INDIVIDUAL FREEDOM,
SOCIAL WELFARE
AND
ISLAMIC ECONOMIC ORDER

SYED NAWAB HAIDER NAQVI

APRIL 1981

PAKISTAN INSTITUTE OF DEVELOPMENT ECONOMICS
ISLAMABAD
The Institute, established by the Government of Pakistan in 1957, is an autonomous research organisation devoted to carrying out fundamental research on development economics and Islamic economics in general and on Pakistan's economic problems in particular. Its research, besides providing a firm foundation on which economic policy-making can be based, also provides a window through which the outside world can see the direction in which economic research in Pakistan is moving. The Institute also provides professional training in economic analysis and research methods.

EXECUTIVE BOARD

Mohammad Afzal
Abdul Ali Khan
A. Sami Qureshi
Imtiaz Ahmad Sahibzada

Ghulam Ishaq Khan, Chairman
H. U. Beg
Syed Nawab Haider Naqvi, Director
Rafiq Ahmed
U. K. Afridi
M. A. Hafeez, Dy. Secy.

Ejaz Ahmad Naik
Saeed Ahmad Qureshi
R. A. Akhund
Mian M. Nazeer

INTERNATIONAL ADVISORY BOARD

J. Tinbergen, Nobel Laureate
Fritz Machlup
Paul Streeton
Just Faaland
Winfried Von Urff

Sir Arthur Lewis, Nobel Laureate
Albert O. Hirschman
Janos Kornai
Robert Triffin
Amley J. Coale

Gunnar Myrdal, Nobel Laureate
E. Malinvaud
Henri Theil
Lief Johansen
Sukhamoy Chakravarty

SENIOR FELLOWS

Ziauddin Ahmed
S. A. Sarwar Rizvi
Ehsan Rashid
Mahfooz Ali

Rafiq Ahmed
M. Rashid
Jawaid Azfar
Ghulam Hussain Khaskhelly

Mian M. Nazeer
Dilawar Ali Khan
Shukurullah
M. E. Abro
INDIVIDUAL FREEDOM,
SOCIAL WELFARE
AND
ISLAMIC ECONOMIC ORDER

SYED NAWAB HAIDER NAQVI
Director
PAKISTAN INSTITUTE OF DEVELOPMENT ECONOMICS

APRIL 1981

PAKISTAN INSTITUTE OF DEVELOPMENT ECONOMICS
POST BOX 1091, ISLAMABAD
By the same author

Ethics and Economics: An Islamic Synthesis
Leicester: The Islamic Foundation. 1981

First published in Pakistan in 1981

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior permission of the author.

©Pakistan Institute of Development Economics. 1981
“It is not righteousness that ye turn your faces towards East or West; but it is righteousness to believe in Allah and the Last Day, and the Angels, and the Book, and the Messengers; to spend of your substance, out of love for Him, for your kin, for orphans, for the needy, for the wayfarer, for those who ask, and for the ransom of slaves; to be steadfast in prayer, and practise regular charity; to fulfil the contracts which ye have made . . .”

— al Qur’an (2: 177)
# List of Contents

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>Introduction</td>
<td>1</td>
</tr>
<tr>
<td>II</td>
<td>Individual Freedom and Social Responsibility in Islam</td>
<td>6</td>
</tr>
<tr>
<td>III</td>
<td>Individual Freedom and Social Welfare in Islam</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td>Divine Law of <em>al 'Adl</em></td>
<td>12</td>
</tr>
<tr>
<td></td>
<td>Absolutist Philosophy of <em>al 'Adl</em></td>
<td>14</td>
</tr>
<tr>
<td>IV</td>
<td>Individual Freedom and Economic Order: General Principles</td>
<td>19</td>
</tr>
<tr>
<td></td>
<td>Responsibility versus Egoism</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td><em>al 'Adl</em> and Social Welfare</td>
<td>22</td>
</tr>
<tr>
<td></td>
<td>Social Choice in an Islamic Economy</td>
<td>24</td>
</tr>
<tr>
<td>V</td>
<td>Individual Freedom and Economic Order: Specific Issues</td>
<td>28</td>
</tr>
<tr>
<td></td>
<td>Distribution of Income and Wealth</td>
<td>28</td>
</tr>
<tr>
<td></td>
<td>Production Structure</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td>Economic Growth</td>
<td>32</td>
</tr>
<tr>
<td>VI</td>
<td>Conclusion</td>
<td>36</td>
</tr>
</tbody>
</table>
INTRODUCTION TO THE SERIES

