims made by participants are paid out of the Takaful fund and any remaining surpluses, after making provisions for likely cost of future claims and other reserves, belong to the participants in the fund, and not the Takaful Operator, and may be distributed to the participants in the form of cash dividends or distributions, alternatively in reduction in future contributions.

Models of Takaful

There are various models of takaful according to the nature of the relationship between the company and the participants. There are wakalah (agency), mudarabah and a combination of the two.

The term wakalah in Arabic means agency. Therefore under the structure, an agency relationship is agreed between two parties to conduct a certain business undertaking. Based on this premise, the model describes an agency agreement between the operators, acting as the agent or “wakil” to the participant as the principal to manage the participation of the latter in a variety of takaful products provided by the operator. In return for rendering the agency services, the operator is permitted to charge a fee under the agreement. The fee is payable from the takaful contribution paid by the participant. In this sense under the above model, management expenditure can be charged to the takaful fund as upfront charges. By this model, the operator earns its revenue from the agency fee described in the aforementioned as well as returns on the investment of its shareholders' fund. However, there are also operators practising the above model who charged performance fees on its roles and services of managing the investment of the takaful fund. In the event of a cancellation or surrender, the participant will be refunded of the net balance of his contribution, if any, after deducting all the upfront charges such as the wakalah fees and other management expenses from the takaful fund (19).

In the Sudanese takaful model, every policyholder is a shareholder in it. An Operator runs the business on behalf of the participants and no separate entity manages the business. Sharia experts consider this preferable. In other Islamic countries, the legal framework does not allow this arrangement and takaful companies work as separate entities on the basis of mudarabah (in Malaysia) and wakalah (in the Middle East).

In the mudarabah model practised mainly in the Asia Pacific region, the policyholders receive any available profit on their part of the funds only. The Sharia committee of a takaful company approves the sharing ratio for each year in advance, most of the expenses being charged to the shareholders.

In the wakalah model, the surplus of policyholders' investments – net of the management fee or expenses - goes to the policyholders. The shareholders charge the wakalah fee from contributions and this covers most of the expenses of the business. The fee is fixed annually in advance in consultation with the company's Sharia Supervisory Board. The management fee is related to performance (20).

Differences between Takaful and Conventional Insurance

The overwhelming majority of Islamic jurists have concluded that the conventional insurance contract is unacceptable to Islam, not being in conformity with the Sharia for the following main reasons:

a) it includes an element of al-gharar (uncertainty)

b) it is based on the theory and practice of interest; a conventional life insurance policy is based on interest, while an Islamic model is based on tabarru where a part of the contributions by participants are treated as donation. For this reason, policy holders in takaful are usually referred to as participants.

c) it is a form of gambling.

First and foremost, Islamic insurance, in conformance with the Islamic Sharia, is a form of social solidarity (takaful), based on the principles of trusteeship and co-operation.

1) In conventional insurance, the insured substitutes certainty for uncertainty. In return for a predetermined payment, the premium, he/she transfers to the insurer the possible economic losses from stipulated risks. In Islamic insurance, the participants share all risks mutually and no transfer of risk is involved.

2) Conventional insurance companies are motivated by the desire for profit, while Islamic insurance companies are non-profit making, the shareholders not being entitled to share in the profits of the business although they are entitled to charge fees for their services and share in the investment returns of funds managed by them.

3) The policy-holders in a conventional insurance company have no right to vote in the elections of the directors of the company or to see the annual accounts of the company, while in Islamic companies; these facilities are available to all participants who pay a certain stipulated amount of premiums (contributions).

4) In the takaful system, if the assured dies before the policy matures, the beneficiary is entitled to the whole amount of the premiums, the bonus and dividend and a share of the profits made over the paid premiums, plus a donation from the company out of the participants/policy-holder's contributions given on the basis of tabarru. Such a transaction is seen as a mutual contribution towards the welfare of the helpless in society. Where the insured is still alive on the maturing of the policy, he/she is entitled to the whole amount of the premiums, a share of the profit made over the premiums, a bonus and dividends according to the company policy.

5) In a conventional life insurance policy, the agent's payments are paid out of the insured's paid premiums, whereas in the Islamic model, the agents work for the company and thus are paid by the company.

6) The insurable interest in the conventional system is usually paid to the policyholder, if he/she is alive at the expiry of the policy. If he/she dies before that date, the insurable interest is paid to the beneficiaries, who may include including family, servants, company, trustee, partners, mortgagor, etc. But under the Islamic model, the insurable interest goes to the assured or his/her heirs.

Model of the Islamic economy

1- Money and Monetary Policy

The theme of money was tackled very early in history by a number of Muslim thinkers such as al-Ghazali, Ibn Taymiyya, Ibn al-Qayyim, Ibn Khaldun and al-Maqrizi.

Al-Ghazali has highlighted two functions for money: means of exchange and a measure of value. He argues that money becomes a necessary means of exchange to overcome the problems of a barter economy. Al-Ghazali says that money also constitutes a unit of value and an instrument of measurement whose role is to increase exchange and commercial relations. That is why al-Ghazali insists on the fact that money should not be considered as a commodity, an object of transaction and a source of profit (interest), nor hoarded and withdrawn from the commercial circuit.

Ibn Taymiyya examines two functions of money, namely, a standard of measurement and a means of exchange, and condemns the trade in money. Furthermore, he examined the problem of money erosion and also its impact on the general economic situation and on the welfare of the population: ‘The authorities should issue the money (other than gold and silver) up to the level that is just necessary to correspond to the volume of transactions of the peoples without causing them any injustices.' This lead Ibn Taymiyya to describe the principle, ‘bad money chases good money', known as Gresham's Law in the textbooks of political economy.

