

Q #4 Describe the economic responsibilities of the state in Islam. Explain the economic principle of Islam that may help to address the economic issues in the contemporary world?

1. Introduction

In 2008, the world went through a financial crisis due to risky lending practices of the housing market of United States of America. Additionally, according to a report by Oxfam, the assets of 10 richest people in the world are equal to the assets of 3.1 billion people of lower strata. These examples show that the current economic system, implemented in most countries of the globe, is not performing well and the states are unable to fulfill their economic responsibilities. The Islamic economic system has principles of interest free loan, circulation of wealth, Zakat and ethical trade which can create a system through which not only disasters, as financial crisis, can be avoided but also the states can fulfill the responsibility of providing for citizens who can not avail their basic human rights on their own. Today the world is plagued with issues

such as global debt, unemployment, poverty and labour exploitation. The principles of Islamic economic system can provide the basis for sustainably resolving these issues.

2. Economic Responsibility of a state in Islam.

a. Provision of basic human rights

The Holy Prophet (S) is reported to have said: "A son of Adam is entitled to three things: a dwelling to live in, a piece of cloth to cover his nakedness, a piece of bread and water".

This Ahadith shows that the basic requirements of food, clothing and shelter should be met by state of rich individuals of a society as these are basic rights that every human is entitled to.

b. The five pillars of protection

A state has to ensure that every individual's life, property, honour, intellect, lineage are protected by the Islamic state.

The requirement of developing an administration that can ensure protection is a responsibility of Islamic state.

c. Creating a welfare state

A welfare state ensures that every human is provided basic rights and social justice prevails in the society. It relies on the richer individuals to contribute for basic rights provision of the members of society who can themselves not avail these rights. Hazrat Ali (R) has reported to have said: "The Caliph (leader of Islamic State) should try to create a welfare state". The welfare state in Islam also includes rights of education, justice, security etc. Provision of the rights is an important economic responsibility of Islamic State.

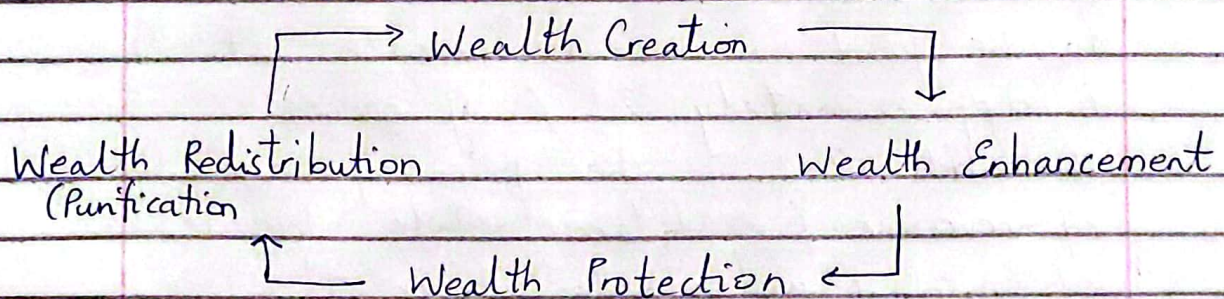
d. Collection of Zakat

Zakat is a form of direct taxation. It is the tax that has to be paid on excess wealth. It is approximately 2.5% of excess wealth. This is the primary source of revenue for Islamic state. In case of non-Muslim citizen the tax is called 'jizya' and has different rate than Zakat. Creation of an independent body for collection of Zakat is a primary economic responsibility of state.

- e. Payment of Zakat
Zakat is also to be paid by the state to the body. The Islamic Zakat law states that if the state has assets, such as, lands or mines, it has to pay Zakat on them to the independent Zakat committee.

3. Principles of Islamic Economic System

- a. Circulation of wealth
The circulation of wealth under Islamic Economic System is the cornerstone of economic system. The circulation of wealth allows business which creates value in economy and creates jobs. The circulation of wealth as per Islamic economic system can be shown in the diagram below.