In the unitary Islamic perspective, economic activity is seen as only a subset of a wider human effort to usher in a just society based on Divine ethical principles, which are immutable because “There is naught that can change His words” (6:116). These principles are required to weave the kaleidoscopic ‘facts’ of life into a recognizable pattern and provide a formula for orderly social change based on justice. The Divine Law of al ‘Adl symbolizes a set of Islamic principles, which acts as the norm to evaluate the justice or otherwise of existing social institutions. Being the opposite of Zulm, the Divine Law rules out the acceptance of social injustices even as a pretext for economic and social progress. Within the framework of a relatively absolute freedom of the individual, which rests on Man’s theomorphic character, the Islamic commitment to maximizing social welfare is total. Any resistance to social change coming from the vested interest has been unequivocally condemned in the holy Qur’an: “And leave Me (Alone to deal with) Those in possession of The good things of life, who (yet) deny the Truth…” (73:11).

That ethics must be brought into the 'picture' explicitly should be clear from the fact that Islam's is a philosophy of the 'right' — i.e. it evaluates 'what is' with reference to 'what ought to be'. The real challenge that Muslim economists must face lies in taking this ethical principle as the point of departure for a systematic and scientific enquiry into the fundamental rules of economic behaviour in an Islamic economy. The present series on "Islamic Economic Philosophy" seeks to provide a forum for a non-apologetic and scientific debate, which, by focusing on the interface of ethics and economics, works out the 'rules of the game' that economic agents must ideally follow in the pursuit of Islamically defined social bliss.

The objective of this debate should be to evolve gradually the outlines of an Islamic economic system, with reference to which the veracity of specific statements about such a system can be verified. That such search must obey certain constraints of Islamic legitimacy must be clearly recognized by the researchers in this area. However, to make any progress at all it is important to define a minimal set of such binding constraints; or else there will be not too many "degrees of freedom" left for scientific enquiry. In this search after the truth, Muslim economists will have to separate the fundamental from the subsidiary principles and the objectives from the policies designed to achieve them. The contributors to this series will be expected to make such distinctions, even if these sometimes appear to be only hair-splitting. This will be a lot better than a light-hearted cataloguing of what cannot be done.

Editor
ACKNOWLEDGEMENTS

This paper builds on the main theme of the author's paper, “Economics of Human Rights: An Islamic Perspective” which was presented at the “International Seminar on Human Rights in Islam” held at Kuwait, December 9 – 14, 1980.

The author is grateful to members of the Editorial Board of this Series for their valuable suggestions and editorial assistance.
Chapter  I

INTRODUCTION

The individual is the basic building block of any societal framework. Hence, notions of individual freedom have a profound effect on the kind of institutions that must be created to support the social fabric. In fact, an even stronger statement is possible: different ‘social states’ can be recognized by reference to the magnitude of individual freedom embedded in them. Historically, the conception of human freedom has had a deep imprint on economic framework. The cult of strident individualism that fuelled the 1776 Industrial Revolution in Britain gave birth to capitalism. It glorified Man’s egoistic behaviour on the grounds, sanctified by Benthamite utilitarianism, that the individual’s pursuit of self-interest maximized total ‘satisfaction’ — this total being simply the unweighted sum of the satisfactions of the individuals composing the society. The latter-day idealization of capitalism by Pareto — and more recently by Arrow and Debreu — has raised Man’s unaltruistic behaviour to the status of the centre-piece of neo-classical model of utility maximization. The importance of altruistic motivation in Man’s economic behaviour is recognized — e.g. through gifts —, yet it remains an exception to the general rule, at least at the level of theoretical abstractions.\(^1\)

\(^1\)Some attempts have been made recently to examine the effects of altruistic behaviour on the neo-classical economics to see whether it would result in a simple modification of the main theorems that are based on unaltruistic behaviour of individuals, or in a complete demolition of them. See, for instance, E. Phelps [4].
On the other hand, Marx viewed the individual as a helpless passenger in the dialectical time machine, which grinds on relentlessly and inexorably. Inspired by this 'fatalistic' philosophy, the Bolshevik Revolution delivered Communism which relied for its existence on the highly visible hand — indeed, the iron hand — of an all-powerful State. If Karl Marx had promised the ultimate "withering away" of the State, then the Leninist-Stalinist volte-face could be justified by the social benefits that flowed from the "expropriation" of the "expropriaters" — i.e. the complete abolition of the system of private property. Total happiness under the communistic system is maximized not as a sum of the happiness of the freely acting individuals (i.e. the 'proletariats') but by reference to the welfare of the 'society'. In theoretical discussions, the Marxist theoreticians like Fel'dman, Kozlov, Fedorenko and Aleshina have tried to show that utility maximization comes about through a complete passage of real resources from private hands to State control.