Ibn al-Qayyim recognizes the two functions of money described by the earlier scholars, but he was more precise in his formulation. He wrote that ‘money is issued not for its own sake but to be used in transactions (that is to say that it constitutes only a means of exchange)'. Therefore money should be stable so as to facilitate the evaluation of the products and their exchange.

According to Ibn Khaldun, Allah created gold and silver to serve as a standard (or yardstick) of measurement for all goods. Contrary to the Mercantilists, Ibn Khaldun demonstrated, well before them, that gold and silver do not constitute wealth as such, but have a value of exchange like other metals or precious stones. The argument of Ibn Khaldun is based on the theory of value, which he put forward centuries before Karl Marx. It is human labour, the source of wealth, he said, which contributes to increasing or decreasing the quantity of precious metals. The countries producing gold and silver exchange them against money to acquire the goods they need.

Taqi al-Din Ahmad al-Maqrizi (1364-1444) is known for his works on money and prices. He considers that only gold and silver constitute money, which could be used as a standard of value. Because of the relationship between the non-measured issue of money and the rise in prices, al-Maqrizi proposes that the increase in mass-money should correspond to, and not exceed, the total volume of transactions.

2- Division of Labour

The importance of the role of labour in the creation of wealth was underlined by al-Ghazali (1058-1111), Ibn Taymiyya (1263-1328) and Ibn Khaldun (1332-1406).
Seven centuries earlier than Adam Smith, al-Ghazali highlighted the importance of the division of labour required by the necessary diversity of human activities. It is astonishing to see that Ghazali used the example of a needle factory to illustrate his point while Adam Smith used the example of a pin factory.

Ibn al-Qayyim (1292-1350) emphasized the necessity of establishing economic cooperation between the different parties of a society, which constitute the whole. Cooperation among human beings allows them to obtain results that would never have been realized individually. The division of labour induces multiplication and diversification of economic activities.

It is Ibn Khaldun who should receive credit for analysing with a greater scientific rigour the concepts of labour, value and the division of labour- five centuries before David Ricardo and Karl Marx.

3- Utility:

Utility is the Islamic backbone of economics.

Treatment of utility as a scientific tool of analysis is the scholarly product of most notably al-Ghazali(550 H), Izzaddin ibn Abdelsalam (or al-Izz) (660 H), ibn Taimiyah (728 H) and al-Shatibi (790 H).

Al-Izz: “Most worldly utilities are recognizable through the human mind”. The approaches of al-Izz and ibn Taimiyah are the most relevant to micro economic theory since they both depart from a behavioural concept of utility as a fundamental basis for the macro concept.

Al-Ghazali and al-Shatibi focused mainly on the macro theory of utility. Therefore, it is possible to review the salient features of utilities jurisprudence through the macro / micro classification.

Their views can be summarised as: The goal of Sharia is defined to achieve utilities and avert difficulties. This postulate forms a general consensus among Muslim scholars, with the added provision that no contradiction is perceivable between worldly utilities and Hereafter's utilities except through misunderstanding of either. It is the basic jurist provision whereby economics and ethical values are firmly linked in the pursuit of a better economic order.

4- The Role of Market and its Limits

Many Muslim thinkers recognize private property, the liberty of economic activities and the free movement of the market forces but within the confines of Islamic values. That is why they anticipate the intervention of the state in case of dysfunction of the market in order to protect the general interest.

Abu-Yusuf (731-798) admits the determination of prices through the free play of supply and demand though he maintains the necessity of measures that tend to block monopoly, fraud and corruption.

Al-Mawardi (11th century) was also a proponent of state intervention in the economy through the muhtasib whose function, among other things, would be to regulate the market. The precision of weights and measures would have to be assured, fraud clamped down on, and commercial operations controlled so that they conform to Islamic legislation.

Nizam al-Mulk al-Tusi (11th century) advocates state control of the economy, emphasizing the necessity of maintaining national stability. According to him, such stability would not be obtained unless the basic needs of the population were safeguarded. He was pre-occupied by the necessity of organizing assistance to the poor amid the needy amid the struggle against the penury of alimentary products by assuring their permanent availability in the markets, especially in cases of catastrophe or drought.

Al-Ghazali implicitly recognized the idea of determining prices by the forces of the market (in his analysis of commercial activities and the related functions of transport and storage), to ensure the availability of products almost everywhere. But he also evoked al-hisba (supervision and control) by describing the qualities of the muhtasib (supervisor), the activities that are subject to control, and the nature amid rules of supervision. He has also indicated some other areas that need to be supervised such as concealing the defects of products or services and false declarations for achieving profit.

Ibn Taymiyya has also well expounded the role of the market where prices are determined by the laws of supply and demand. After identifying the demand and supply conditions, Ibn Taymiyya suggests that the state should not intervene in fixing prices except in the event of an injustice, monopoly, dissimilation, or voluntary withdrawal of merchandise from the market circuit to realize illicit profits. For Ibn Taymiyya, it is clear that in such cases the intervention of the state becomes inevitable in eliminating, or at least limiting as far as possible, market imperfections, which disturbs the smooth operation of the market and its transparency.

One can conclude that Islamic economics attempts to create a moral / ethical economy for the good of all. It is a free market economy; but this state of free enterprise is managed by:

(a) restrictions – matters that are prohibited – haram, and

(b) obligations that Muslims have and are required to bring about themselves through the practice of the various principles of Islam (Sharia law), without unduly curbing individual freedom and creativity or creating an imbalance in the macroeconomic and ecological environment.

