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BUILDING AN ISLAMIC CASE FOR OPEN MARKETS

History, Theory & Practice



ISLAM & LIBERTY
NETWORK



Iqbal International Institute
for Research and Dialogue

EDITORS
ALI SALMAN
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A joint publication of the Iqbal International Institute for Research and Dialogue (IRD) Islamabad and Islam and Liberty Network (ILN) Kuala Lumpur.

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Building an Islamic Case for Open Markets

History, Theory & Practice

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Foreword

Hafas Furqani

Abstract

In economic discourse, the problem of distribution in society is considered as an extension of consumption and production. Distribution is about distributing the output of production in the form of goods and services and also its factors of payment (interests, wages and profits) to the owner of the factors of production. The consumption of society will be efficiently distributed through market mechanism. The discussion, however, has been extended to include 'what' should be distributed and how 'distributive justice' can be achieved. Various theories have been proposed to answer that problem, such as strict egalitarian, the differences of principles of John Rawls, resources-based principles, welfare-based principles *ala* utilitarianism, desert-based principles, and libertarian principles. The theories differ in the object of distribution, goals of distribution and the basis of a just distribution. The theories are developed based on certain philosophical vision of its proponents upon observing the ideal structure of society. Some differences with Islamic principles of distribution could be seen. Islamic economics develops its concept and framework of distribution based on the worldview and teaching of Islam. Islam aspires to establish a just and equitable society whereby individuals' right over personal wealth is acknowledged, but public right to personal wealth is also guaranteed. Wealth concentration in certain hands in the society is not welcomed. Instead, wealth should be freely and justly circulated in the society at large. This paper aims at elaborating Islamic concept and principle of distributive justice by exploring the principles from the teachings of Islam in the Qur'an. The paper also attempts to compare and

contrast the conventional theories of distributive justice with Islamic framework of a just and equitable distribution.

Keywords: Distribution, Justice, theories, Islamic economics

Introduction

Distribution is considered as one of the central problems in economics. The issue has been extended from a mere allocation of output of production or income distribution in production function, to a fair and equitable allocation of resources, income and wealth.

Scholars have put their intellectual effort to contemplate theories that would solve the problem of distributive justice. In this paper, we have collected various theories in conventional economic traditions to highlight the issues from an Islamic perspective. Islamic principles on distribution will be elaborated based on Islamic teaching in the Qur'an and Sunnah.

In Islamic economic system, the object of distribution would be something that is personal (from individual surplus), measureable and related to welfare of individuals and society. In this regard, the Qur'an mentions the provision/income (*al-rizq*) and wealth (*al-mal*) as the object of distribution. The spirit of distribution in Islam is summed up in the statement "*so that wealth is not circulated among the rich of you only [it should go to the whole segment of society]*" (*al-Hashr*, 59: 7). This means Islam prefers circulation of wealth, welfare, and income among society and Islam is against the concentration, block or prevention of wealth, welfare and income in certain hands.

Meaning and Scope of Distribution

The problem of distribution in modern economics is considered as an extension of the problem of production. Distribution is about

distributing the output of production. In this regard, the issue of distribution has to deal with the questions: *for whom shall we produce? How is the output of production distributed among different factor of production?* At a macro level, *how is the national product distributed to the society?* Distribution in this regard is the last stage of production in which goods or services reach final consumers. Distribution therefore will be structured based on the perspective of production and consumption in a society.

In a later discussion, however, the problem of distribution has been extended from a mere asking of production output distribution, into a more substantive issue to include the problem of justice and equality in society. Hence, *the question of how can distributive justice be realized in society? what consist of distributive justice? how can inequality in society be solved? and how to improve the capacity of the poor and the disadvantaged in society to be self-sufficient?* also become the concern.

Distribution is one of the economic aspects that received attention among Islamic economists. The discussion follows conventional economics framework by discussing distribution with other economic problems of production and consumption. However, there are some differences in perceiving the nature of distribution in an Islamic economy, goals of distribution and mechanisms of distribution.

M. N. Siddiqi (1988), for example, argues that distribution should not be treated as a consequence of consumption (demand) and production (supply) as this perpetuates the false notion of consumer sovereignty, creating the illusion that people demand what they wish to consume, and producers organize production in accordance with these wishes, and finally distribution of the produce takes place according to the contributions made to the production process.

Distribution, in an Islamic economy should be purposive with a clear direction of the objectives to be achieved. For Mannan (1990: 15) distributive consideration should be treated as the fundamental basis for the allocation of resources in setting up priorities in the

production of goods and services which can influence the consumption process. The concern on distribution would determine priorities in production planning and influences the modes and means of production that in turn affects the behavior of enterprises in such a way that the behavior pattern introduces an interdependency of variables in the form of participation in the process of production.

The implication of putting distribution as fundamentals in economic process would be in the production process whereby production will be organized by promoting the spirit of mutual reliance rather than self-reliance that would create an environment of economic security and viable social peace through a sense of belonging. Likewise in arranging the means of production, various modes of participatory production can be introduced that would meet the distributive justice criteria and setting up priority resources allocation into producing goods and services that would meet those criteria.

Anas Zarqa (1984: 4) in this regard also notes that the scope of distribution problem in an Islamic economy is not confined to the functional income distribution only, but it would include the movement, transfer of goods and services among the people either through exchange in market mechanism and also transfer of wealth and income in society through obligatory measures, such as *zakāh*, or voluntary means such as *hibah*, *sadaqah*, inheritance, *waqf* and others, which can be between individuals directly or through the state regulation.