Such being the dominant social philosophies that monopolize the intellectual environment today, it is of fundamental importance to ascertain the Islamic concept of individual freedom to highlight the distinguishing characteristics of an economic order acceptable to Islam. Furthermore, since individual freedom can never really be totally absolute in any civilized society, there must be an awareness of the extent to which individual freedom can legitimately be curtailed for maximizing social welfare in an Islamic economy.

---

2The Bolshevik Revolution essentially aimed at "converting the entire State economic mechanism into a single powerful machine, into an economic organism working in a way such that hundreds of million of people would be guided by a single plan". See V.I. Lenin [2].

3Of course, this was a 'deviation' from the original Marxian vision, according to which "what is to be avoided above all is the reestablishing of 'society' as an abstraction vis-a-vis the individual". See Karl Marx [3].

4For instance, according to I. V. Aleshina, "the active intervention by the State in the economy and the necessity of strengthening the material basis of such an intervention is the primary factor in the growth of an economy". See I.V. Aleshina [1].
economy. It is important to determine, from an Islamic point of view, whether social welfare is merely a sum of individual optima attained selfishly and independently of each other, or merely a proxy for individual welfare, where the latter is mentioned only tangentially. A clear answer to these questions must be given to highlight the distinctive character of the Islamic economic system. These matters are discussed at length in the following chapters. Suffice it to note here that in the Islamic perspective, the process of securing individual freedom is linked directly to the conscious act of discharging one's responsibility to help the poor in the society. Indeed, a failure to do so has been declared in the holy Qur'an to be the denial of faith: “Hast thou observed him who believeth religion? That is he who repelleth the orphan, And urgeth not the feeding of the needy” (107:1-3).

Once such a unified view that blends economics and ethics is accepted, far-reaching consequences will follow for the kind of economic order acceptable to Islam. Firstly, in it egoistic behaviour will be replaced, though not altogether abolished, by commitment as the ideal type of economic behaviour. The emphasis will not be on the maximization of material personal gains, but on a readiness to accept a cut in one's own material welfare for the sake of others. If, in line with the Islamic precepts, individual welfare is redefined to include the expectations of a reward in the Hereafter, then commitment appears to be an entirely 'rational' motivation: the individual is reducing his present welfare only to enhance his expected welfare. Secondly, the principle of absolute private or State ownership of property will be replaced by that of "trusteeship", since all wealth belongs to Allah. The spending behaviour of the individuals will undergo a profound transformation reflecting a special concern for the welfare of the 'least-privileged' social groups in the society. Thirdly, the utilitarian concept of social welfare will give way to the more egalitarian concept of al 'Adl, which seeks to establish justice in the basic social institutions involving profound readjustments in the entire
production, consumption and distribution spectrum. Justice will get
certainty over efficiency in the hierarchy of Islamic economic values.
This is not to say that "efficiency" is not important; only it will not
be the sole criterion of evaluating the superiority of one "social
state" over another. The dictates of justice will have to be satisfied
first.

When, by adding up all its elements, the balanced social vision
of Islam is seen in its totality, it turns out to be a prescription for a
social revolution, instead of just an egalitarian tilt in the scale of
ethical values. Indeed, a system which accepts \( \text{al 'Adl} \) as its basic
principle can settle for nothing less; the process of social reform
must continue in every walk of life until the last traces of \( \text{Zulm} \) —
i.e. the negation of \( \text{al 'Adl} \) — are eliminated from the existing social
and economic institutions. To achieve this end, Islam
emphasizes voluntary renunciation by declaring material plenitude
as a mere temptation and diversion from the higher goals of life that
Man, being God’s vicegerent on earth, must aspire to. Man’s
acquisitive instincts cannot be allowed to degenerate into greed.
They must be tempered by ethical constraints to prevent him from
leading the society triumphantly into a social disaster. Life being
the supreme gift from Allah, it must be preserved, nourished and
beautified.