Thus the Islamic concept of economics and economic growth and development follows from its concept of “tazkiyah” (purification of the self) as it addresses itself to the problem of economic aspect of human life in all its dimensions. Tazkiyah is concerned with growth towards perfection through purification of attitudes and relationships. The result of tazkiyah is falah (prosperity) in this world and the hereafter”

4- Public finance in an Islamic Economic Model

The concept of the state and central power is fully embedded in an Islamic economic model. The state has the responsibility for defence, maintaining order, redistributing income in favour of the poor, establishing justice, providing public services, and investing in economic development. The notion of a modern state has emerged under the Prophet and the califs who succeeded him. The State’s Treasury was established under the Prophet under the name of Beit Mal Al Muslimeen. The concept of public finance has been a fundamental aspect of an Islamic economic model. The main principles that have governed Islamic finance were fiscal discipline, trust, and efficiency in public expenditure: as clearly stated in many verses of Koran:

25; 67: And those who, when they spend, are neither extravagant nor niggardly, but hold a medium (way) between those extremes.

17;27: Verily, the spendthrifts are brothers of the Satan, and the Satan is ever ungrateful to his Lord.

6; 141: And waste not by extravagance. Verily, He likes not those who waste by extravagance.

Spending of public resources has to obey Islamic criteria that enhance social welfare and economic growth. Rulers and civil servants are entitled a compensation, however, in due proportion and not in excess of the government fiscal balance. Many types of spending should not be allowed, such as spending on personal security to preserve absolute power, and activities that do not benefit the social welfare. The primary spending under the Prophet and the succeeding califs was for social coverage. Later, with higher revenues, spending was extended to infrastructure, namely water, schools, and construction of cities. Spending in favour of the poor and handicapped should be maintained in due proportion as a fundamental aspect of Islamic public finance. Wasteful spending on subsidies is not acceptable, such as fuel subsidies. Capital spending should also obey strict criteria of enhancing social welfare and economic growth. Capital spending should aim at building an economic and social infrastructure.

Government revenues in the early era of Islam had been essentially zakat, khumus (one fifth of gains bestowed by Allah, including discovery of mineral resources), and voluntary contributions (Infaq). Some form of taxation was strictly forbidden by the Prophet. It was called “Max” a form of fee paid to public authority before allowing merchandise access to the market place. Certainly, an Islamic tax system cannot be simply a transposition of a conventional tax system. Certain taxes such as heritage tax may not be allowed in an Islamic tax system. The principle of taxation should obey strict criteria of social solidarity, social welfare, and public interest. Property and municipal taxes may become mandatory for the public good of safeguarding the environment, and public health to the extent that these taxes enable to provide sanitation, garbage disposal services, and cleaner streets.

The Koran and the Sunnah urge Muslims to enhance social solidarity and spend for the public good. Users’ fees help social equity; the government is encouraged to levy charges for the use of public infrastructure, such as ports, airports, and freeways. The government is entitled to royalties from mineral resources. While the state cannot establish obligations on income and wealth, beyond those stipulated by zakat, it may nonetheless resort to moderate taxation subject to the criteria of public interest, such as defence and internal security, or for the construction and maintenance of public infrastructure that is being used by all firms in conducting their economic activities.

A main principle of Islamic public finance is for the government to run a surplus on the current fiscal balance that will help finance capital expenditure. In case of deficit on the current fiscal account, the government should forcefully tailor its current spending in line with revenues with a view to generate a current fiscal surplus. The financing of the fiscal deficit should obey Islamic principles. More specifically, the government should not contract interest-bearing debt. It can only contract non-interest bearing debt. The government may earn seigniorage through mint or money injection; however, such money financing has to be strictly consonant with a fixed rule regarding the growth of money supply. Inflationary financing of the deficit is not acceptable as it distorts prices, extracts large tax on fixed income groups (pensioners, wage earners), absorbs savings and decelerates economic growth (21).

In conclusion, an Islamic economic model emphasizes private property, private sector development, promotes free domestic and foreign trade, enhances competitiveness, and aims at eliminating distortions in asset and product markets. While natural monopolies due to invisibilities are acceptable in an Islamic economic model, restrictions to entry and trade, however, are forbidden . The Prophet and succeeding Califs were careful not to introduce distortions. Umar refused to impose a retaliatory import tax on goods imported from Christian countries that had imposed tariffs on imports from Muslim regions. In many countries, monopolistic competition in form of large corporations that control markets stands against expanding supply and reaching higher social welfare. Namely, product prices become rigid because of market power and cannot fall, and quantities sold are lower than under pure competition. Antitrust laws contribute to improve competition and expand supply and reduce prices. Intermediaries that group to control agriculture markets impose low prices that do not enable farmers to earn sufficient profits and could therefore contribute to a falling agriculture production.

Asset prices have to be market determined. While interest rates do not exist in an Islamic economic model, reward to capital is through profits and profit and loss sharing arrangements. The exchange rate, defined as the price of gold in terms of commodities, the price of gold in terms of currency, or the price of a unit of local currency in terms of a foreign currency, has to be market determined. Such was indeed the case in the early era of Islam.

An Islamic economic model rests on free competition, undistorted equilibrium prices, and precludes price fixation by the Government and many forms of price distortions (e.g., excessive duties, subsidies, etc.), except in natural monopolies or public services (e.g., transport). State marketing boards and price fixing can be detrimental to private investment and to long-term supply. Fraud, cheating in weight, altering the quality of products, such as adding water to milk or diluting honey, had been condemned both in the Koran and in the Sunnah as abhorrent activities. Allah has repeatedly warned those who cheat, diminish weights, or falsify merchandise.