Theories of Distributive Justice

In Islamic economics, the issue of distribution is not about the allocation of resources *per se*. It is about a *just* allocation of resources. The problem of distribution is in the goals intended to be achieved upon allocating the resources in society which is justice. In other

word, the concern is about realizing 'distributive justice' that should consider the dimensions of individual interest and public interest, right and responsibility, and effort and surplus.

Scholars have discussed the issue intensively. Various theories of distributive justice seek to specify what is meant by a just distribution of goods among member of society and provide moral guidance for the choice in the object of distribution and the basis of a just distribution in society have been produced. At least there are six well-known theories/principles discussing the issues, namely strict egalitarianism, justice as fairness (Rawlsian egalitarianism), resources based principles (Dworkinian egalitarianism), welfare-based principles, desert-based principles and libertarian principles.

In this regards there are two concerns that trigger differences among the scholars, namely (1) the object of distribution of what is considered relevant to distributive justice (income, wealth, basic needs, welfare, preference-satisfaction, etc), and (2) on what basis the distribution should be made (equality, maximization, according to contribution, individual characteristics, etc).

Strict Egalitarianism

Strict egalitarianism theory of distributive justice calls for the equal allocation in all members of society whereby every person should have the same level of material goods and services. The principle is commonly justified on the ground that people are *morally* equal and that equality in material goods and services is the best way to give effect to this moral ideal (Lamont, 2013).

Nevertheless, while it might look nice, the principle is criticized to have problems in two aspects, namely in the construction of appropriate indices for measurement (index problem) and the specification of time frame (specification problem).

The index problem arises in distribution of material goods in the same level which is difficult to specify and measure. The proponents of this principle argue that instead of *level*, we could use *bundle* in the distribution of material goods and services. But the other problem

arises, namely the specification problem which involves time frames. The principle of strict equality requires that all people should have the same wealth at some initial point (also called as *starting gate principles*). But this might eventually lead to large inequalities which are also not favored by the proponents of this principle which specifies that equality should be in *each* time-frame. The principle also ignores the initial differences in society and equality of opportunity as it is more concerned on equality of outcome (Lamont, 2013). In addition, if everyone should have the same level of material goods and services, there will be a dilemma how to put reward to different effort and achievement (Baydhaw, 2012: 247).

The Difference Principles

Unlike strict egalitarian, the proponents of difference principles in distributive justice recognize that real world is not as equal in the strict sense and the wealth of an economy is not a fixed amount from one period to the next. Differences are a fact of life from person to person, society to society or nation to nation. John Rawls in his *A Theory of Justice* (1971) and *Political Liberalism* (1993) develops theory of distributive justice based on those differences. The theory is called as justice as fairness or also known as the difference principles.

He argues that a distribution to be just if it maximizes the food that the individual with the least food receives. The Difference Principle permits some inequalities so long as the inequalities in question would make the least advantaged in society materially better off than they would be under strict equality.

John Rawls proposes the following two principles of justice:

Each person has an equal claim to a fully adequate scheme of equal basic rights and liberties.

Social and economic inequalities are to satisfy two conditions:

they are attached to positions and offices open to all under conditions of fair equality of opportunity; and they are to be the greatest benefit of the least advantaged members of society.

In (1) Rawls insists for equality of opportunity. In 2 (a), Rawls maintains its priority to the second 2 (b) whereby no sacrifice to basic liberties should be made in order to generate greater equality of opportunity or a higher level of material goods, even for the worst off. For 2 (b), Rawls uses an 'index of primary goods' to measure the benefits of people.

Primary goods in this regard are classified into two classes. The first class comprises social primary goods, such as liberty, right, opportunities (which are the concerned of justice as fairness) and income and wealth (which is the concerned of difference principle). The second class comprises natural primary goods such as personal characteristics (Allingham, 2014).

Nevertheless, the difference principle of John Rawls' conception of distributive justice is criticized on the grounds that it mostly ignores claims that people *deserve* certain economic benefits in light of their actions. In other word, some may deserve a higher level of material goods because of their hard work or contributions even if their unequal rewards do not also function to improve the position of the least advantaged. The libertarian also criticizes that the explanation of *how* people come to be in more or less advantaged positions is missing in the explanation of the difference principles (Lamont, 2013).

Resources Based Principles

Ronald Dworkin (1981a, 1981b) the proponent of this principle made a distinction between 'ambitions' and 'endowments'. *Ambitions* cover the realm of our choices and what result from our choices, such as the choice to work hard, or to spend money on expensive luxuries. *Endowments* on the other hand refer to the results of brute luck, or those things over which we have no control, such as one's genetic inheritance, or unforeseeable bad luck.

Inequalities might happen because of differences in ambitions and endowments. While Dworkin might allow differences according to ambition-sensitivity as a result from voluntary choices, he is not

allowing inequality endowment-sensitivity if they result from disadvantages that have not been chosen. Therefore, those with unequal natural endowments should receive compensations, such as people born with handicaps, or ill-health, who have not brought these circumstances upon themselves, can be explicitly compensated so that they are not disadvantaged in their economic prospects (Allingham, 2014).

Welfare Based Principles

The focus in welfare-based principles is on maximizing the overall amount of some agreed-upon unit (or units) of welfare which could range from the subjective preferences of individuals to objective measures of welfare such as lifespan, access to education, healthcare, income, etc.