It is due to the multifarious benefits of circulation of wealth that Allah says in Surah Qasas, verse 77 :

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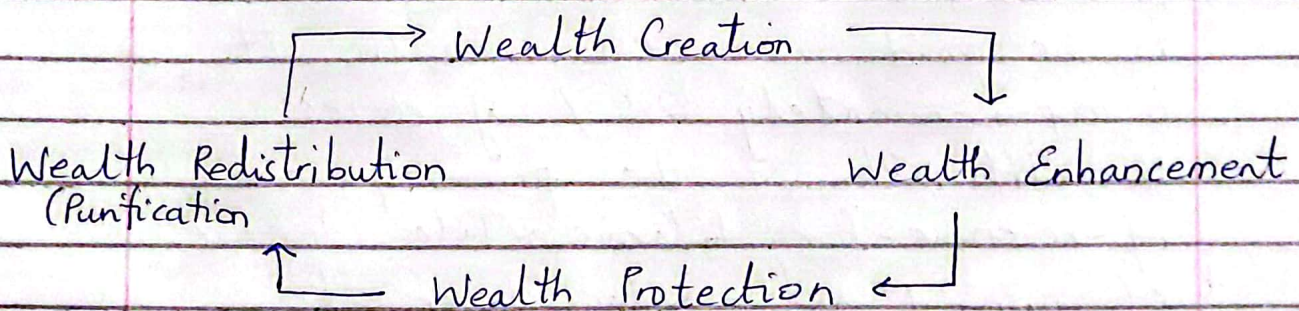
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"The wealth that Allah has taken from the people of townships belongs to Him, ^{and His Messenger} the orphans, the kindered, the wayfarers and needy; in order that it may not (merely) make a circuit among you"

b. Interest free economy

Islamic economic system does not believe in taking interest for loan.

The Quran says: "O Believers, do not swallow interest, double and redoubled, and be mindful of Allah so that ye may achieve true success" (Surah Al-Imran: VIII). The ayat clearly shows that interest is not allowed. However, to preserve time value of money loans are given on metal and for purchase of physical assets only. Islamic finance has found solutions such as Mudarba, Mubraha and Sukuk.

c. Direct taxation using Zakat method.

Islamic economic system believes in only direct taxes in form of Zakat.

Zakat is only paid on excess wealth.

Therefore, one can fulfill the requirements for life and dependents before taxation.

Zakat is later used to benefit the poor and needy in Islamic society hence it allows distributive justice. By encouraging earning and redistribution, Islam strikes a golden mean between Capitalism and

Communism

d. Ethics of Trade

Islamic economic system encourages business but has given limitations based on morals. It emphasizes on correct measurement, correct representation of quality, paying fair wages to labours, forbidding hoarding and forbidding games of chance. These Islamic trade principles prevent deception and payment for items with no value.

4. Islamic Economic System - a solution to contemporary world problems

a. Preventing unemployment by circulating wealth.

Islam encourages circulation of wealth because it allows business. Business in turn creates job opportunities. These job opportunities allow people to earn well being a create a strong foundation for Islamic society.

b. Global Debt Crisis through interest free economy

Currently the global debt is 300\$ trillion, that is, 3 times the global GDP. The world is locked in crisis which is due to bubbles of interest. Islamic finance & can help

restructure the global economy by ending this cycle of debt. This cycle end would create an economy tied to physical assets which would lead stability to global economy.

c. System of Zakat - panacea for poverty

Islam has ended poverty by efficient management of Zakat almost 1400 years ago. During the rule of Caliph Umar (R) there was no poor left to give Zakat too. This was after 22 years, only, of implementation of Zakat laws. Applying Zakat laws instead of tax laws can help state fulfill its obligation to people living under poverty line.

d. Ethics

5. Conclusion

After the 2008 crisis, the world has looked at Islamic economic system for restructuring. Current Malaysia and Kingdom of Saudi Arabia are leading in ideas of Islamic finance and Islamic banking. It is, indeed, the balance of capitalism and socialism that the Islamic economic system ~~gives~~ consists of which can ultimately resolve contemporary economic issue. The Holy Quran says that ultimately Islamic Economic system

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will prevail in the following verses

"Verily, the revolution will come,
there is no doubt about it, yet
most mankind believes not."

(Surah Al-Ghafir : 59)

What is meant by 'Justice'? Explain the system of justice and importance in Islam? (20)

Introduction

The first crime in history was committed when ~~Ham~~ son of Adam, Kaabil killed his brother Haabil. Since then, the need of a justice and justice system was born. The justice system protects the citizens, specially the weak, and differentiates right from wrong when needed. All the Prophets of Allah have worked as judges and have imparted the guideline to do justice after them. Today, all countries have evolved judiciary structures based on various laws. The Islamic states use Islamic laws. The Islamic justice system ensure the strength and prosperity of Islam while fulfilling the purpose of Islam, that is, to create equality.

