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The Economic Functions of the Early Islamic State

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Reviewed by:

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This is a revised and enlarged version of a dissertation on the subject presented by the author at the Edinburgh University in 1973 for his Ph.D. degree. The author, like other researchers, complains of paucity of material on the subject analysed and constructed in one place, hence the need for going to the original sources.

The author considers the institution of *Bait-al-Mal*, the Exchequer, as the focal point of the economic functions of the Islamic State-referred to by early writers as *amwal* or *kharaj*, and discusses the heads of *income and expenditure*, as treated by Hadith and Islamic Law under the heading: *Ghanima*, *Khums*, *Zakat*, *Jizya*, *Kharaj* and extra-religious taxes.

The scope of this dissertation is said to be historical - in studying the theory and practice of the relevant economic institutions up to the end of the Umayyad period (i.e. 750 CE) but it excludes the juristic interpretations of these early institutions.

The author acknowledges to have relied on the published works of al-Baladhuri Tabari, Yaqubi, Abu Yusuf, Abu Ubayd and the *Greek Papyri*, as the best complementary material and documentary evidence.

The contents of the thesis comprise: Part I: Basic Considerations; Part II: The *Bait al-Mal*: with its head of income and expenditure; pp. 95-340; and Part III: Economic Indicators - i.e. (a) Prices and the cost of living; (b) salaries and wages; (c) affluence and the standard of living; and (d) population.

Part I: deals with some basic considerations' and the economic teachings in Qur'an and Hadith, followed by a discussion on the moral foundations of economic life. The Qur'an sometimes explains the economic rationale of these principles, but mostly emphasises their moral and ethical aspects, for instance the prohibition of in toxicants as affecting Muslim individuals and society ignoring the loss of revenues to the State. Similarly, the institution of *riba* (interest) is considered unjust by the Quran (2: 275-279) and is contrasted with spending (in the way of Allah) and with charity.

In effect, the interdependence of moral values and economic measures for social welfare replaced the old decrepit and demoralizing structure of society.

The concepts of ownership and economic enterprise are governed in Islam with a limitation to absolute ownership, as the Qur'an attributes the creation of economic resources to Allah as cited in Surahs 14:32-34; 2:29; 7:10; 7:32 and 67:15 (mentioned by the author). We believe that it would have been appropriate to stress the attri butes to Allah in Surah al-*Fatihah* (1-2) which are the basis of the entire structure of world economy as envisaged by the Qur'an: al-Rahman, *al-Rahim* and *Rabb-al Aalami*n; the ultimate Provider for nourishment and growth and the ultimate Owner. The ad interim de facto ownership of the resources of the cosmos by man is, however, permitted for use all natural forces helping man to this end. (Qur'an 6: 166; 57:7).

Attending to production, Islam stressed the Divine role in factors of production leaving man to the portion his effort has achieved: `^Produce to the best of your capacity" - your contribution and then receive or share to the extent of your needs. If you cannot meet your needs through your own efforts, there enters *zakat* .... to help you - an institution for making available the means for the wholesome growth and purification of the individual and society.

With regard to distribution, the Qur'an, according to the author, allows rights of ownership over amwa^1. Ownership of land rests with Allah but rights in perpetuity of working on land and enjoyment of the usufruct thereof are recognized. Concentration of wealth in a few rich hands is prevented by distributive measures of *Zakat* and injunctions regarding inheritance. (4:7; 9:60). Qur'an verses 65:7; 4:37; 1:152-153 would suggest levy by Government of *taxes other than Zakat*.

In this connection, the author has not indicated whether a Government acting on the concepts of “Allah holds not liable any being except to the extent of its capacity” - could levy taxes on varying slabs of income or wealth as differentiated from a uniform 2½, 5%, or 10% of *sadaqat* or *ushr* or *khums* (20%) included in the term *Zakat*, irrespective of the extent of an individual's total wealth.

Agriculture was Medina inhabitants' main occupation, as against the inhabitants of Makkah who were mostly traders. The Prophet approved the main principles of land tenancy, and rights of possession: *Muzara'a* (share-cropping) and *musaqat* (fruit sharing) were regulated (according to certain *Ahadith*). To maintain standards of justice and equity it is narrated that (i) land was allowed to be used without any charge; and (ii) let out for cultivation at a fixed rent in terms of money but not in term of produce (p.38).

Lawful trade was approved but unlawful practices in trade were taken notice of and forbidden. Examples of such unlawful trade transactions are:

(i) *Gharar* - involving a large element of risk for price or the quantity of commodity (e.g. selling a bird in the air, or foetus in the womb);

(ii) *Muzabana*, exchange of a present commodity for one not yet available e.g. dates ready for dates still on the tree; and *muhaqala* - i.e. sale of wheat still in ears for a ready quantity of wheat;

(iii) *Najash* - a fictitious tender of a high price, as in the auction;

(iv) Misguiding and fraudulent advertising and publicity were disapproved(p. 42).

The Prophet is, however, reported to have allowed, on conditions, *bai' salam*, wherein immediate payment was made, admitting delay in the delivery of goods.

