Islamic Economy: A Critical Analysis on Capitalism

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Abstract

One of the greatest scholars in Islamic economy, especially in Shiism, is Martyr Muhammad Baqir Al-Sadr. He wrote the book “Iqtisaduna” [meaning “Our economy” in Arabic] to present an economic point of view according to the Islamic teachings. First, in his view, capitalism is criticized with some reasons which will be explained in the present article. He also claimed that Islam and capitalism are in conflict with each other. Finally, he explained the relationship between Islam and the economy and he suggested the Islamic point of view in relation to the economy. In this article, we will explain those claims.

Key words: Islam, Economy, Capitalism, Martyr Sadr
Introduction

**Martyr Sadr’s scientific personality**

*Muhammad Baqir al-Sadr* (March 1, 1935 – April 9, 1980) was an Iraqi *Shi’a* cleric, philosopher and also the ideological founder of Islamic *Da’wa* Party founded in *al-Kazimiya*, Iraq in a respected, high-ranking *Shi’a* cleric family.

He was a child prodigy who, at ten, was delivering lectures on Islamic history, and at eleven, he studied logic and wrote a book to refute philosophy. He completed his religious lessons at seminaries under *Ayatullah al-Khoei* and *Ayatullah Muhsin al-Hakim* at the age of 25 and began teaching lessons. His first written works were detailed critiques of Marxism that presented early ideas of a better Islamic form of government. Perhaps, his most important work was *Iqtisaduna* on Islamic economics. This work was a critique of both socialism and capitalism. He was subsequently commissioned by the government of Kuwait to assess how that country's oil wealth could be managed in a way keeping with Islamic principles. This led to a major work on Islamic banking that still forms the basis for modern Islamic banks.

In 1977, he was sentenced to imprisonment for life following uprisings in *Najaf*¹, but was released two years later due to his immense popularity. Upon his release, however, he was put under house arrest. In 1980, after writing in defense of the Islamic Revolution, *Sadr* was once again imprisoned, tortured, and executed by the regime of *Saddam Hussein*. His sister, *Amina Sadr bintal-Huda*, was also imprisoned, tortured, and executed.

He engaged western philosophical ideas to challenge when it seems fit and incorporated them into his own system wherever appropriate. His ultimate goal was to show that religious knowledge was not the antithesis of scientific knowledge. In this regard, his works and writings

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¹ A holy city in Iraq
were on a variety of topics including Islamic jurisprudence, fundamentals of the law, philosophy, logics, theology, economics, Qur’anic exegesis, history and Islamic culture. Nonetheless, he wrote some books in Islamic economy with the following titles:

1. *Iqtisaduna* [meaning “Our Economics” in Arabic].

2. *Al-Bank al-la Ribawi fi al-Islam* [meaning “Usury-free Banking in Islam” in Arabic].

3. *MaqalatIqtisadiyyah* [meaning “Essays in Economy” in Arabic].

Moreover, he wrote more than thirty articles. Following is a list of his articles in the field of Islamic economics:


This study aims to present a brief description of his viewpoints on Islamic economics and his critique on capitalism. In this regard, first, we will discuss his criticism on capitalism. Thus, the definition of capitalism and its principles and then the criticism on the principles will be given. And second, his opinions about economy in the Islamic school of thought will be offered and finally the conclusion will be given in this paper.

**Martyr Sadr and Capitalism**

*His definition of Capitalism and its basic principles*

In his view capitalism is divided into two aspects: the science and the system. The scientific aspect of capitalism attempts to give an objective interpretation about the way of economic life and this interpretation is inductive. The systematic aspect tries to present a comparison from capitalistic economy. Although these two aspects have synthesized in many areas, each aspect has its roots and principles and it’s a big mistake to approximate these two aspects, thus it seems necessary to explain the principles of the capitalistic system.

*Basic principles of the system of capitalism*

Sadr adds this system contains three basic foundations and principles:

1. Respecting the private ownership without any limitation except in the necessary cases which the government assumes means.

