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

By Irfan Ul Haq. Herndon, VA: IIIT, 1996. xiv + 293 pp.

Dr. Haq's book belongs to the same group of issue-oriented studies in Islamic economics that Umar Chapra's[1] books do. However, unlike Chapra, who first provides a critical evaluation of the failed modern economic systems and then establishes the supremacy of Islam's economic development strategy, Irfan Ul Haq starts out with a comprehensive expository analysis of Islamic economic doctrines. He then relies on extensive personal interpretation to derive and then justify various policy prescriptions for the promotion of economic growth in an Islamic economy.

The book contains four parts, which are divided into fourteen chapters. The first five chapters in the first two parts discuss Islamic methodology and Islam's social and political order. The book's major theme is included in the third and fourth parts where the author discusses most of the economic issues and policies. Since the controversial policy-oriented economic subjects are covered in these parts, I will concentrate on the evaluation of these major economic subjects. These subjects include the proper role of the public sector, *farḍ al-kifāyah* and its implications, interest-free financing, land ownership and tenure, taxation, poverty, employment, and the policies to provide economic essentials.

Farḍ al-Kifāyah and Its Implications for Economic Policy

In discussing the principle of *farḍ al-kifāyah* and the role of the Islamic state in providing public goods, Dr. Haq advocates a policy of nationalization of resources as an appropriate policy for an Islamic state to follow. The same policy is extended elsewhere to include price fixing and direct control of the grain trade, and by implication, of all other commercial activity. Rather than providing a justification for such a policy on economic and Islamic grounds, he carries out his entire discussion on the assumption that big government has the capacity and the means to solve all economic problems. This thesis, in my view, contradicts the basic economic philosophy of Islam, which incorporates private initiative and free enterprise with a primary focus on the individual as a decision maker and *khalīfah* of God on earth. The author continues to overlook the fact that equity and efficiency are not complementary, but often competitive. An over-emphasis on the distributional justice of Islam creates an erroneous impression that in the Islamic worldview, economic growth and development are relegated to a secondary role. This is not only incorrect, but it also contradicts the very thesis of his book. Elsewhere I have elaborated on the Qur'anic view of man and its implications for his economic role.[2]

Land Ownership and Tenure

In the beginning of chapter 10, the author correctly notes that Islam allows land accumulation without any restrictions and recommends a balanced economic life for a Muslim without indulgence in opulence, luxury, and expensive pleasures. A Muslim is portrayed as a person who works hard, is productive, saves his money, invests it profitably, and assists the needy. However, I find the author's discussion of land ownership and land policy unacceptable both on rational economic as well as on Islamic grounds. The author's assertion that the Qur'an does not mention anywhere man's ownership of land as being a part of his wealth, in itself, does not make land a public property. If it were so, the Prophet would have declared all land to be publicly owned. He not only refused to interfere with the existing land holding structure, but he left the tenure system alone without imposing even the slightest restriction on the size of land ownership. It should be recognized that private land ownership without any limit or restriction is allowed and encouraged in Islam. The author's single citation about the expropriation of Bilal Ibn al-Harith's land by Caliph 'Umar is a description of a very special case. It refers only to that portion of land which he failed to cultivate. Islamic law imposes only three specific obligations on the landlord: (a) to pay all taxes, (b) to engage in a sharecropping rather than in a fixed-rent arrangement, and (c) to make certain that the land is acquired, accumulated, and maintained in ownership within the bounds of Islamic moral and legal law. As for the newly developed or reclaimed lands, the Islamic government has every right to allocate these to the general public within the framework of the prevailing time and space environment. However, when the land is sold to an individual, it becomes a part of his wealth. It cannot be expropriated without a just and fair compensation. In order to justify his position, the author also cites another hadith attributed to the Prophet: "If anyone has land, he should cultivate it himself, or lend it to his brother for cultivation or otherwise release it from his ownership" (p. 63). Interpreting the release from ownership to mean giving it to the state for free or even to agree to the state's expropriation is too far-fetched. Also, in recommending small land holdings, the author is endorsing the failed strategy of reliance on small subsistence farming, which should be tolerated only temporarily.

Interest-Free Financing and Banking

In this section, there are two instances where the author creates confusion. The first instance is when he uses inaccurate definitions, and the second instance occurs when he draws a wrong policy conclusion. He uses the expressions "unearned income" and "fixed rent" in an incorrect context (p. 119). His discussion leaves one with the impression that these two sources of income are completely forbidden in Islam, which is far from the truth. Another instance where he draws a judgmental policy conclusion is when he recommends nationalization of banks on the basis of an undefined, theoretical concept of "social profitability." We find no support from economic theory or the experience of the developing or socialist world to indicate that nationalized banks contribute to social profitability. Instead, banks in the public sector are often found to be economically inefficient, bureaucratic, unresponsive to public needs, and an embodiment of waste and misallocation of economic resources.