In this regard, welfare-based principles do not focus on the actual pattern of distribution (e.g. equal shares for everybody) but on the net welfare-outcomes associated with patterns of distribution (Danaher, 2010).

Advocates of welfare-based principles do not believe the primary distributive concern should be material goods or services since those goods have no intrinsic value but are valuable only in so far as they increase welfare. Likewise, it is also viewed that the concerns of other theories such as material equality (strict egalitarian), the level of primary goods of the least advantaged (difference principles), resources (resources-based principles), desert claims (desert-based principles), or liberty and entitlement (libertarian principles) are derivative concerns. They are only valuable in so far they affect welfare. Hence, distributive principles should be designed and assessed according to how they affect welfare, either its maximization or distribution (Lamont, 2013).

Welfare-based principles of distribution are utilitarian in form. It has been defined in variously as pleasure, happiness, or preference satisfaction. The experience of pleasure, according to Jeremy Bentham, is the intrinsic value, and all other things had instrumental

value insofar as they contribute to the experience of pleasure or the avoidance of pain. J. S. Mill broadened this theory of intrinsic value to include happiness. Modern scholars, on the other hand, tend to define the intrinsic value consists in preference-satisfaction (individuals' having what they want). In this perspective, a just distribution would require to choose the distribution which maximizes the arithmetic sum of all satisfied preferences (unsatisfied preferences being negative) (Lamont, 2013).

Some of problems in welfare-based principles of distribution is that the theory is based on subjective individuals' preference satisfaction and hence interpersonal comparison of welfare (utility) is difficult and hence might dilute social justice. The welfare-based principle is also criticized as making people as mere containers for wellbeing, rather than purposeful beings, responsible for their actions, creative in the environment and proactive in the situation within society. In addition, welfare-based approach ala utilitarianism is also criticized for not providing solution to the inequality since the concern is about rights and entitlements, and less about responsibility and contributions to the society.

Desert Based Principles

Desert-based principles of distribution argue that people naturally apply their abilities and talents, in varying degrees, to socially productive work that would generate social surplus in society. As a result of that, people are *deserved* to varying levels of income or other form of rewards. A just distribution would ensure that it is sensitive to the effort, contributions or compensation that people make to the social surplus. Distributions, in this regard, should be proportionate to contributions (Danaher, 2010).

In this perspective, the proponents of this principle propose three broad categories to be the basis of the reward, namely:

Contribution, whereby people should be rewarded for their work activity according to the value of their contribution to the social product.

Effort, whereby people should be rewarded according to the effort they expend in their work activity.

Compensation, whereby people should be rewarded according to the costs they incur in their work activity.

Some notes on this principle such as inexistence of measurement for contributions which can be vary such as costs, inputs, or efforts. It is also criticized that the principle might perpetuate inequality since people's ability to contribute is a function of pre-existing inequalities whereby those who are better-off can contribute more because they have more resources or they have a better education. In addition, it is a fact of life whereby human conditions vary whereby some are unfortunate and hence unable to contribute in production process. It would be unjust to make economic benefits depend on factors over which people have little control as in the case of the least advantaged segment of society. The proponents of this principle also missed the kind of responsibility and assistance to the disadvantaged in the society since they are lacking in having contribution, effort or compensation (Danaher, 2010, Lamont, 2013).

Libertarian Principles

Advocates of libertarian principles criticize any distributive ideal that requires the pursuit of economic patterns such as equality or maximization of welfare or of material goods. What is more pertinent is the demand for liberty or self-ownership.

In libertarian perspective, any distribution of resources is acceptable provided it conforms to the principles of entitlement. Nozick (1974) argues that the justice of state of affairs is a matter of whether individuals are entitled to their holdings. Individual's entitlements are determined by three principles, justice in acquisition, justice in transfer and justice in rectification.

In a legitimate acquisition, it is maintained that one naturally own oneself and by proxy one acquires legitimate ownership over those (previously unowned) features of the natural world with which

one mixes one's labor. Once one owns something, one is entitled to freely transfer it to another. In other word, a transfer is just if it is voluntary. Any distribution of resources that is arrived at following legitimate acquisition or transfer is just. However, current distribution may be the product of previously illegitimate acquisitions and transfers. In those cases, some rectification is needed (Danaher, 2010).

Islamic Principles

It is very clear that the above discussion on the principles of distributive justice that theoreticians on distributive justice advocate their particular principles by describing and considering ideal societies operating under them. Differences on what constitute a just and equitable distribution vary in accordance with the perspective of what should constitute the basis of distribution, object of distribution, tools and mechanism of distribution, and target and goal of distribution. The exercise, while it might be seen as an idealization of a good society, it is also a practical enterprise which provides solutions for society to adopt the principles in practical realities.

Islamic concept of distribution is developed based on the teachings and guidance in the Qur'an and Sunnah. As we shall elaborate, the concept is comprehensively discussed in those sources by taking into consideration the nature of human as individuals and in the context of societal life. The Qur'an and Sunnah also provide the notions of provisions (*rizq*), effort (*kasb*), trust (*amānah*), spending (*infāq*) and others to be a reference in developing conceptual framework of distribution in Islam and hence distributive justice could be achieved. In addition, some institutional frameworks have also been outlined to set up and institutionalized distributive justice in society. As we shall see, the concepts are quite comprehensive, some of them are in line with the Western distributive justice theories, but some are not.