2. It gives the opportunity to everybody to interest and benefit all his possessions and ownerships and to use them in each way they wish. As well as capitalism permits people to increase their wealth in each form, whether it’s permissible or not and whether it’s justified or oppressive. The only goal of the system is gaining the wage in the economic circle. Hence, in this regard there is no person to know his interests except himself.
3. It’s warranted in the capitalistic system, the freedom in the consumption, as well as every person can expend in each way that he wills. And only because of some expediency, there are some exceptions which the government doesn’t permit for using and consuming them like narcotic or hallucinogenic drugs.

His critical point of view on the Capitalism

A) Thereupon in the capitalistic system there are three kinds of freedom:

1.1.1. Freedom in the ownership,
1.1.2. Freedom in the interest,
1.1.3. Freedom in the consumption.

This system is an individualistic system that the state has to act according to the interest of each person and guarantees his benefits. Capitalism respects the egoism of a lucky person and gives him each freedom that he needs to reach his aims. In this respect it doesn’t consider the damages that may be caused and oppressions perhaps he approves.

Capitalism is very much closed to communism in the point that both of them are centered on the individual person. But it differentiates with communism in the point that communism wants to salve the economic problems of unfortunate people via society but capitalism tries to suggest a system giving opportunity to a lucky person for gaining as much as money he is able.

While a true system is a populist system which its emphasis is not on the egoist and opportunist people who his desires hasn’t any limitation and sucks the blood of society like a bloodsucker. This system gives its people a deep responsibility about the society and its interest and benefit and because of that forces his people to ignore a part of their ownerships, casts and works for benefiting the society. For example, one of the obligatory jurisprudential laws in Islam is called Khums – one fifth tax - that in this regard, God the Almighty orders His servants to give
poor people one fifth of their casts. In this perspective God’s proof is like that: If I am the owner of all things in the heaven and earth\(^2\) and I am who gives things to servants and all the things which are in the hand of the servant are as a trustee, thus in this respect I order them to give a part of things, which I give them, to the poor people that – because of some problems - haven’t any ability and power to gain the worth and money. Maybe the reason of getting obligatory the rule of *Khums* in Islam is something like that and it can play an effective role in removing poverty in the society. This kind of remission and forgiveness of the property and asset is not because of his illicit casting or illegal ownership, it is something that rose up from his sense of philanthropy. Though *Sadr*, instead of the Capitalistic system which stresses only on making interest and benefit for owning the treasure and prosperity – focuses on the working and attempting as the only factor of ownership and richness.

**B) Capitalism is not the result of the scientific laws:**

Some economists believe that the laws of nature confirm the economic freedoms of everybody which contain: freedom in ownership, exploitation and consumption. So, binding of the individual’s freedom and interference of government in political affairs, stop those natural laws from their freedom. Thus, we conclude that the capital system is a necessary system for a society.

But nowadays, this belief has not been accepted, for the rejection of a scientific law is the proof that it was not a true law and there is doubt for the laws of capitalism to be as the natural laws.

\(^2\) This Islamic teaching has taken from the Qur’anic verses, like the fourth verse of the chapter *Hamd* which says: (He is) the owner of the Day of Judgment (chapter 1, verse 4) Or in other verses that God asserts on the concept of being the only owner of all things in the earth and heaven, like: The ownership of the earth and the heaven is for Allah …. (chapter 3, verse 189).
Martyr Sadr’s points of view in Islamic economy

The economic school of thought, system and science in Islam:

Before starting this chapter, we have to introduce these three terms:

1- Economic school of thought in Islam: the method that a society prefers to follow for solving its economic problems and challenges. This method includes the constant general foundations and principles and it is not about to give the details in economic issues.

2- Economic system in Islam: it determines the economic relations in society in the realm of production, distribution and consumption. The system contains changeable principles.

3- Economic science in Islam: it is the science that interprets the economic phenomena and explains its relationship with causes and reasons.