Taxation in Islamic Economy

His views about taxation policy in an Islamic state are derived from the application of the same overextended personal logic and individual ijtihad that he has used throughout the book. In order to establish a "basis for a state taxation of income and wealth," he cites two ahadith (p. 168) and then makes the following statement: "Therefore it can be deduced that in the Islamic perspective all forms of income and wealth are taxable whether it is the profit of capital, the wages from labor, the return to entrepreneurship, or the produce of the land, or whether wealth is held as precious metals, bank accounts, real estate, or any other form. This accords with the Shariah's rule of the permissibility of things unless categorically prohibited" (p. 169). It is quite clear that with this statement, the author is not only turning the principle of permissibility upside down, he is also erroneously providing a justification for the government to have a free hand to levy a tax on every imaginable economic resource. The author's conclusions are clearly wrong and untenable for the following reasons: The first hadith is specific to zakah, while the second hadith only mentions a duty on property apart from zakah, which can be met through sadaqah and other extra charity. There is no other hadith that one can quote to justify any mandatory collection of any other tax in Islamic economy. In times of special need, the Prophet used to ask for contributions from the citizens. This practice further proves that in an Islamic state, tax levies are not fixed or mandatory. Rather, they are primarily ad hoc and need based and at times voluntary. Therefore, the clear and unambiguous conclusion from this practice in the context of current economic policy is that the only space- and time-neutral mandatory obligation on all Muslims is to pay zakah. As for other taxes, their collection depends primarily on the needs of the economy and the consensus of the citizens with regards to the amount of services they expect from their government.

Poverty Employment and Economic Growth

The major problem with the author's presentation throughout the fourth part remains his preoccupation with a big public sector. According to his vision, the government not only acts as "producer and provider of services, as sources of finance, as the maker of rules, but it carries the overall responsibility for planning, coordination, organization, and delivery of goods and services" (p. 216). In his concluding remarks, this vision takes a diametrically opposite turn. He states, "Islam does not envision a welfare state supporting a large class of welfare recipients. On the contrary, it perceives an economy based on the ethics of work and productive economic enterprise" (p. 231). Here again the author fails to recognize that within the framework of rational economic theory, these two visions are inconsistent and incompatible.

In conclusion, I would like to point out that the author has been very successful in effectively presenting an excellent expository analysis of Islamic economic doctrines. His coverage of various economic topics is extensive and his sources are comprehensive. His presentation is clear and succinct and his conclusions are consistent with his economic hypothesis. While allowing for the existence of private enterprise, he perceives the Islamic economic state as an active player in all aspects of a Muslim's life, including production and overall management. It is in this area that I believe that the author's position is inconsistent with the broader economic philosophy of Islam. In my opinion, the state in Islam plays a residual rather than an active role. The policy prescription that he recommends is, therefore, preachy, idealistic, simplistic, and often nonimplementable. Although Dr. Haq alludes to the fact that Islam's emphasis on the establishment of a just, legal, and equitable social and economic order does not presuppose any specific economic policy or operational strategy, his operational economic model presupposes an active and all-engaging public sector as a *modus operandi* of an Islamic economic system. Finally, throughout his discussion of economic subjects and issues he has exercised too much liberty and personal *ijtihad* and has relied too heavily on his own deductive reasoning in carrying out interpretative analysis of the Qur'an and the Sunnah. Furthermore, in attempting to portray an idealistic economy, he often starts a discussion of policy prescriptions with a set of unrealistic, simplistic, and untenable assumptions. The result has been that the policy conclusions he draws are neither supportable within the framework of a liberal interpretation of Islamic principles nor consistent with rational economic theory. His major thesis leads to a policy recommendation for the Islamic state to pick up and implement a broad social welfare spending agenda without any concern how these policieswill be financed. His advocacy of limiting the size of land ownership without any regard to how the land was accumulated in the first place as well as his recommendation for the Islamic state to follow an open-ended tax policy clearly violates Islam's commitment to private ownership and free enterprise.

Notes

1. Umar Chapra, *Islam and the Economic Challenge* (Leicester, UK: IIIT, 1992).
2. "The Role of Public and Private Sector in an Islamic Perspective," in Proceedings of the Fifth International Islamic Economic Seminar (Herndon, Va: IIIT Publications, 1993).

Imtiazuddin Ahmad
Department of Business and Economics
University of Maryland, Eastern Shore
Princess Anne, Maryland