Distribution in Islamic economics covers a wide spectrum of how to share the provision (*al-rizq*) and wealth (*al-mal*) endowed by Allah in certain hand of individuals to the society at large, especially those who are in needs of it, for an equitable society. Islam while guaranteeing that everybody should get 'just reward' to what he/she has contributed (*kasb*), at the same time, also insists that wealth should not be circulated in the hands of rich elite in society (*infāq*). Likewise, wealth should not be enjoyed for mere self-satisfaction; instead, wealth should be redistributed to society since Islam insists that there is a right of others in personal's wealth (*huqūq*). This principle comes from the very foundation of Islamic ontological belief that wealth is essentially belongs to Allah (*rizqullah*). Its distribution to mankind is upon His discretion. Human being holds wealth as an *amānah* (trust) that demands responsibility and accountability to spend it in right way (*fisabilillah*). For an equitable society, Islam outlines obligatory distribution through *zakāh* and voluntary spending through various kinds of charities (*sadaqah*, *hibah*, *waqf*) and others measures.

Islamic Principles of Distributive Justice

Distribution in Islamic vision is pursued within the objective of establishing a just socio-economic order and ensuring dignity of individuals in performing his task as an 'abd (servant) and *khalīfah* (vicegerent) of God (*al-Dhariyat*: 56; *al-A'raf* [7]: 129). The following guiding principles are some of the reference on basic teachings of Islam on distribution.

Principle of *Rizq* (Provision)

The Qur'an reminds repeatedly that all natural means of production and resources which subscribe to man's living have been created by God which implies that all resources belong to Allah alone (*al-Baqarah* [2]: 29 and *Ibrahim* [14]: 32). It is He who made them as

they are and set them to follow the laws of nature that make them useful for man. It is He also who allowed man to exploit them and placed them at his disposal (*al-Jathiya* [45]: 13).

All creation/resources are created by Allah SWT for mankind as a whole and has been made subservient (*taskhir*) to human's benefit and he has been created in a perfect creation (*ahsan taqvim*) so that human can perform his role as servant of God ('abd Allah) and His vicegerent (*khalīfah* Allah) on earth. (*al-Baqarah* [2]: 29).

Allah's provision (*rizq*) on each individual might be not similar (equal) with the purpose of testing individuals to have social concern, cooperation and dependency in society. The differences in initial condition (*tafāḍul*) is purposely designed by God in human life where some will get more portion than others due to natural difference in human capabilities and potential. The Qur'an in this regards tells us that 'disparity in provision' is a fact of life which is not only natural and is also part of the Divine dispensation on human earthly life according to Lord's infinite wisdom.

وَاللَّهُ فَضَّلَ بَعْضَكُمْ عَلَى بَعْضٍ فِي الرِّزْقِ فَمَا الَّذِينَ فُضِّلُوا بِرَادَى رِزْقِهِمْ عَلَى مَا مَلَكَتْ
أَيْمَانُهُمْ فَهُمْ فِيهِ سَوَاءٌ أَفَبِعِزَّةِ اللَّهِ يَتَحَدُّونَ

And Allāh has preferred some of you above others in wealth and properties. Then, those who are preferred will by no means hand over their wealth and properties to those (slaves) whom their right hands possess, so that they may be equal with them in respect thereof. Do they then deny the Favour of Allāh? (*al-Nahl* [16]: 71)

وَهُوَ الَّذِي جَعَلَ لَكُمُ الْخَلِيفَةَ الْأَرْضَ وَرَفَعَ بَعْضَكُمْ فَوْقَ بَعْضٍ دَرَجَاتٍ لِّيَبْلُوَكُمْ فِي مَا
آتَاكُمْ

It is He who hath made you (His) agents, inheritors of the earth: He hath raised you in ranks some above others: that he may try you in the gifts He hath given you (*al-An'am* [6]: 165).

Principle of *Infāq* (Spending)

The concept of redistribution in Islamic framework is captured in the concept of *infāq* (spending). Individuals' wealth should be redistributed back to the society through *infāq* voluntarily or involuntarily (obligatory). *Infāq* is one of the repeated injunctions in the Qur'an. It is mentioned at least 57 times in the Qur'an in various forms. The Qur'an also uses various terms in the context of spending (*infāq*) for the welfare of the poor and the needy such as *zakāh* (poor due), *sadaqah* (charity), *ihsān* (benevolence), *it'ām* (feeding the hungry) and etc which show the important of the concept for human life.

The concept of *infāq* is often mentioned with the phrase *fi sabīlillāh* (in the way of Allah). It shows the ontological connection with the principle of *amānah* (trust) that the wealth is actually belongs to God and being given to human being as a test (*fitnah*) to be utilized for good purposes as we have explained. In this perspective, the wealth has been given from Allah and should therefore follow His wishes and rules of injunctions and prohibitions (*fi sabīlillāh*).

وَأَنْفِقُوا فِي سَبِيلِ اللَّهِ وَلَا تُلْقُوا بِأَيْدِيكُمْ إِلَى التَّهْلُكَةِ وَأَحْسِنُوا إِنَّ اللَّهَ يُحِبُّ الْمُحْسِنِينَ

Spend in the way of Allah and do not cast yourselves into destruction with your own hands; and do good, for Allah loves those who do good (al-Baqarah [2]: 195).

Infāq which is classified in two forms, obligatory spending and voluntary spending is actually a reflection of *shukr* (thankfulness) and *taqwa* (God's consciousness) to what Allah has endowed to individuals (*Ali Imran* [3]: 92).