Accordingly martyr Sadr explains his theory about the economic school of thought in Islam as follows:

First, as an important issue, we believe that there is no science of economy in Islam, because the science of economy is distinguished from the economic school of thought. In his view, the Islamic school of thought of economy indicates Islamic justice in society and this system offers a fair method for regulating the economic life and it never meant to find the scientific discoveries in the realm of economy. For instance, Islam, in its early period, didn’t want to find the reasons and foundations of *Riba* (usury) and just prohibited it as a *Haram* (forbidden) deed. Instead of that, it suggested a new economic solution which is called
In other words, the school of thought of Islamic economy tries to produce a method for regulating the economic activities and removing the poverty, according to the idea of justice (Sadr, 2008). Thus this economic school of thought includes these two elements:

1. It differs from Islamic economic science and system;
2. It insists on the idea of social justice.

In the first point, despite the existence of both school of thought of economy and economic system in Islam, Sadr tries to differ between them. He explains that the system is changeable but the school of thought is affirmed and constant. In his view the school of thought contains the foundational economic principles and laws which try to solve the economic problems of humans while the system has contained some changeable economic relationships in the society. And in the second point, it seems that in his view, the aim of Islamic economy refers to the social justice and he believes that all the economic problems emerged from the lack of social justice.

Secondly, Sadr, regarding this school of thought, tries to give some proofs and he insists that in Islam some instances of this school of thought has happened which can be as a proof for that. The proofs are:

a) In the view of Muslims, the religion of Islam is the last revealed religion from God and it can answer every need and solve all problems in each aspect (spiritual and material) of human’s life, till the everlasting. So, in this regard, Islam has the consistency and universality; because of that, Islam has presented a complete package about the economic aspect of human’s life.

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3 A commercial association, whereby an investor entrusts capital to an agent who trades with it and shares with the investor a predetermined portion of the profits
Imam Sadiq⁴ said: people can find everything which they need, in it (the religion of Islam) and there is no any issue, except it has mentioned in Islam even the compensation of a small injured (Kulaynī, 1987). Hence, despite the Islamic programs in the individual life of humans, most of the commands and orders, in Islam, are about social life and one of the aspects of social life is the economic aspect and Islam has given many principles and injunctions about that, which has counted as a coherent economic school of thought (Sadr, 2002).

b) In the beginning of Islam, we know that the prophet Muhammad founded a government in Medina and this government couldn’t be without an economic school of thought. Because, no society can continue its life with lack of an economic school of thought and laws in production and distribution. Thus in this case we see that the Prophet as a theorist in Islam tries to present a system for his government which can answer all needs of the human kind and indeed, one of this needs will be about the economy. So, according to the principles of Islam, he invented a new economic school of thought which was based on social justice.

**The domination of the economic school of thought in Islam**

This school includes two parts:

1. The part that God has affirmed it for humans and it is not changeable. Sadr adds that obligatory and forbidden rulings (WajibatwaMuharramat) that are unchangeable and Muslims have to follow this orders without any condition, are among these rulings, but, there are some views in Muslim scholars that reject Sadr’s view.

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⁴ The sixth infallible Imam of Shia, Islam
Imam Khomeini believes that even this kind of rulings maybe could change by the Mujtahid⁵ (religious jurist) or Wali Al-Faqih⁶ (ruling jurist). For instance, he declares that in the case of usury (Riba) that is certainly forbidden in Islam, maybe Mujtahid can change the primary rule to be permissible for a short period, in some situations.

2. The part that is called, in Islam, “Mantaqatul Firagh” which means that, in some cases, there is not any revealed fixed and constant ruling from God. All permissible rulings in Islam are among this part, in Sadr’s view.⁷ In this situation, Mujtahid can change these rulings to be obligatory or forbidden.

One of the advantages of Islam which leaves a Mujtahid or Wali Al-Faqih free to make rulings for new phenomena in new situations that didn’t happen in the time of the Prophet of Islam is Mantaqatul Firagh. In this regard because of the lack of the usage of many occurrences in the time of the Prophet of Islam, he allowed the Islamic scholars and Mujtahids to make new rulings in new occurrences and happenings and this is called Mantaqatul Firagh.

The method for reaching to the economic school of thought in Islam

To attain the economic school of thought in Islam, we should start from the rulings, laws and traditions that we find in Islam, about economy and these are the appearances of the foundations and backgrounds of economy in Islam.