Investment in human capital and economic and social infrastructure
Long-term planning and defining national development priorities are important elements of an Islamic economic model. A Muslim economy has to have long-term plans for water supply, dams construction, electricity generation, road infrastructure, hospitals, airports, etc. so it will not face sudden bottlenecks or deficiencies in infrastructure capacity. Investment in human capital is an essential element of an Islamic economic model and provides a basis for sustained economic growth. The Koran and the Sunna have stressed the value of learning, sciences, and human capital.

Development planning should also define sectoral priorities, such as achieving food security, expanding housing, developing mineral resources, increasing energy supply, and promoting exports. Long-term planning should also aim at maximizing labour employment and sustaining industrialization.

The development plan identifies long-term projects and their financing. Such financing could be from domestic savings, or foreign financing. It has, however, to satisfy Islamic conditions, namely borrowing has to be non-interest bearing. Financing also could be through public private sector partnership.

An Islamic economic model is totally different from all other economic models as it recognizes the supremacy of Allah, derives its laws from Allah, and is built on a set of Islamic laws that strictly forbid transgression of any form. The Islamic economic model is based on a set of rules embodied in the Koran and the Sunnah.

Islamic economic modelling consists therefore in operationalizing these rules. They stressed the importance of property rights and the prohibition of any form of transgression, including unjust appropriation of other people wealth. Every economic system requires a set of laws for its practical implementation and for reinforcing contracts and security. For an Islamic economic system, such set of laws is provided by the Islamic Sharia (jurisprudence).

In His farewell speech, the Prophet forcefully stated that unlawfully appropriating other people money, shedding blood, and committing adultery are as strictly forbidden as the eternal sanctity of Makkah.

In 4:29 Allah says: O you who believe Eat not up your property among yourselves unjustly except it be trade amongst you, by mutual consent. And do not kill yourselves: for verily Allah has been to you most merciful.

In 2:188: And eat up not one another's property unjustly (in any illegal way e.g., stealing, robbing, deceiving, etc.) nor give bribery to the rulers (judges before presenting your cases) that you may knowingly eat up part of the property of others sinfully.

Similarly in 4: 10: Verily, those who unjustly eat up the property of orphans, they eat up only fire into their bellies, and they will be burnt in the blazing fire.

Commercial transactions (non-interest-based loans, sales, etc.) have to be recorded in contracts written by legal notary in the presence of witnesses. In absence of legal notary, collateral can be taken, which should be remitted when the obligation is fulfilled.

Alcoholic beverages, drugs, and gambling are strictly prohibited and should be subjected to sanctions according to Koran and Sunnah injunctions.

Combating theft, banditry, and larceny is a fundamental element in supporting institutional framework of an Islamic economic model, without which an Islamic system would be doomed to social disorder and economic stagnation. More specifically, work values deteriorate, trust disappears, and insecurity grows to alarming levels.

An Islamic economic model rests on Allah's Sharia; it aims at operationalizing the Sharia laws into economic life. Built on interest free finance, balanced fiscal policy, and redistributive zakat, an Islamic economic model could offer a robust macroeconomic framework for a sustained and balanced economic growth.

An Islamic economic model would offer a promising, and much more efficient, alternative to failed economic systems. Such an economic model is built on economic and social precept of the Koran and the Sunnah, thus secure success here and in the hereafter (22, 23).

Based on the above, the institutional framework of an Islamic society performing Islamic economies is:

1. Although the absolute ownership belongs to Allah, Islam permits a private property, which is limited by obligations to others and moral boundaries are governed by sharia.
2. Joint venture (joint enterprise) must be the main foundation in collaboration, where the system of profit sharing and share the risks that may arise is applied.
3. Consultation and deliberation should be the mainstay in public decision-making.
4. State is responsible and has the power to regulate individuals in every decision in order to achieve the goals of Islam.

The Islamic economic system as a model for the world to follow

People fail to realize that the economy of the West moves from crisis to crisis and has to be put on life support via government intervention. In actual fact, many people can only afford luxury goods by going into debt. In the US, for example, the average credit card debt is $15,257, average mortgage debt is $149,782 and the average student loan debt is $34,703. People are not prospering as the West likes to arrogantly project to the rest of the world. Rather those that work tend to go into debt and then have to work like slaves in order to pay the debt as it grows with riba over time. Those who cannot are left at the mercy of welfare schemes or resorting to criminality.

The long absence of Islam in economic life and the fall of communism in the 1990's has led many to believe that capitalism is the only system that works. Albeit, with its contradictions, flaws and sticky plaster solutions. They are sadly mistaken, as has been witnessed over the past few years capitalism is in crisis. As it shows, capitalism became a frail system teetering on the brink of collapse.

The biggest mistake of Western capitalism is to bet on interest rates as a tool for financing and the intended negligence of warnings of senior western economists, from the seriousness of the divesting effects of this capitalistic system.

The world today is in need for a good and rational financial system aftermath the last tragic global crisis through applying Islamic financial system, which discards the arrogance, injustice and greed of the capitalist system as well as other contemporary economic systems.

Muslims are increasingly beginning to realize that capitalism cannot resolve their issues for them. Rather the solution lies in Islam.

Instead of being deceived by the west capitalist economic system, Muslim implement their own economic system of Islam. Only the economic system of Islam will ensure that needs of all are met and the vast resources that Allah gifted the Muslims with are used productively and not given away to capitalist corporations.