The Qur'an cynically criticizes those who are reluctant to spend their wealth in the way of Allah while all resources and wealth in the heavens and the earth essentially belongs to Him (*al-Hadid* [57]: 10).

Principle of 'Adalah (Justice)

Islamic concept of distribution is based on the concept of justice. Justice, as a moral value, has been emphasized frequently in the Qur'an. It also has been mentioned in various dimensions. For example, Justice (*al-'Adl*) is the attributes of Allah SWT; He creates the universe and all that exists within macrocosmic in justice (*al-Rahmān*, [55]: 7), human being (microcosmic) is also created in justice (*al-Infītār*, [82]: 7), and also the Prophet and mankind duties as a *khalīfah* are to maintain justice in this world (*Sād*, [38]: 26).

Justice (*'adālah*) in distribution should be actualized in microdealings among individuals, and also in at a macro level of realizing socio-economic justice in society.

يَا أَيُّهَا الَّذِينَ ءَامَنُوا كُونُوا قَوَّامِينَ بِالْقِسْطِ شُهَدَاءَ لِلَّهِ وَلَوْ عَلَى أَنْفُسِكُمْ أَوِ الْوَالِدِينَ
وَالْأَقْرَبِينَ إِن يَكُنْ غَنِيًّا أَوْ فَقِيرًا فَاللَّهُ أَوْلَىٰ بِهِمَا فَلَا تَتَّبِعُوا الْهَوَىٰ أَنْ تَعْدِلُوا وَإِنْ تَلَوْا أَوْ
تَعْرَضُوا فَإِنَّ اللَّهَ كَانَ بِمَا تَعْمَلُونَ خَبِيرًا

O you who believe, stand out firmly for justice, as witnesses to Allah, even as against yourselves, or your parents, or your kin, and whether it be (against) rich or poor: for Allah can best protect both. Follow not the lusts (of your hearts), lest you swerve, and if you distort (justice) or decline to do justice, verily Allah is well acquainted with all that you do (*An-Nisā'* [4]: 135).

وَيْلٌ لِلْبَاطِفِينَ الَّذِينَ إِذَا كَالُوا عَلَى النَّاسِ يَسْتَوْفُونَ وَإِذَا كَالَهُمْ أَوْ وَزَنُوهُمْ يُخْسِرُونَ

Allah warns those who take full measure but give less to others: Woe to those that deal in fraud. Those who, when they have to

Principle of *Kasb* (Effort)

Earth has been made as a place for man to strive for his livelihood in performing the task and trust (*amānah*) as ordained by Allah SWT.

وَلَقَدْ مَكَّنَّاكُمْ فِي الْأَرْضِ وَجَعَلْنَا لَكُمْ فِيهَا مَعِيشًا

It is We who have placed you with authority on earth, and provided you therein with means for the fulfilment of your life (al-A'raf [7]: 10)

Nevertheless, individual's self-provision is not something guaranteed except with effort and hardworking. The Qur'an encourages individuals to travel on the earth and find the provision and enjoy it.

هُوَ الَّذِي جَعَلَ لَكُمْ الْأَرْضَ ذُلُولًا فَامْشُوا فِي مَنَاكِبِهَا وَكُلُوا مِنْ رِزْقِهِ وَإِلَيْهِ النُّشُورُ

It is He Who has made the earth manageable for you, so traverse ye through its tracts and enjoy of the Sustenance which He furnishes: but unto Him is the Resurrection (al-Mulk: 15).

And this is one of the basic principles of distribution in Islamic framework whereby everybody should strive to fulfil his own basic needs and other needs related to his wellbeing. Each will get in accordance with his effort (*kasb*) which also means differences in wealth ownership will occur.

لِكُلِّ دَرَجَةٍ مِمَّا عَمِلُوا وَلِيُوفيَهُمْ أَعْمَلَهُمْ وَهُمْ لَا يَظْلَمُونَ

And to all are (assigned) degrees according to the deeds which they (have done), and in order that (Allah) may recompense their deeds and no injustice be done to them (al-Ahqaf [46]: 19)

From that principle follows another principle whereby *the fruit of one's effort is approved and considered as his legitimate ownership*. The Qur'an recognizes the right of holding private property as implied in several verses.

لِّلرِّجَالِ نَصِيبٌ مِّمَّا اكْتَسَبُوا وَلِلنِّسَاءِ نَصِيبٌ مِّمَّا اكْتَسَبْنَ

For men there is reward for what they have earned, (and likewise) for women there is reward for what they have earned (al-Nisa' [4]: 32)

Therefore, it should be noted that the Qur'an does not intend to have equality in a strict sense. Part of justice is to acknowledge the differences in provision of wealth in society. Those who put more effort, knowledge, capabilities and capacities will naturally get more portion in Allah's provision (*rizq*) than those who do not put effort, knowledge and lack of capabilities and capacities. Justice also means that everybody can enjoy the fruits of their effort in accordance with the effort they have put. Each will get share of in production output in accordance with the effort or capital contribution in a production activity (Qa'dan, 1990: 100).