There is a main difference between the method of Islam and other methods to reach to the economic school of thought and the difference refers to this point that in Islamic method we move from appearances which can be found in Islamic traditions, narrations, rulings and laws and discover the foundations and backgrounds of Islamic economy. Therefore, these will be the

⁵ An Islamic expert who is able to deduce the rulings from the Islamic principles and resources
⁶ A Mujtahid who is the master of affairs and leads the government according to the Islamic rulings
⁷ There are some different views about the domination of “Mantaqatul Firagh” between Islamic scholars, despite the consensus between them in its existence in Islam.
source of the economic school of thought in Islam. In other words, these backgrounds and foundations are existent in reality and the role of Muslim scholars only, is to discover those from the appearances. But, other methods are vice versa, i.e. in other economic schools of thought scholars, at first, invent or discover the foundations of economy and then establish the background of this school, like what happened in capitalism.

The sources for discovering the economic school of thought in Islam

The Qur’an and Islamic tradition (Sunnat)

Sadra believes that achieving the Islamic economic school of thought directly from verses of the Qur’an and narrations is available and possible. The problem arises, but, when we find that this source doesn’t give enough information for establishing that school. In this regard we need to find other sources to complete that school and he believes for solving this problem we have to refuge to the second source that can be called jurisprudential rulings and civil laws which are discussed in the next part.

Jurisprudential rulings and civil laws:

The most important and the main part which benefits a Muslim scholar to discover that school, is these rulings and laws. They have the following adventures:

1. They are superabundant,
2. They can be updated in the new occurrences and happenings (Almasa’ilulMustahditha).

But these rulings and laws have to be made according to the Islamic sources and foundations.

For example we, as a Muslim ruler and law maker, will not be able to find any Qur’anic verse or any narrations directly about insurance and it is a new happening. When a Muslim Mujtahid faces this matter, in one hand it’ll be a challenge for him to give the permission of this kind of
treatment because there isn’t any Islamic source about insurance that Mujtahid can rely on it and give the permission based on the source, and hence maybe this industry is not allowed in Islam. But on other hand there are some apparent and reliable general verses and narrations that emphasize the permission of every kind of treatment between people except the treatments which are based on the usury, like this verse of the Quran:

“… and God permitted all kind of treatment and bargain and he didn’t permit usury …”

(Surah 2, verse 275)

In this case the Mujtahid can give the permission of insurance, because it is a kind of treatment and it is not based on the usury at all.

Then Sadr explains how we can discover that school of thought from jurisprudential rulings and civil laws. He expresses that it is accessible to discover this school by totaling different laws and rulings of different Mujtahids up and selecting some of them by the condition of coherency in that school of thought (Sadr, 2008). In fact, if a Muslim scholar wanted to present his view about economic school of thought, it isn’t necessary that all point of views of that school were made by himself and he can also attach other scholar’s views to his point of views.

Islamic financial system:

Likewise two past factors, the financial system of Islam is one of the appearances of this school. However, the changing in this financial system is affected by the changing in the foundations and the economic school of thought in Islam. For example, in the issue of the public property, that is one of the instances of this system, has been affected from the principle of freedom of economy in the acquisition. In other words, there is a general rule in financial system of Islam which indicates that if a person tries to revive a barren land, the land would be
possessed for him and this rule supports the principle of economic freedom in Islam. But in the case that the public interest might be in danger, this rule doesn’t work. For instance, when the rule threatens the economic security of the society, the rule could be limited.

*The principles of economic school of thought in Islam*

**Social Justice and Philanthropy in Islamic Viewpoint**

Islam, as a religion of nature, understands that human beings are created with varying gifts. As they differ in their bodies and their features so they differ in their mental and other capabilities. Their environment, their circumstances and their hereditary gains also differ. In this situation there can be no possibility of economic equality. Thus the existence of economic inequalities among the human beings is natural. It is also there because Islam allows individual initiative in earning wealth and gives right of private ownership of property. Moreover, existence of inequalities in economic and social life is a part of Divine scheme whereby God tests and tries the people to know who are good and who are bad. To this fact, the Holy Qur’an refers when it says:

> And it is He who has made you successors on the earth, and raised some of you in rank above others, so that He may test you in respect to what He has given you. Indeed your Lord is swift in retribution, and indeed He is all-forgiving, all-merciful (6: 165)