Governments and businesses in Asian and Middle Eastern countries are increasingly moving to set up financial institutions that offer products and services compliant with Islamic law, or Sharia. In countries such as Indonesia, China and Turkey, people are establishing joint companies, aiming to tap demand from the Islamic finance market, which is worth $2 trillion. Such services are underpinned by the firm religious devotion of Muslims.

Islamic Financial System has become a major global financial system with over 300 institutions involved in both Muslim countries and international financial markets. Assets managed in accordance with the Islamic law are worth over $200 billion, including financing facilities made available by banks and investments by mutual funds that have been screened for Islamic Themes (sharia) compliance.

Islamic finance offers a more responsible alternative to traditional banking. The mistrust borne from the financial crisis has completely transformed the culture of banking. Where once irresponsible risk-taking reigned supreme, sustainability and ethics today play a far more important role than they have ever done before. As a result, alternatives such as Islamic finance have gathered extraordinary momentum, as customers seek instead to explore new opportunities outside of the traditional banking space (24).

Islamic financing by definition entails a direct link between financial flows and real flows in the economy. That is, funds will flow from Islamic banks only in direct support of real underlying economic activity. Therefore, investors will approach Islamic banks only when they have genuine needs, and in this sense, Islamic financial architecture could be seen as superior to the existing interest-based financing architecture.

Though the concept of Islamic finance is hundreds of years old, the modern version of it has evolved recently to satisfy the needs of those looking to invest without being in contravention of their religious beliefs.

Besides the moral incentives, there are attractive investment opportunities unique to sharia-compliant investments. The sector has grown to $1.6 trn in assets over the past three decades, according to the Global Islamic Financial Review, and is impossible to ignore – even for non-Muslims. From an investor’s perspective, Islamic investors cannot make money from money. There must be real assets involved that can be easily identified. But religion isn’t the only reason. A second source is people looking for diversification.

Muslim consumers are looking for financial products that are aligned with their value base, and non-Muslim consumers are also increasingly interested in the alternate funding channels and genuine returns that Islamic finance can provide. Islamic financial institutions become partners with clients within transactions rather than simply an intermediary.

It is noteworthy that many corporates, typically large ones, are regularly issuing sukuk to compliment more traditional ways of raising project finance or term debt (through bond issuance or syndicated loans). This reflects the large pool of liquidity within Islamic finance that sukuk issuers are able to tap, within appropriate financial structures.

What advantages does Islamic finance offer investors?

The advantages the Islamic finance offer investors are distinguished by a ban on interest-based transactions, an emphasis on equitable contracts, the linking of finance to productivity, the desirability of profit sharing, and the prohibition of speculation and uncertainty in business contracts.

Sharia-compliance in effect results in avoidance of transactions that are prohibited by Islam, including option trading or interest-based transactions, such as margin trading and short selling. Saving and investing in line with religious principles is important for many Muslims, and an increasing range of financial products are now available to meet sharia rules.

The rationale behind the prohibition of interest in Islam suggests an economic system where all forms of exploitation are eliminated. In particular, Islam rule aims to establish justice between the financier and the entrepreneur. The financier should not be assured of a positive return without doing any work or sharing in the risk, while the entrepreneur, in spite of their management and hard work, is not assured of a positive return.

Non-Muslims could also successfully invest in Islamic finance. Islamic finance is not restricted to any one person or followers of a single faith, and is open to everyone. Non-Muslims that choose to include sharia-compliant investments in their portfolio will notice that their investments will be enhanced by having a socially conscious, ethical aspect to their investments. Additionally, investing in Islamic finance via equitable contracts, the linking of finance to productivity, the desirability of profit sharing, and the prohibition of speculation and uncertainty in business contracts, will facilitate altogether, a greater transparency, and will reduce overall portfolio volatility.

The Islamic economic system is gaining momentum

The Islamic economy affects the lives of more than 1.7 billion Muslims worldwide. It is open to all discerning consumers, citizens, and businesses from Australia to Alaska who understand the need to improve the way we consume, produce and work with one another. The Islamic economy is a way of living - through products, experiences, services, processes and relationships - that is halal (lawful), ethical, wholesome and family-friendly.

Just three decades ago, even the strongest advocates of Islamic finance could not have envisaged that such progress would have been possible in the context of an international financial system that was dominated by western Capitalism, which implies an interest based methods of financing. The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) was established in1991 to prepare and issue auditing, good governance, ethical and sharia standards, as well as sharia rules for investment and financing instruments. The Bahrain Monetary Agency and the Central Bank of Sudan require all Islamic banks under their jurisdiction to meet these standards, and Islamic banks elsewhere comply voluntarily with the AAOIFI standards, often because their sharia advisors sit on the AAOIFI board. In 2000, the Saudi Arabian Monetary Agency told Islamic banks and Islamic subsidiaries of conventional banks operating in the Kingdom to use AAOIFI standards. To date AAOIFI has issues eighteen accounting standards, four auditing standards, four governance standards, five sharia standards and four sharia rules, in addition to a code of ethics. Increasing convergence in Islamic financial practice will undoubtedly increases client confidence in the industry and facilitate inter-bank transactions between sharia compliant institutions.