REFERENCES

1. Aleshina, I. V. Problems of Modelling in the Developing
Countries (English translation of the original title in

Languages Publishing House. 1964.

Chapter II

INDIVIDUAL FREEDOM AND SOCIAL RESPONSIBILITY IN ISLAM

Islam’s cosmic view of individual freedom is based on five related ideas:

(i) Man is basically viewed in his individual capacity: “Your creation and your raising (from the dead) are only as (the creation and the raising of) a single soul” (31:28).¹

(ii) Man is theomorphic (not anthropomorphic) by nature, with something God-like in him: “So, when I have made him and have breathed into him of My spirit . . .” (15:29).² This exalted position is an ideal that Man, with Divine fire kindled in his heart, must strive for by a judicious exercise of his intelligence (i.e. al ‘aql), which binds Man to the Divine Law.³

¹Throughout this essay the first figure in the brackets stands for the Chapter in the holy Qur’an, whereas the second number denotes the relevant Verse. Pickthall’s English translation (The Glorious Quran) has been used throughout this essay.

²However, it should be noted that the concept of theomorphism does not purport to establish any commensurability between Man and Allah. It is merely a reaffirmation of the ‘totality’ of the Absolute, to which Man’s existence is only relative. This conception also points to the ‘untainted’ nature of Man – i.e. he is not the one fallen with the original sin – and that he has been created in the best of all possible forms: “Surely We created man of the best stature” (95:4).

³And the ones who don’t use their intelligence – la y’aqilun according to the holy Qur’an – are identified as those who do not pay heed to Allah’s ‘signs’ for Man’s guidance. They are condemned as: “Deaf, dumb, blind, therefore they have no sense (la y’aqilun)” (2:171). See S. H. Nasr [7, p. 21].
(iii) Man holds the supreme title of God's vicegerent on Earth: "He it is Who hath placed you as viceroy of the earth . . ." (6:166). No aimless gadabout in the Universe, he is its cynosure: "And He hath constrained the night and the day and the sun and the moon to be of service unto you, and the stars are made subservient by His Command." (16:12).

(iv) To discharge effectively the duties of God's vicegerency, Man has been invested with a "free will". Only God is absolutely free, but, within the limits specified by God, Man's freedom is also "relatively absolute". This is freedom nevertheless, signifying Man's power of discretion for choosing voluntarily between good and evil: "Say: O mankind! Now hath the Truth from your Lord come unto you. So whosoever is guided, is guided for (the good of) his soul, and whosoever erreth, erreth only against it. And I am not a warder over you" (10: 108). Having been given the faculty to choose, Man has the freedom to achieve "success" by realizing his theomorphic nature, or to court "failure" by not doing so: "He is indeed successful who causeth it [i.e. the soul] to grow, And he is indeed a failure who stunteth it" (91:9-10).

Since the power of discretion frees him from the chains of fatalistic or historical determinism, Man's social behaviour must be restrained and guided by the Divine Law to promote civilization and embellish life.

---

4 For a detailed discussion of some of these matters, see Syed Nawab Haider Naqvi [5; 6], S. H. Nasr [7], Muhammad Iqbal [4], Khurshid Ahmad [1] and Frithjof Schuon [9].

5 See Frithjof Schuon [9, p. 14]. He makes the profound remark: "God alone is absolute freedom, but human freedom, despite its relativity — in the sense that it is relatively absolute — is nothing other than freedom anymore than a feeble light is something other than light".
(v) To bridge the gap between individual freedom and social welfare, Islam advances the distinctive concept of social responsibility, which consists of the following elements:

(a) An individual is not responsible for what others do — “Each soul earneth only on its own account, nor doth any laden bear another's load” (6:165). However, he will have to bear some of the 'burden' of those whom he misleads: “That they may bear their burdens undiminished on the Day of Resurrection, with somewhat of the burdens of those whom they mislead…” (16:25).

(b) Man is not held accountable for what his forefathers did in the past — “Those are a people who have passed away. Theirs is that which they earned, and yours is that which ye earn. And ye will not be asked of what they used to do” (2:134). Released from the chains of a placid and irrelevant past, with no waves for the future, Man is free to shape his destiny with Divine guidance.