As well as His holding in another verse:

> Allah has granted some of you an advantage over others in respect of, provision. Those who have been granted an advantage do not give over their provision to their slaves so that they become equal in its respect. What, will they dispute the blessing of Allah? (16:71)
However, despite recognizing inequalities as natural and part of the Divine world order, Islam only permits differences in wealth within some reasonable limits. For instance, it doesn’t tolerate that these differences should grow to the extent that some people live their life in absolute luxury while millions are left to lead a life of abject poverty and misery. It does not allow economic disparities to turn into an extreme position wherein millions of ‘have-nots’ become serfs and slaves in the hands of few ‘haves’ of the society. In other words, we can say that Islam doesn’t believe in equal distribution of economic resources and wealth among the people rather it believes in equitable, just and fair distribution. It bridges the gulf between the rich and the poor by taking very effective measures to modify the distribution of wealth in favor of the poor.

Islam, on the one hand, ensures just and equitable distribution of wealth among the people and, on the other hand, provides social security to the poor and the destitute in the form of basic necessities of life. Besides that, Islam also protects the weak from the economic exploitation by the strong. All these are various aspects and manifestations of what is called Islamic social justice.

Thus social justice (which is also referred to as economic justice or distributive justice) according to Islamic conception includes three things, namely:

1. Fair and equitable distribution of wealth;
2. Provision of basic necessities of life to the poor and the needy;
3. Protection of the weak people against economic exploitation by the strong.

*Foundations of Islamic Social Justice*

Ideological basis of the above mentioned concept of Islamic social justice are found in the following verses of the Holy Qur’an, which is the first main reference text of Muslims, and
the narrations of the Prophet Muhammad and the Imams of Shia, which are counted as the second main reference text of Muslims:

A. There are some verses of the Quran that indicate on the concept of social justice:

1. Give unto orphans their wealth. And don’t exchange the good for the bad (in your management thereof) and don’t devour their wealth into your own wealth. Lo! That would be a great sin (4:2).

2. … Give full measure and full weight, in justice … (6:152).

3. And know that whatever ye take as spoils of war, lo! A fifth thereof is for Allah, and for the messenger and for the kinsman (who hath need) and orphans and the needy and the wayfarer. If ye believe in Allah and that which We revealed unto Our slave on the Day of Discrimination, the day when the two armies met. And Allah is Able to do all things (8:41).

4. The alms are only for the poor and the needy, and those who collect them, and those whose hearts are to be reconciled and to free the captives and the debtors, and for the cause of Allah, and (for) the wayfarers; a duty imposed by Allah. Allah is Knower, Wise (9:60).

5. He set in it firm mountains] rising [above it, and blessed it and ordained therein its] various [means of sustenance in four days, alike for all the seekers] of the means of sustenance (41:10).

6. And the sky He has uplifted; and He has set the measure, that ye exceed not the measure, but observe the measure strictly, nor fall short thereof (55:7-9).
7. And in whose wealth there is a right acknowledged. For the beggar and the destitute (70:24-25).

B. Also in the Islamic traditions there are some narrations and historical events that were issued on the basis of the concept of social justice. For example:

1. It’s reported that the Prophet of Islam said: If anyone spent a night in a town and he remained hungry till morning, the promise of God’s protection for that town came to an end.

2. The Messenger of Allah said: The government is the guardian of anyone who has no guardian. (Muhammad Al- Tirmizi)

Thus in this regard, social justice means that man should not trespass upon the rights of others. He should consider all the people equal by the divine laws. He shouldn’t exceed justice in implementing religious laws. He must not be influenced by feelings and sentiments. He must not deviate from the right path. The Almighty Allah states: Surely Allah enjoins the doing of justice ... (16:90). Again He states: ...And that when you judge between people you judge with justice ... (4:58).

Orders have been issued in many Qur'anic verses and Ahadith to consider justice in words and deeds. In several cases, the Almighty Allah has explicitly cursed the oppressors. There is a Motto: Standing Together for Worker Justice. The prophet Muhammad said to his companions more than one thousand and four hundred years ago: None of you has faith unless you love for your brother what you love for yourself (Majlisī, 1982).