وَلِكُلِّ دَرَجَةٍ مِمَّا عَمِلُوا وَمَا رَبُّكَ بِغَافِلٍ عَمَّا يَعْمَلُونَ

To all are degrees (or ranks) according to their deeds: for thy Lord is not unmindful of anything that they do (al-An'am [6]: 132)

لَّا يَسْتَوِي الْقَاعِدُونَ مِنَ الْمُؤْمِنِينَ غَيْرُ أُولِي الضَّرَرِّ وَالْمُجَاهِدُونَ فِي سَبِيلِ اللَّهِ بِأَمْوَالِهِمْ وَأَنْفُسِهِمْ فَضَّلَ اللَّهُ الْمُجَاهِدِينَ بِأَمْوَالِهِمْ وَأَنْفُسِهِمْ عَلَى الْقَاعِدِينَ دَرَجَةً وَكُلًّا وَعَدَ اللَّهُ الْحَسَنَى وَفَضَّلَ اللَّهُ الْمُجَاهِدِينَ عَلَى الْقَاعِدِينَ أَجْرًا عَظِيمًا

Not equal are those Believers who sit (at home) and receive no hurt, and those who strive and fight in the cause of Allah with their

goods and their persons. Allah hath granted a grade higher to those who strive and fight with their goods and persons than to those who sit (at home): unto all (in faith) hath Allah promised good: but those who strive and fight hath He distinguished above those who sit (at home) by a great reward (al-Nisa' [4]: 95)

In line with this, justice also means to have equal opportunities and rights on Allah's provision such as right to live, right to work, right to education, right to peace and others. Preventing some from those rights through discrimination, marginalization and segmentation is not just as it would create an adverse situation whereby one group will get more than others.

Principle of *Amanah* (Trust)

Since all resources and provisions to mankind actually comes from Allah SWT, an individual has neither the right to be free in acquiring and exploiting these resources according to his own will, nor is he entitled to draw a line independently to decide between the lawful and the unlawful. Instead, it is for God to draw this line. The Qur'an condemns the Midians because of their claims to possess a right to acquire and expend wealth *in any way they liked without restriction of any kind* (Hud, 11: 87).

All resources and wealth are essentially a trust (amānah) under the sovereign command of God, within the limits imposed by Him and individual's ownership upon wealth should follow those limitations. The nature of ownership in Islam is that of trusteeship (amānah) and is subject to the terms of that trust (Hasan, 1988: 12).

This puts one's attitude towards wealth in the right perspective whereby wealth should be acquired in the right means, keeping the moderation in ambition of wealth accumulation and enjoyment and being responsible in spending the wealth.

Wealth should be acquired in the right and lawful means adhering the rules of *halal* and *haram*:

يَا أَيُّهَا الَّذِينَ ءَامَنُوا لَا تَأْكُلُوا أَمْوَالَكُمْ بَيْنَكُمْ بِالْبَاطِلِ إِلَّا أَنْ تَكُونَ تِجَارَةً
عَنْ تَرَاضٍ مِّنْكُمْ

O ye who believe! Eat not up your property among yourselves in vanities: but let there be amongst you traffic and trade by mutual good-will (al-Nisa', 4: 29)

Wealth should be spent in the right attitude by keeping the moderation in ambition of wealth accumulation and enjoyment and having perspective of public interest instead of a mere self-pleasure.

وَالَّذِينَ إِذَا أَنفَقُوا لَمْ يُسْرِفُوا وَلَمْ يَقْتُرُوا وَكَانَ بَيْنَ ذَلِكَ قَوَامًا

And [they are] those who, when they spend, do so not excessively or sparingly but are ever, between that, [justly] moderate (al-Furqān [25]: 67)

إِنَّمَا أَمْوَالُكُمْ وَأَوْلَادُكُمْ فِتْنَةٌ وَاللَّهُ عِنْدَهُ أَجْرٌ عَظِيمٌ
فَاتَّقُوا اللَّهَ مَا اسْتَطَعْتُمْ وَأَطِيعُوا وَأَنْفِقُوا خَيْرًا لِّأَنْفُسِكُمْ وَمَنْ يُوقِ شُحَّ نَفْسِهِ
فَأُولَٰئِكَ هُمُ الْمُفْلِحُونَ

Your wealth and your children are only a trial, whereas Allāh! With Him is a great reward (Paradise). So keep your duty to Allāh and fear Him as much as you can; listen and obey; and spend in charity, that is better for yourselves. And whosoever is saved from his own covetousness, then they are the successful ones (al-Taghabun [64]: 15-16).

Individuals are also required to be responsible in spending the wealth. For example, individuals are not allowed to misuse it in frivolous expenditure (*al-Shu'ara* [26]: 151) nor can he keep it in idle hoards (*al-Ma'arij* [70]: 18) or elsewhere that would distort wealth to function as public goods.

فَاتَّقُوا اللَّهَ وَأَطِيعُوا أَمْرَ الْمُسْرِفِينَ (١٥٠) وَلَا تُطِيعُوا أَمْرَ الْمُسْرِفِينَ (١٥١) الَّذِينَ يُفْسِدُونَ فِي الْأَرْضِ وَلَا يَصْلَحُونَ (١٥٢)

“Therefore keep your duty to Allah and obey me, (150) And obey not the command of the prodigal, (151) Who spread corruption in the earth, and reform not” (al-Shu’ara [26]: 151)

In this regard, the principle of *amānah* would bring harmony between individual interest on the one hand and public interest on the other and also in putting the right perspective of short and long term interest.¹

أَمْالٌ وَالْبَنُونَ زِينَةُ الْحَيَاةِ الدُّنْيَا وَالْبَاقِيَاتُ الصَّالِحَاتُ خَيْرٌ عِنْدَ رَبِّكَ ثَوَابًا وَخَيْرٌ أَمْلاً

Wealth and children are an ornament of the life of the world. But the good deeds which endure are better in thy Lord's sight for reward, and better in respect of hope (al-Kahf [18]: 46).