(c) Man is responsible for the social evils in the environment, of which he is an integral part and to the betterment of which he must commit himself totally and unreservedly. God warns Man against indifference towards human suffering around him: “How should ye not fight for the cause of Allah and of the feeble among men and of the women and the children who are crying…” (4:75). This warning applies equally to those who in their personal lives are not wrong-doers but, out of cowardice, would not do enough to come to the help of the oppressed: “And guard yourselves

---

6The central importance of 'responsibility' in Islamic ethics was noted clearly by Syed Ameer Ali [2] and, more recently, by Syed Ali Shariati [10].
against a chastisement which cannot fall exclusively on those of you who are wrong-doers . . .” (8:25). Indeed, persons who use their prayers as a subterfuge to hide their irresponsible social outlook have been condemned in the holy Qur’an: “Ah, woe unto worshippers, Who are heedless of their prayer; Who would be seen (at worship) Yet refuse small kindnesses” (107:4 - 7).

A fine balancing of individual freedom and social responsibility yields the distinctive Islamic concept of ‘constrained’ individual freedom. These constraints, which are all ethical, have a distinctly voluntaristic strain, emphasizing that true freedom for the individual is best attained simultaneously with the freedom for all. According to this view, individual freedom has meaning only within the framework of the Divine Law, the limits of which Man is not allowed to transgress: “. . .whoso transgresseth Allah’s limits, he verily wrongeth his soul” (65:1). There is nothing authoritarian about this view, because such a stipulation comes naturally to the members of a just society who voluntarily accept limitations to their individual freedom with a view to promoting social welfare.7

In Islam the individual is seen as an integral part of the totality of mankind, emphasizing the two-way relationship between the individual and the society. Thus the problem of the ‘alienation’ of modern man — i.e. of his being an “outsider” in the existentialist view — is solved at the level of the ‘first principles’ of what can be called “Islamic sociology”.8 The individual Man is also a collec-

7 According to the contractarian tradition of Rousseau and Kant, freedom lies in the observance of the moral law. For instance, Rousseau observed, “ . . . obedience to law one prescribes to oneself is freedom” [8, Book 1, Ch. 8]. The Islamic view is distinctive in that it stipulates that this freedom-giving law that Man freely chooses for himself is the Divine Law of al ‘Adl. It is not man-made. For similar views, see Brohi [3, p. 194] where he points out that “By accepting to live in bondage to this Divine Law, man learns to be free”.

8 See Syed Ali Shariati [10] for a fuller description of the basic outlines of “Islamic Sociology”.

It should be noted that nothing has been said so far about the mode of (relative) ownership of wealth — i.e. should it be private or public? This is because from an Islamic point of view there is nothing inherently good or bad either in private ownership or in State ownership of property. The important thing is that the 'rules of the game' by which both the individual and the State should play must be Islamically legitimate and geared to achieving justice in the distribution of wealth. Hence, if any large-scale transfer of wealth from private ownership to State ownership is contemplated, it must be shown that this change-over will lead to an ownership pattern that conforms to the Islamic rules of trusteeship.

(ii) Production Structure

The principles of the ownership and distribution of wealth have a direct bearing on the rules of profit maximization as well as on the structure of production in an Islamic economy. Firstly, the requirement of keeping al 'Adl between the relative shares of wages and profits sets an 'upper bound' to maximum profits. Secondly, with excessive (exploitative) profits ruled out, those market structures — e.g. monopolies or oligopolies etc. — which lead to excessive profits must also be rejected as contrary to Islam's commitment to egalitarianism, which is based on al 'Adl. Thirdly, the share of 'public' goods in Gross National Product will be greater in an Islamic economy than it is under a capitalistic economy.

2 Indeed, Islam rejects firmly the forcible expropriation of private wealth by the State. This was clearly demonstrated by Abu Dharr, one of the most distinguished and vocal companions of the holy Prophet (Peace be upon him), who maintained that Islam called for the collective ownership, and not the State ownership, of the wealth of the Muslim Ummah (i.e. community). See Ziaul Haq [2].

3 It should be noted that the maximization rule — the equality of marginal revenue and marginal cost — will still be applicable if the size of the profits is kept at a level which satisfies the norms of Islamic equity. However, as noted above, the satisfaction of this rule does not guarantee distributive justice, unless something definite is done about the initial distribution of wealth in the society.