The Muslim community and the labor movement share the common goals of social justice, economic fairness, and fair treatment in the workplace. In fact, the history of Islam is rooted in a firm stand against economic exploitation. Because of that the Quran emphasizes a
world without any inequity and injustice. It Says: … I will not waste the work of a worker among you, whether male or female, the one of you being from the other …. (3:194).

“Brotherhood” a way to gain to the social justice in Islam

It is for centuries that black people have been undergoing hardships and oppressions. Their bathrooms, coffeehouses, hospitals, schools and cemeteries are all separate, but Islam has very strongly censured this sort of discrimination among various classes of people. The Holy Qur'an says:

Men, We have created you all male and female and have made you nations and tribes so that you would recognize each other. The most honourable among you in the sight of Allah is the most pious of you (49:13).

Also in another verse Allah the Almighty holds:

Among the signs of His existence, there is the creation of the heavens and the earth and the differences of languages and complexions (30:22).

The Holy Prophet on the occasion of his farewell pilgrimage (HajjatulWida) said to a large gathering: "You Muslims are equal to one another no matter if you belong to one or the other tribe, race or language". Imam Ali used to instruct the tax-collector thus: "In whatever zone you go you should arrange your stay near the bank of a river but do not stay with anyone in any event because of your becoming his guest will influence your official duty to collect the tax". (Sayyid –e razi, 1984, 25th letter)

Final point

The Economic System in Islam is a part of a complete set of codes for the whole life. With this view kept in mind always, we should examine and analyze. It is not possible to isolate the Economic system from other parts of Islam because they are interconnected. For example,
(Zakāt) is viewed as a purifying act, besides its economic value and importance. It is the spiritual attitude which the Muslim reflects in life and the great care for morality. Islam does not believe in radical changes of the relations of production as a result of changes in the nature of production, as Socialism claims.

Islam starts from man and not from production. The needs of man are of two kinds, one is basic, while the other is changeable in the passage of time. There must be a permanent set of standards to ensure the satisfaction of the first kind of needs. Also there must be a changing set of standards which adapts the progress in the means of production. Islam has a very important advantage which other principles do not have. Islam binds man to God. It makes him think of God's satisfaction, reward, and punishment too. Islam starts from the depths of the human conscience, and proceeds in its endeavors to secure a happy life for all.

**The principle of mixed and motley ownership**

Islam is different with capitalism in term of the type of ownership; capitalism believes to be a specific type of personal ownership as the only existent principle that demands all those freedoms which have been mentioned, but Islam doesn’t accept the personal ownership as the only principle. Islam presents various types of ownership and mentions mixed and motley ownership among them; so, there are three kinds of ownership in Islam:

- Private property
- Public domain
- Government ownership

**The principle of limited economic freedom**

Islam gives some freedoms, but in the framework of moral and spiritual values; Islam neither let people have an absolute freedom in politic nor prevent them from every kind of
freedom, but let them have a moral freedom and ownership. There are two sorts of limitation which has been legislated in Islam:

1. Inherent limitations which have been originated from the man’s soul. This kind of limitation, which was based on man’s spiritual reality, permeates to the depth of his soul and thus, he doesn’t feel that he is limited.

2. Objective limitations which is an external power that specifies social behavior. This kind of limitation is based on a principle which says: the values which have been, strictly, emphasized on those in Islam, must be followed and those activities which are against them must be prevented like speculation (Ihtikar), Interest (Riba) and so on, for these kinds of activities stop Islamic values and ideals to be firmed in the society. So, there must be an Islamic power for supervising on economic activities; that power is Wali Al-Faqih. This supervision was mentioned in the Qur’an: “O, you who have faith! Obey Allah and obey the Apostle and those vested with authority among you.”

Conclusion

We can conclude, from what has been mentioned, that Islam has a precise system for the economic life of a society, but this system is based on morality and some just and fair principles which can guarantee the benefit of everyone in every economic status and these principles, if followed, nobody can exploit others and their work. According to the beliefs of Islam, with usury-free banking in one hand and paying the religious-obligator taxes i.e. Khums and Zakāt, we can have an economic utopia.

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8 The Qur’an 4:59
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