Principle of *Huquq* (Rights)

Distribution in Islamic framework is developed based on the concept of *haq* (pl. *huquq*) which means rights to a share in something. In this principle, Islam acknowledges the right of individuals to enjoy the fruit of their efforts which become the personal right of wealth (al-*haqq al-khass*) while at the same time, Islam also declares the right of society (al-*haqq al'am*) upon personal's wealth and individuals are asked to render the dues of the wealth to others.²

كُلُوا مِنْ ثَمَرِهِ إِذَا أَثْمَرَ وَآتُوا حَقَّهُ وَيَوْمَ حَصَادِهِ وَلَا تُسْرِفُوا إِنَّهُ لَا يُحِبُّ الْمُسْرِفِينَ

Eat of their fruit in their season, but render the dues that are proper on the day that the harvest is gathered. But waste not by excess: for Allah loveth not the wasters (al-An'am: 141)

وَالَّذِينَ فِي أَمْوَالِهِمْ حَقٌّ مَعْلُومٌ (٢٤) لِلسَّائِلِ وَالْمَحْرُومِ

... and those in whose wealth there is a known right for those that ask and those that are dispossessed (al-Ma'arij [70]: 24-25).

Islam regulates certain amount in personal wealth should be spent to public benefits in the form of *zakāh*. *Zakāh* is the share of public right in personal wealth. Public right is also called as divine right (al-*haqq al-ilahi*) in the sense that delivering those to the society means returning back what has been received as a reflection of *taqwa* (God's consciousness).

لَنْ يَنَالَ اللَّهُ لُحُومًا وَلَا دِمَآؤَهَا وَلَكِنَّ يَنَالُهُ اتَّقَايَ مِنْكُمْ

It is neither their flesh nor their blood that reaches Allah, but what does reach Him is the *taqwa* (the sense of obedience) on your part (al-Hajj [22]: 37)

In other verses, the Qur'an stresses that unwillingness to share wealth with others by repelling the orphan and neglecting the feeding of destitute are equated to *denial of the religion* itself. Individuals who are reluctant to share their fortune with others are blamed as unthankful to Allah's provision (*rizq*) and deserve for punishment.

أَرَأَيْتَ الَّذِي يُكَذِّبُ بِالْإِيمَانِ (١) فَذَلِكَ الَّذِي يَدْعُ الْيَتِيمَ (٢) وَلَا يَحْضُ عَلَى طَعَامِ الْمَسْكِينِ (٣)

Have you seen him who denies the Requitul? (1) So, he is the one who pushes away the orphan, (2) And does not persuade (others) to feed the needy (3) (al-Ma'un [107]: 1-3).

receive by measure from men, exact full measure. But when they have to give by measure or weight to men, give less than due (al-Mutaffifin [83]:1-6).

Allah has sent down the Qur'an which contains guidelines and parameters upon which justice in distribution could be established in society.

لَقَدْ أَرْسَلْنَا رُسُلَنَا بِالْبَيِّنَاتِ وَأَنْزَلْنَا مَعَهُمُ الْكِتَابَ وَالْمِيزَانَ لِيَقُومَ النَّاسُ بِالْقِسْطِ

We have indeed sent Our messengers with clear proofs, and sent down with them the Book and the Balance, so that people may uphold equity (al-Hadid [57]: 25).

The Qur'an has explained the basic condition in society, the structure of society, the rights and responsibility upon wealth and society, with those guidelines distributive and social justice could be established.

As has been highlighted that the Qur'an highlights the sources for inequality in the Qur'an as follows:

Allah's provision (*rizq*) on each individual might be not similar (equal) in which Allah has preferred some above others in wealth and properties (al-Nahl [16]: 71; al-An'am [6]: 165).

Those who put more effort, knowledge and skills deserve to get more rewards than those who are lazy or lack in knowledge and skills (al-Nisa' [4]: 32; al-Ahqaf [46]: 19).

In this regard, it is natural that some would earn more than they actually need and some just according to their needs while others would make even less than their basic requirements.

Therefore, distribution problem will occur in society as a result of disparity in provisions. The Qur'an in this regards put distribution problem as part of human life problem to be settled with human consciousness and arrangement.

To create that consciousness for distributive justice and to solve the problem of unequal distribution, the Qur'an reminds the following:

Disparity in distribution is part of test in human life whereby the poor is tested with poverty and the rich is tested with abundance. Therefore, the Qur'an guides us to dispassionately accept this natural disparity and not to feel jealous or spiteful concerning the precedence that God has given one another. Instead, human should strive to succeed in this test whereby those who have more provision should be thankful (*shukr*) and spend it in the right way (*fi sabilillah*) and those who get less provision should be patient (*sabr*) so that social life harmony is established and he will be rewarded by the real reward in the hereafter.

وَلَا تَتَّبِعُوا مَا فَضَّلَ اللَّهُ بِهِ بَعْضَكُمْ عَلَى بَعْضٍ لِلرِّجَالِ نَصِيبٌ مِمَّا اكْتَسَبُوا وَلِلنِّسَاءِ نَصِيبٌ مِمَّا اكْتَسَبْنَ وَاسْأَلُوا اللَّهَ مِنْ فَضْلِهِ إِنَّ اللَّهَ كَانَ بِكُلِّ شَيْءٍ عَلِيمًا

"Do not cover what Allah has conferred more abundantly on some of you than others. Men shall have a share according to what they have earned, and women shall have a share according to what they have earned. Do ask Allah for His bounty. Allah has full knowledge of everything" (al-Nisa' [4]: 32).