2. Meaning of Justice.

a. Development of the need for justice.

Humans are social animals. No human can perpetually live on his own, independent of others. They are interdependent species. During such

interactions, conflict of interests, or infringement upon personal rights can happen. At times, such issues happen between two parties in which one is strong and aggressive while the other is weak and needs the state to protect its rights. The protection of the rights of every individual can said to be justice.

b. The purpose of justice

The purpose of justice is to ensure

- (i) rights are provided to every individual
- (ii) no one person can oppress another
- (iii) distinguish between the right and wrong

c. Execution of justice

The courts are responsible of executing justice. They are created on the basis of a rule of law, which is implemented by its appointees called judges. The judges have the responsibility to interpret the law and pass legal verdicts.

b. Evolution of Islamic justice system

The judgement in Islam started with Holy Prophet (s) and his companions. After the death of Holy Prophet (s), Hazrat Abu Bak (R) the first caliph appointed judges, protected their independence, governed their affairs and kept the political appointees and governors subject to the verdict of judges. Hazrat Umar (R) continued the practice but made judiciary completely independent of politics. The practice continued to the Abbassid Caliph, after which the office of chief justice was created. Then the chief justice was responsible for appointing, removing and evaluating judges. The practice continued till end of Ottoman empire. Today, the highest court of any country has the same powers as the court of chief justice. The chief justice is appointed by the legislative leg of the government.

c. Islamic Sources of law

The Islamic source of law are as follows:

Primary sources

(i) Quran

(ii) Sunnah

3. Islamic justice system

a. Basis of Islamic justice system

All the Prophets sent down by God to his people were judges. The Holy Quran also mentions the judgements of Hazrat Dawud (AS) and Hazrat Salman (AS).

The Holy Prophet (S) is said to be the best judge mankind ever had. Along with spreading the message of God to people, Prophet (S) was also given the duty to judge cases.

The Holy Quran talks about this duty when it says "And if you judge (O Mohammad) judge fairly. Verily, Allah loves those who act justly" (Surah Maidah: 42)

The Sunnah and Hadith also provide a basis for Islamic justice system. Prophet (S) appointed

Ali ibn Abu Talib and Muaz ibn Jabal to judge in Yemen. Moreover, it is reported that he said:

"Anyone of you who judges and judges with his best judgement and gets a correct judgement will get two rewards and if he judges with his best judgement but ends up making a mistake, he will get one reward"

Secondary sources

- (i) Ijtihad (excretion for new issues)
- (ii) Ijma (developing consensus)
- (iii) Qiyas (analogy judgement)
- (iv) Istislah

The Islamic law is called Shariah. The Shariah was received through Ricala (prophethood) and is Divine scripture.

d. Qualification of an Islamic judge

Husayn at Barri in his book Mutamad al Fiqh states the following characteristics for a judge. These attributes were later accepted by Ghazali.

- i) mature
- ii) sane
- iii) male
- iv) well read in Sharia.
- v) able to understand Arabic.
- vi) Muslim
- vii) capable of independent reasoning
- viii) freedom
- ix) upright character
- x) full sensory perception.

4. Importance of justice system in Islam.

a. Purpose of Islam

Islam was a religion that came to stop the oppression of the weak and its early followers were also poor and the weak. It came to end inequity and raise mankind.

to the highest level of justice. Hence, the purpose of an Islamic state is providing justice.

b. Cornerstone for strong social system

The judicial system is the foundation of social system. Islamic law justice ensures equality and prevents crimes through weighted and fair punishments. Therefore, crime is prevented and society becomes stronger.

c. Prosperity of nation

No nation can progress without justice. People will not be motivated to work for betterment of others if they feel that their own self is not protected. The nation can only grow in trust. The trust can be infringed and the judicial systems works to correct it when needed. Therefore, it plays a key role in development of the nation.

6. Conclusion

Amongst the three pillars of state, Islam has given the most venerable status to judicial system. This status has been given by God Himself as He is said to be The Best Judge in Quran multiple

times. Furthermore, Holy Prophet(s) also performed the job of a judge and told Muslims that they should aspire to be a judge. It is indeed extremely important to have qualified judges. The prevalence of crimes and wars in the world is because the judges and laws have become biased. People are no more treated equally in global north and global south because there is a lack of impartial judges. The issues of contemporary world can be solved if the judiciary is made independent of politics as in the case of Islamic justice system.