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The 2014-15 State of the Global Islamic Economy Report presents the continuing building of Islamic economy's momentum. The Halal Food sector saw investments, such as the Brazilian food group BRF investing $90 million in setting up a production plant in UAE; new Halal testing technologies emerged from France, Malaysia, and UAE; Dubai began marketing its new Halal hubs; MIHAS Malaysia saw record Halal Food exhibitors and deals. Islamic Finance saw the arrival of Sukuk in western jurisdictions of the UK, Luxembourg, Hong Kong and South Africa; Arabesque and SEDCO built momentum around SRI investing; a mega-Islamic bank was announced from Malaysia. In Travel, Maldives saw a hotel investment in a Muslim friendly resort; Spain, Japan, Philippines and Russia took steps to attract Muslim customers; luxury hotel chain Shaza, that is Halal lifestyle focussed, planned expansion; HalalTrip.com gained traction while HalalBooking.com offered innovative pricing features.

In the Modest Fashion space, DKNY and UK-based department store John Lewis introduced the Muslim audience to focussed modest fashion/accessory lines. The Media and Recreation space saw the launch of a Muslim super-hero ‘Kamala Khan’ by Marvel comics; Ramadan drama-series (Musalsalat) continue their multi-million dollar productions; Bitsmedia’s Muslim Pro app reached more than 10 million downloads. The Pharmaceuticals and Cosmetics sector saw Malaysia’s Halal Industry Development Corporation receive a $100 million investment for a Halal vaccine production; “H,” a Halal-certified nail polish, was launched in the GCC. In a trend towards the beginning of convergence among these sectors, Islamic designer Peter Gould coordinated to launch a clothing line with U.S.-based Artizara; MasterCard partnered with Zilzar.com, a new global Muslim lifestyle marketplace platform, and is preparing to launch a Halal benefits program for its million dollar plus Sharia-compliant card holders.

These achievements show that the global expenditure of Muslim consumers on food and lifestyle sectors grew to 9.5% thus reaching $2 trillion in 2013 and is expected to reach $3.7 trillion by 2019 at a compound annual growth rate of 10.8%. This forms the potential core market for Halal Food and lifestyle sectors. The estimates of the Islamic finance assets reached $1.66 trillion in 2013. Islamic funds and Sukuks led the growth with 14% and 11% growth year-on-year, whereas banking experienced a 5% drop in its assets. The estimates predict that the global potential of the Islamic finance assets in its core market (assuming optimal scenario) to reach $4.2 trillion in 2014.

The customers of this Islamic economy are universal with shared values. At the highest level, values-based customer needs that are driving these Islamic economy sectors include Islamic/ethical financing, Halal (lawful) and Tayyab (pure) food, modest clothing, family-friendly travel, gender interaction considerations, and religious practices. These needs also extend to business practices that seek Islamic business financing, investment and insurance services (Takaful). It is however important to recognize the wide diversity in awareness and adoption of Halal within the core customer base of Muslims globally.

Introducing a formal Global Islamic Economy Indicator (GIEI), a composite index that presents the current development health of Islamic economy sectors across 70 core countries, i.e. Malaysia, UAE and Bahrain lead this inaugural composite index. The indicator is not ranking the current size and growth of each market but evaluates the quality of the overall Islamic economy ecosystem, including social considerations. The ranking is weighted towards Islamic Finance and the Halal Food ecosystems given their relative sizes to other sectors.

Global Muslim spending on Food and Beverages (F&B) has increased 10.8% to reach $1,292 billion in 2013. This takes the potential core Halal Food market to be 17.7% of the global expenditure in 2013 compared to 16.6% the year before. This expenditure is expected to grow to a $2,537 billion market by 2019 and will account for 21.2% of the global expenditure. Top countries with Muslim consumer food consumption are Indonesia ($190 billion), Turkey ($168 billion), Pakistan ($108 billion) and Iran ($97 billion) based on 2013 data. Meanwhile, Malaysia, UAE and Australia lead the Halal Food Indicator that focusses on the health of the Halal Food ecosystem. A special focus report on Halal Food Logistics estimates logistic costs for the potential global Halal food market to be $151 billion in 2013.

Global Muslim consumer spending on clothing and footwear has increased 11.9% to reach $266 billion in 2013. This makes the Muslim clothing market to be 11.9% of the global expenditure and is expected to reach $488 billion by 2019. Top countries with Muslim consumers clothing consumption (based on 2013 data) are Turkey ($39.3 billion), United Arab Emirates ($22.5 billion), Indonesia ($18.8 billion), and Iran ($17.1 billion). Meanwhile, UAE, China and Italy lead the Modest Fashion Indicator that focusses on the health of the modest fashion ecosystem a country has relative to its size. Given the importance of digital platforms to this space, a special Muslim Fashion E-Commerce focus report looks at these modest fashion segment developments and hotspots across the globe. Dinar Standard estimates put Muslim consumers' e-commerce expenditure at $4.8 billion in 2013.

Global Muslim spending on travel (outbound) has increased 7.7% to reach $140 billion in 2013(excluding Hajj and Umrah). This is 11.6% of the global expenditure and is expected to reach $238 billion by 2019. Top source countries of Muslim tourists based on 2013 expenditure were: Saudi Arabia ($17.8 billion), Iran ($14.3 billion), United Arab Emirates ($11.2 billion), Qatar ($ 7.8 billion), Kuwait ($7.7 billion), and Indonesia ($7.5 billion). Meanwhile, Malaysia, UAE and Singapore lead the Halal Travel Indicator that focusses on the health of the family-friendly/Halal Travel ecosystem a country has relative to its size.

A special focus report, Hajj and Umrah Travel, estimates there were a total 5.7 million Hajj and Umrah pilgrims (not including domestic) with a total expenditure on Hajj and Umrah at $16.2 billion (including air travel) in 2013.