4 Public goods — e.g. hospitals, schools and other public utilities — will not be optimally produced by the 'market', because individuals will always understate the benefits they in fact draw from such projects.
The increase in the ratio of public goods to private goods, which to some extent is inversely related to the stage of economic development, is absolutely crucial to any programme of Islamization of the economy. However, this increase in the ratio need not necessarily be matched by a proportional increase in the share of the public sector. It is conceivable that public goods are secured from the private sector. The basic point is to note that the market can't produce the right mix of public and private goods — i.e. that conforming to the dictates of al 'Adl.⁵ Instead, the required increase in the ratio will have to be secured through the political process.

Fourthly, even in the case of private goods, the consumption basket will be more heavily loaded with wage goods. And, of course, the haram goods (i.e. those prohibited by the Islamic injunction) will not appear in the basket at all. Such a policy of selective production will be essential because income transfer through the various redistribution measures is not a sufficient condition for maximizing the welfare of the poor. Not only the demand for, but also the supply of, wage goods must increase to eliminate the injustices in consumption, production and distribution of goods.

It should be obvious that with every such modification, or dilution, of the maximization rule, the freedom of the individuals in an Islamic economy will have to be curtailed to maximize social welfare.⁶ This is particularly true in the case of public goods which by their very character must be supplied jointly to all consumers, the rich as well as the poor. However, this should not pose serious

---

⁵The reasons are well known: 'externalities' don't let the price mechanism recapture the benefits accruing to the society. The fact that the public goods are 'public' and 'indivisible' also contributes to weakening the role of the market in their production.

⁶For instance, the State will have to coerce the "free-riders" — i.e. those users of public goods who do not 'reveal' their preferences for them — into paying for the services they use.
problems for distributive justice. Even though such goods cannot be 'sliced up' for distribution among different classes of consumers, the flow of services from them can be controlled so as to provide a more favourable treatment to the least privileged.

(iii) Economic Growth

The problem of economic growth in an Islamic economy is a difficult one, with wide-ranging social ramifications. Here we focus our attention only on that aspect of economic growth which has a direct bearing on the relationship between individual freedom and social welfare: the question of intergenerational justice. As pointed out in Chapter III, al 'Adl requires that the quality of justice holds not only within a generation but intergenerationally as well. It is a trite cliche that present generations must suffer for the unborn generation; but the real question is how much? True, 'fathers' must morally provide for their 'sons', but it is also their (i.e. fathers') moral duty to contribute to the improvement of the quality of life and civilization. Thus a balance must be struck between the rival claims of different generations to satisfy the requirements of al 'Adl.

Exactly how this balance will be struck in practice is an empirical question; but a few general observations can be offered to fix ideas on the matter:

(i) Economic growth constrains the freedom of the present generation to consume all their wealth 'today'. It is not only an economic necessity but also a moral responsibility of the present generation that it abnegate present consumption to maximize the flow of consumption intertemporally... There is an element of sacrifice here because posterity cannot reciprocate the kindness of their forefathers.7

7The flow of favours has to be unidirectional between generations. Hence the principle of reciprocity is not applicable to the problem of intergenerational equity since posterity cannot do any injustice to the earlier generations. There is no problem of 'justice' involved here because justice can be done only within the possibilities of natural limitations. It can't transcend them.
(ii) However, precisely because the reciprocity principle is inapplicable intergenerationally, the magnitude of 'unrequited' transfers from the present to the future cannot be made arbitrarily large. The principle of al ‘Adl would therefore constrain the rate of saving by the present generation and the 'permissible' rate of economic growth. Such constraints will exclude at least two policy options for accelerating growth rates.\(^8\)

(a) A policy of promoting inequalities in income and wealth to maximize the investible surplus will not be permissible in an Islamic economy.\(^9\)

(b) A disproportionate share of capital goods in the total production will also not be favoured in such an economy because it involves an excessive diminution of present consumption.

(iii) The most important constraint on the rate of economic growth as well as on its composition comes from the Islamic requirement that the consumption needs of the least privileged have a priority over those of the rich. This restriction will require that the composition of investment over time be such as to (a) maximize the flow of wage goods; and (b) raise the proportion of 'public' goods to private goods.

Once these ethical constraints are enforced, the upper limit on maximal growth rate will be broadly defined. The lower limit

---

\(^8\) This problem has been briefly touched upon in the Report of the Islamization Committee [6]. See also Syed Nawab Haider Naqvi [4; 5] and Khurshid Ahmad [1].