Disparity in distribution is part of the social economic life objective to create dependency and social concern in society so that cooperation can be established for mutual benefit. Likewise, disparity or structural differences should not therefore lead to exploitation such as in the form of caste, slavery, and etc.

أَمْ يَقْسِمُونَ رَحْمَتَ رَبِّكَ لَنْ قَسِمْنَا بِهِمْ مَعِيشَتَهُمْ فِي الْحَيَاةِ الدُّنْيَا وَرَفَعْنَا بَعْضَهُمْ فَوْقَ بَعْضٍ دَرَجَاتٍ لِيَتَّخِذَ بَعْضُهُمْ بَعْضًا حِزْبًا

"Is it they who distribute the Mercy of your Lord. It is We who have distributed their livelihood among them in the life of this world, and have raised some above others in rank that some of them may harness others to their service" (al-Zukhruf [43]: 32).

The wisdom, according to Mawdudi (2011: 8) is that it will create a situation in society whereby there should be those who employed and those others who served, thereby creating avenues for growth of free enterprise, trade, commerce and agriculture, as well as different kind of vocations, employment and jobs in society.

It is understood that human needs can only be obtained through cooperation and task division among them. Differences could assist in allocating resources to different people. Likewise, access to the resources should be equal among individuals and hence each can do their best in utilizing the resources. A social interaction in a mutually-beneficial interaction of accessing the resources and utilizing the resources for social benefits is the foundation of a just distribution.

Disparity in distribution is to be solved through individual's consciousness obligatorily (through *zakat*) and voluntarily (through *sadaqah*, *infāq*, *waqf*, *hiba* and etc.) since Islam required that those who get more to share with others who get less.

The spirit of distributive justice that permeates the whole scheme of Islamic distribution is echoed in the vital expression, "*in order that it [wealth or property] may not make a circuit between the wealthy among you*" (al-Hashr [59]: 7). Thus Islam promotes an equitable distribution of wealth in society and combats the accumulation of wealth and its concentration in the hands of the few.

Distributive justice means to avoid the *zulm* (transgression) of God's limit by transgressing the right of others through unjustified action, preventing the wealth from circulation in society through *iktināz*, greediness by enjoying the wealth for self-satisfaction and reluctant to share with others. Individuals with those attitude deserved to be punished in this world and hereafter.

قَالَ أَمَّا مَنْ ظَلَمَ فَسَوْفَ نَعَذِّبُهُ وَنُحْمِ يَرُدُّ إِلَىٰ رَبِّهِ فَيُعَذِّبُهُ وَعَذَابًا نُّكَرًا

He said: "Whoever doth wrong, him shall we punish; then shall he be sent back to his Lord; and He will punish him with a punishment unheard-of (before) (al-Kahf [18]: 87).

Therefore, to establish distributive justice is one of the concerned of Islam and society which does not establish justice is blamed by Allah.

وَتِلْكَ الْقُرَىٰ أَهْلَكْنَاهُمْ لَمَّا ظَلَمُوا وَجَعَلْنَا لِمَهْلِكِهِمْ مَوْعِدًا

Such were the populations We destroyed when they committed iniquities; but We fixed an appointed time for their destruction (al-Kahf [18]: 59).

Conclusion

The issue of distribution is one of the biggest issues in economics. There is a concern among scholars on how justice can be achieved in distribution. Various theories have been proposed to answer that problem, such as strict egalitarian, the difference principles of John Rawls, resources-based principles, welfare-based principles *ala* utilitarianism, desert-based principles, and libertarian principles. The theories differ in the object of distribution, goals of distribution and the basis of a just distribution.

The Qur'an has outlined several guiding principles on distribution such as the principle of *kasb* (whereby individuals must put their effort to attain his livelihood and the effort is the basis for a just reward), *rizq* (Allah has allocated provision to individuals upon

His discretion and hence inequality will exist in society as part of test in human life), *amānah* (all wealth essentially belongs to Allah SWT and individuals hold it as a trust which requires responsibility and accountability), *huquq* (there are rights of others in personal wealth that should be delivered obligatorily and voluntarily), *infāq* (spending wealth in the way of Allah, *fi sabilillah*, which also means spending for personal and social wellbeing is the only options in Islamic concept of distribution), and *'adalah* (establishing justice in distribution at personal and social level is the aim of Islamic distribution). These principles set the foundations for distributive justice framework and direction of Islamic distribution scheme towards an establishment of a just and equitable society.

NOTES

¹Mawdudi (2011: 11) in this regards said: "the resources that were created by the Almighty are not intended to fulfil one's belly. In fact it is provided to mankind as provisions in their life, are intended to fulfil the needs and essential requirements of all His creatures. If by some chance, one has been able to gather more than his need, it simply means that the share that belonged to somebody else has reached him by default. It becomes a trust to him to deliver it to others".

² Public right is divided further into the following: (1) right of individual towards public wealth. This is the right of the needy and the poor on the public wealth in the bayt al-mal, and (2) right of *jama'ah* (society) in public wealth such as public goods, infrastructures, streets, buildings, bridge, hospitals, mosque, public defense, and etc.

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Institutional Setup of Market Economy & Property Rights in Islam

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