Global Muslim spending on recreation and culture has grown 7.3% to reach $185 billion in 2013. This represents 5.2% of the global expenditure and is expected to reach $301 billion by 2019. Top countries with Muslim consumers' recreation consumption (based on 2013 data) are: Turkey ($30.3 billion), Indonesia ($9.4 billion), United States ($9.1 billion), Iran ($9 billion), and France ($8.4 bi billion.) Meanwhile, Singapore, UAE and the United Kingdom lead the Halal Media and Recreation indicator that focusses on the health of the family-friendly/ Halal media and recreation ecosystem a country has relative to its size.

The Ramadan-drama series (Musalsalat) and various broadcast channel developments driven by much higher (9.9%) projected TV advertising growth for OIC countries between years 2013-18 than the global average of 5.5% for the same time period.

Global Muslim consumer spending on pharmaceuticals has increased 2.1% to reach $72 billion in 2013. This makes the Muslim pharmaceuticals market to be 6.6% of the global expenditure and is expected to reach $103 billion by 2019. Top countries with Muslim pharmaceuticals consumers are Turkey ($8.9 billion), Saudi Arabia ($5.9 billion), Indonesia ($4.9 billion), and Iran ($3.7 billion.) Global Muslim spending on cosmetics increased 1% to reach $46 billion in 2013. This spending is 6.78% of the global sector expenditure and is expected to reach $73 billion by 2019. Top countries with Muslim cosmetics consumers are United Arab Emirates ($4.9 billion), Turkey ($4.4 billion), India ($3.5 billion), and Russia ($3.4 billion) based on 2013 estimates. Malaysia, Egypt and Singapore lead a combined Halal Pharmaeuticals and Cosmetics Indicator that focusses on the health of the Halal pharmaceutical and cosmetics ecosystem a country has relative to its size (25).

It is therefore clear that the Islamic economy is gaining momentum; it is already supporting growth and facilitating investments. Current Muslim population is approximately 1.6 billion that is likely to grow to 2.2 billion by 2030. The growth rate is estimated at 1.6% p.a. Similarly, the Muslim population is relatively younger than the rest of the world i.e. 32%

population is below 15 years. This adds up to the huge opportunities for Islamic economies, which need not be restricted to Muslims only but can reach the far greater consumer base on ethical grounds.

Islamic financial assets are currently estimated to be $1.35 trillion in total disclosed assets (2012) and growing at 15-2 15-20% a year in most core markets. It is well estimated that these assets shall hit $2 trillion in the next 2 years. Currently, the potential of Islamic banking assets in its core markets is estimated at $4.1 trillion. In aggregate, the global expenditure of Muslim consumers on food and lifestyle sectors is estimated to be $1.6 trillion in 2012 and is expected to reach $2.4 trillion by 2018. These figures reflect huge potential for investment and growth in the Islamic finance and halal food / lifestyle sectors (26).

Epilogue

The phenomenon of maldistribution of wealth among individuals all over the world is one of the realities reflected clearly in all aspects of daily life. Capitalism had made several attempts at tackling this phenomenon but to no avail.

When the capitalist economists study the theory of income distribution, they completely ignore the mal distribution of individual income, and become contented with the publication of figures and statistics without offering a solution and without any comment.

Hoarding money leads to the fall in the standard of income and causes wide unemployment thus pushing people into poverty. It is therefore essential to tackle the hoarding of money. Money is the medium of exchange between two properties, or between a property and a service, or between two services, hence it acts as a measure to this exchange. Therefore, when money becomes scarce and people are unable to obtain it, the exchange vanishes and the economic wheel comes to a grinding halt. The more that money changes hands, the more economic activity proceeds.

As we see today, adopting greedy and unethical capitalism has led to injustice, transgression, arrogance and wars. Those who act unjustly, and transgress arrogantly in the land without right are not safe from a bad end and will never prosper.

People must understand that sovereignty and wealth belongs to Allah. He entrusted people with His wealth; what He wills He will leave, what He wills He will take; He makes rich whom He wills and He makes poor whom He wills; He gives what He wills and He withholds what He wills. The current financial crisis is a lesson for those who were misled and deceived. They forgot that Allah is able to seize them and take away their wealth suddenly.

This crisis has exposed the extent of anxiety about the future, as the result of fear of not being able to provide basic needs and get rid of debt and its consequences.

To the greedy capitalists, the world is green and sweet, and it deceives them. When they think that the wealth they hoarded at the expense of the poor would last forever, and that they had become important figures in trade and industry, the Command of Allah reaches them and catches them unawares, as He says:

"…until when the earth is clad in its adornments and is beautified, and its people think that they have power over it, Our Command comes to it by night or by day, and We reduce it to stubble, as if it had not flourished just the day before. This is the way We explain the revelations for those who reflect (Yunus, 24).

Some studies of future trends in the West suggested that the West would continue to flourish and that the markets would continue to improve. Indeed one of the centres for the study of future trends predicted that 2009 would be a year of economic prosperity.

The experts in the American Morgan Stanley Bank expected the price of a barrel of oil to reach $150, and they said: "The era of cheap oil has come to an end." Others expected the price to reach $200 a barrel.

With the advance of mathematical science and probability theories, and the invention of computers, which analyse and work out very complex equations, some Westerners thought that that was enough to judge the future and know about it precisely, so they completely relied on the results of their research. However, the current financial crisis was a great disappointment and contrary to their expectations and studies, a shock, which prompted them to admit their shortcomings and incapability, and the urgent need to recalculate and adjust their predictions.

Allah spoke the truth when He said:

"You have only been given a little knowledge." (Al-Isra', 85).

Allah also says:

They only know the outer surface of this present life and are heedless of the life to come (Al-Rum, 7) (27).