\(^9\) Such practices have remained the principal policy instruments of capitalist expansion since the Industrial Revolution of 1776 and have been advocated even by liberal economists like J. M. Keynes [3]. Pakistan's development experience during the 1960s is also an illustration of such a growth strategy. Such a policy is self-defeating because it rests shakily on the psychological propensities of the nouveaux riches to abstain from present consumption – an assumption which is seldom satisfied because demonstration effects operate nationally and internationally to increase their consumption.
will be set by the economic and moral responsibility of the present generation to provide for posterity. Such a growth policy can become the basis of a viable social contract, resting on the Divine Law, because it will be consented to voluntarily by ‘rational’ persons. Such a contract will also be stable: the least privileged in the society will have no reason to revise it because their expected welfare is being maximized. Furthermore, a social contract of this kind will achieve a proper balance between the freedom of individuals in the present generation (i.e. the fathers) and dynamic social welfare (i.e. the welfare of the ‘sons’).

REFERENCES


Chapter VI

CONCLUSION

The basic insight of Islam’s economic philosophy is its explicit acceptance of specific ethical principles as determinants of Man’s economic behaviour, not only at a given point of time but intertemporally as well. These principles are: social responsibility and trusteeship. Man as an individual is responsible for the lot of the least-privileged members of the society – the orphans, the old and the sick. A failure on the part of individuals to discharge their social duty amounts to an unlawful usurpation by a few individuals of what rightfully belongs to others. Since Man is only a trustee, a violation of the rules of trust is a cardinal sin, which annuls whatever other good deeds Man may have performed: “Woe unto every slandering traducer, who hath gathered wealth (of this world) and arranged it. He thinketh that his wealth will render him immortal” (104:1-3). It won’t because the Ascent of Man depends on the act of giving according to the wishes of Allah without weighing their merits or demerits in grudging scales. The needs of the poor must be met not for a *quid pro quo* of any kind from the recipients but as a matter of Man’s responsibility to the society: “We feed you for the sake of Allah only. We wish for no reward nor thanks from you” (76:9).

The Divine Law of *al ‘Adl* signifies Islam’s distinctive social and economic philosophy. The Law, prefigured in Divine Nature, is an immutable and perfect social ideal in which Man’s natural urge for justice and harmony finds a permanent home: “Perfected is the Word of thy Lord in truth and al ‘Adl. There is naught that can change His words” (6:116). By accepting the Divine Law of *al ‘Adl* as its linchpin, Islam fixes not only the character but also the direction in which its basic social institutions should evolve over time. By releasing Man from the slavery of ego, it inculcates
the spirit of renunciation and sacrifice and points to the higher aims
that Man, being the quintessence of Allah's creation, must aspire to.
In this ethical perspective, material plentitude is merely a diversion
and a temptation: "Your wealth and your children are only a
temptation..." (64:15). Accordingly, Islam rejects the primacy of
egoism over 'commitment' as an ideal type of economic behaviour
and enjoins an 'absolutist' criterion which accords priority to justice
over efficiency. The individual's right — i.e. freedom — to hold
property, and the amount and kind of goods which are consumed
and produced, will all be constrained to conform to the Divine Law.
Also, the oppression of the underprivileged through economic ex-
ploitation will be explicitly prohibited. The Islamic society will be
run on a clear understanding of the fact that any fruitful exchange
conducted on this basis will make sense only when it is between
equals. It has no meaning when the partners to the exchange are of
unequal strengths — indeed in such a case social injustice in the so-
ciety will be exacerbated. Hence the need for a large-
scale transfer of resources from the “haves” to the “have-nots”.

In a society anchored to the Divine Law of al 'Adl, a longing
for the 'eternal' things which shine out of life like stars in the night,
fills human reason with compassion for the poor, so that individual
freedom does not become inconsistent with the freedom for all —
the freedom from want, poverty and human degradation. A society
which succeeds, as a true Islamic society must succeed, in attaining
the delicate balance between individual freedom and social respon-
sibility need not be obsessed with De Tocqueville's fears that con-
scious attempts to make men equal may lead to a "new form of
servitude". The reconciliation of individual freedom and social
welfare comes not by becalming individual initiative but by rein-
forcing it through an added emphasis on Man's ethical responsibility
to maximize the collective good. In such a society a 'non-dictator-
ship' solution is 'possible' for the problem of deriving social choice
from the carefully weighted choices of the individuals. The Orwel-
lian nightmares haunt such a society no more because voluntarism
— in the Islamic sense — takes the place of coercion, which is called in only to give the ethical constraints of Islam a practical shape.