Islam has a unique dispensation on the concept of wealth. Wealth in Islam is not an end in itself, but a means to a higher value, which is to gain Allah's pleasure by adhering to his rules in managing wealth. As Allah teaches in His Holy Book the Koran, wealth should be earned, invested and spent in the correct avenues he instructed.

The primary difference between Islamic economics and all materialist ones is that the economic wellbeing is not viewed in Islam as the ultimate end of the human life and cannot be the true purpose of life.

According to the Islamic concept of wealth, wealth is an endowment or a gift from Allah and human beings are considered as trustees on Allah's wealth and resources on earth. These wealth and resources are to be wisely treated not abused, destroyed wasted or left to idle.

Islam does not oppose any material pursuit neither it is against the accumulation of wealth. The only concern it puts forward is the danger of obsessive pre-occupation in accumulating and conglomerating wealth to the extent of side-lining spirituality.

Islam also provides a broad foundation of the distribution of income and wealth to avoid its extravagant accumulation. It does not advocate equal distribution of wealth in the sense that all individuals should have the same means from livelihood, but guarantees a process of distribution where all participants in the marketplace are rewarded for being exposed to risk and liability. Land, labour, and capital jointly create value and the capital owner has to share in the profit as well as in the loss.

Islam compulsorily retains a share of produced wealth by paying the zakat to the needy and other charitable deeds; and therefore spreads out wealth in the community. The institution of Zakat is not only a source of alleviating the sufferings of the poor, but also provides an incentive to invest the surplus wealth in the real sector of the economy. Muslims are yet encouraged to voluntary give part of their income as a waqf for social economic welfare.

Moreover, the abolition of riba prevent unfair lending schemes, which penalize the poor and allows for those possible alternatives of investment, which distribute the return on capital on broader basis.

The law of inheritance of Islam ensures that accumulated wealth and large holdings would be divided into relatively smaller fragments.

Unlike the materialistic perspective, the sharia considers that the main economic problem that humankind will ever face is that of distribution of wealth and not of production.

Conventional economic systems see that there is relative scarcity of resources available on the earth, and people’s demands for these resources are endless. Hence individuals and organizations should concentrate on more and more production. Islam however, makes a distinction between basic needs such as food, clothing and shelter, and comfortable wants that are not necessities in life. Islam considers that there are enough resources to satisfy the basic needs of each individual, and also to satisfy some of their luxurious wants, and that the economic problem is that of distribution and not production. For that purpose, Islam advocates specific regulations by which wealth can be acquired, used and disposed of. It is through that specific economic system that economic justice in society is maintained.

In other words, in the Islamic perspective, there are people who acquire wealth by engaging in the production process, and others who have indirect access to wealth in the form of zakat, waqf, inheritance, charity, etc. which are given to the poor, the needy and later generations.

Bearing this in mind, Islam gives full incentives to individuals to participate in the economy and it does not impose a maximum on the total of wealth that individuals or organizations can own. Rather, it controls the means of ownership such that everybody gets the right to wealth in a just manner. Through these ownership principles, Islam guarantees that everyone gets what is rightly due to him from Allah, unlike the capitalist system where only those who take part in the production process have the right to wealth.

Interest rates form the backbone of the capitalist system in many fields. It is used as a tool to regulate economic growth and monetary supply by acting as an incentive for those who have surplus money to save. In Islam interest is prohibited; investment according to the sharia, should offer individuals the opportunity to profit, not by lending at a guaranteed rate of return, but by sharing in ownership, and thus committing to share in the risks associated with ownership.

The abolition of riba avoids inequitable lending transactions which penalize the deprived part of the society. By this means, Islamic economics seeks to provide for a just and equitable distribution of wealth and aims at re-establishing a socio-economic balance in favour of the poor and the needy (28).

If for any reason, wealth is accumulated by someone, he should as Allah ordained in His holy Koran, return it to those less favoured in the distribution of wealth.

Allah instructs in the Koran:

Seek with the wealth, which Allah has bestowed on you, the home of the Hereafter, and forget not your portion of lawful enjoyment in this world. Do good to others as Allah has done good to you. Seek not mischief in the land. Allah likes not the corrupters (Al-Qasas, 77).

Man remains immersed in accumulating wealth until the day he dies. After his death, he realizes that what was worth accumulating was something else (seeking Allah’s good pleasure). But the realization after death will be of no avail. Any increase in worldlypossessions increases a man’s accountability. But man in his foolishness, thinks that he is adding to his success.

Unfortunately, the mad scramble for wealth in this life and the desire to supersede all rivals have cast a pall of heedlessness over people. No one can deny the fact that, today, the hoarding of wealth has enveloped the whole world in such a thick veil of heedlessness that the thought of death never even crosses the mind of people! Having to stand before Allah to receive their account for their action on earth is far from their minds, neither do their hearts entertain the slightest concern for the next life.

In their competition for hoarding wealth and accumulating money, greedy people became enslaved by the insane passion for more and more wealth in the present life. They have in fact wasted their lives and prepared with their hands their own destruction. This is because they misused Allah’s wealth to their own ends without caring for equally distributing it between all people of society.

Allah says in the Koran:

Greed for more diverts you until you go into your graves. Nay! You shall come to know! Again nay! You shall come to know. If only you knew for certain (the end result of hoarding wealth, you would not have been occupied yourselves in worldly gains). Verily, you shall see the blazing

Fire (Hell). And again you shall see it with the eye of certainty. Then on that Day you shall be asked about your worldly favours (Al-Takasur, 1-8).

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