Islam’s cosmic view of social life gives a new meaning to such key concepts as “freedom”, “voluntarism”, “rationalism” and “welfare”. Individual’s freedom to choose between various alternatives is only ‘relative’ because absolute “autonomy” is enjoyed only by Allah. Hence, acting autonomously is to act according to the Divine Law. Only such actions are recognized as ‘rational’ in Islam. When men act ‘rationally’ they are by definition contributing to maximization of their own expected welfare as well as that of the society. This is because welfare in this perspective denotes not only material welfare but also spiritual ascension, which is attained only by helping the poor. Those who do not act in this way are declared irrational because “These are they who purchase error at the price of guidance . . .” (2:16).

Let nobody think that an economic philosophy which rejects extreme forms of social behaviour and commands all to stick to the middle course — the “straight path” of Islam — is easy to practise or even to conceptualize, for it is easier to go from one extreme to the other; but to consciously strive to maintain al ‘Adl in all human endeavours puts the maximum strain not only on Man’s ingenuity but also on his commitment to doing what is best for all, because a thousand temptations lure him away from the straight path. It is because of Man’s natural weakness to succumb to such temptations that he has been advised in the holy Qur’an to always pray to Allah: “Show us the straight path, the path of those whom Thou hast favoured; Not (the path) of those who earn Thine anger nor of those who go astray” (1:5-7). But just praying won’t do to make Man discharge his responsibility as God has Himself warned: His Grace won’t come if Man does not brace himself, with an unyielding certainty, for bold initiatives, courageous action and a dogged persistence to obey the Divine Law. It is only by following this path — the “straight path” — that Man can embellish even more the
pageant of his primordial triumph over Allah's creation. Such an evolutionary view of human excellence makes Man forever beholden to Allah, who has promised: "...ye shall journey on from plane to plane" (84:19).

Herein then lies the challenge to the ingenuity of Man: to transmute Islam's ethical perceptions into definite rules of economic behaviour. It is out of such a symbiosis of ethics and economics that a systematic vision will evolve of a distinctive economic order that maximizes social welfare within the framework of human freedom. Not only 'marginal' policy initiatives but 'structural' reforms will have to be effected to let the people reach out for what is theirs according to the Divine Law. The shrill slogans calling for "equality of opportunity for all" will be met only by a muted response from those who have no access to such opportunities. It won't work trying to make do with symbolic — indeed hypocritical — gestures which do nothing to make the "oppressed" the "inheritors" of Allah's wealth. Allah's bounties should be spread widely to fulfil His promise: "There is no moving creature on earth but his sustenance is upon God" (11:6). No craven reply to such bold questions or a cringing submission to difficulties will help Man to arrive at the Truth. A society based on glaring inequalities and charity is inconsistent with Man's dignity. Beggars cannot choose, but a 'free' Man must exercise his God-given powers of discretion to usher in a world based on the Divine Law of al 'Adl.

The social idea that al 'Adl symbolizes should convince Man that true freedom comes only by abandoning the desire for the transient things and going forward with the whole force of a passionate will for what is permanent: "Naught is the life of the world save pastime and a sport. Better far is the abode of the Hereafter for those who keep their duty (to Allah)" (6:32). However, this is no prescription for ostrich-like isolationism. The seeker after the truth, not resiling from the chilling blast of hard realities,
endures a long march through the night to catch the first rays of the rising sun. These are precisely the human qualities required to nudge the present-day exploitative social systems towards the Islamic El Dorado, where nothing “glitters” except “gold”. It is only by transmuting our desire for justice into the crucible of right ideas and purposeful actions that the Islamic ideal can be approximated. Those who live in the vision of the ‘right’, which is what the philosophy of al ‘Adl signifies, must descend into the real world to turn the oppressive ‘facts’ of life into just forms; the forms that will last, with the assurance of a manifold reward in the Hereafter: “Whatsoever good ye send before you for your souls, ye will surely find it with Allah, better and greater in the recompense” (73:20).
This work is licensed under a Creative Commons Attribution – NonCommercial - NoDerivs 3.0 Licence.

To view a copy of the licence please see: http://creativecommons.org/licenses/by-nc-nd/3.0/