The role of intermediaries in affecting the market was discouraged (brokers or speculators affecting ready demand and ready supply). Direct link between village producer and city wholesaler or retailer is reported to have been encouraged and en forced (p.43). Similarly hoarding (*ihtikar*), mortgage, sales option (*Khiyar*), advance trading (*Salam*), surety, bail, insolvency, loans and credit, and the right of preemption (*haqq al shuf a*) were regulated (p. 44). *Zakat*: its extent and scope, coverage, limits of exemption and different rates as reported in *Ahadith* are given in detail on pages 45 and 46; while table (p. 49) gives a detailed description of *Zakat* on camel.

With reference to the beneficiaries of *Zakat* the author finds some difficulty in distinguishing between the terms *Sadaqa* and *Zakat*, as used in books of *Ahadith* or history - whether they meant obligatory levies or voluntary contributions (p.48). But the confusion should disappear if notice is taken of the Qur'anic injunction that *sadaqat* can be given openly and secretly - both ways an obligation on Muslims.

The fourth Chapter of the book (pp. 77-94) is devoted to ownership and Controls.

To quote the author: "... there is not to be found a single verse in the Qur'an clearly approving or disapproving the private ownership of land;" the Prophet gave an ultimatum to *Banu Qurayza*:... You should understand that land belongs to Allah and His Messenger. He wanted to exile them, he wanted them to sell the lands, if they had any Here the ownership of God and His Messenger is not inimical to the individual's right to possess, use and sell the lands" (p.77). Here the author should not have overlooked the fact that the lands referred to belonged to the Jews (and not to Muslims), who would be selling the lands in accordance with custom applicable to them.

In pre-Islamic days land was owned by individuals, by the community and by the state. The Egyptian lands were treated to be the property of the Roman Emperor, and a substantial portion thereof was similarly treated during the Byzantine period. Caliph Umar took over as state property, all lands which in pre-Islamic days were owned by the Emperor of Persia or his family.

Table 2 (pp. 79-80) gives details of lands alloted by the Prophet to the Muhajirin at arrival in Medina both for housing and farming. Caliph Umar is reported to have alloted the lands taken from the exiled Jews of Khayber and Fadak and after the conquest of Sawad to individuals, but in most cases collectively, as was done by the holy Prophet (p.81, n. 2). but Umar's policy changed with the conquests in Iraq and Syria.

It would appear that allotment of lands to individuals was conditional on their reclaiming and working on the land which entitles them to have rights of transfer and sale, or rights of occupation only (p.85).

Ownership of conquered lands: (i) subjugation by treaty or (ii) conquered by force: the former was treated as Fay (Common Property of Muslims), and not alien able; but the latter category was treated as state owned. `Uthman allotted state owned lands. Muawiya is, however, the first ruler personally interested in lands (as his Safj) - p.85; the practice was spread to kinsmen, governors and officials later on. Details are, however, lacking, according to the author, to show whether in early Islam land *iqta'* was considered to confer absolute ownership or only right of possession, occupation and enjoyment of usufruct was granted (p.85).

Prices were normally left to the free operation of demand and supply but they were watched in the interest of the general public, and malpractices were forbidden through *naqid* (to check weights and measures) and the institution of *hisbah* (inspection) for the markets came into being to safeguard interests of the public.

Part II (pp.95-340) of the book deals with the concept and operation of the Islamic institution of *Bait al- Mal* (the Exchequer of the Islamic State). This institution is a concept occupying a central position in respect of public finance in Islam, not only as a Treasury, but more so as an entire fiscal system of state. It was based on Qur'anic injunctions and put into practice by the Prophet: *Mal Allah* or *Mal al Muslimin* i.e. public funds in the possession of the Prophet or *Amir-al Mumimin* only as a trustee (*amin*), entitled for his services only to a stipend to meet his needs. This concept of *Bait al-Mal* was acted upon by the *Khulafa-e-Rashidin*, but the dynastic rule of the Ummayyads changed the practice eventually leading to their downfall.

The main sources of income during the period were *Sadaqa*, *Fay*, *Khmns* (out of Ghanfrna), *Ushr*, *Kharaj* and *Jizya* (poll-tax on non-Muslims under protection of the Islamic State). The author considers Sadaqa as an item separate from *Zakat*- irregular and uncertain as income (p.106). Among secondary sources were loans to finance military campaigns, and ransom received from captives, capable of buying their freedom, while some of the captives were set free without any ransom.

The heads of expenditure were the oft-cited deserving cases mentioned in the Qur'an. It is noticed by the author that the Prophet and Caliph Abu Bakr left the *Bait al-Mal* empty at the time of their deaths, the resources till then being scarce and not enough to leave a surplus in the *Bait al- Mal*.

In different chapters the author discusses *Ghanima* and *Khums* (booty and fifth), (pp.109-132); *Zakat* (pp.133-166); *Jizya* and *Kharaj* (Poll tax and land tax, pp.167- 269).

During the hundred years of Islamic conquests from the Punjab, Sind to North Africa and Spain, lands were left undistributed but converted into *fay'*- (public property) (p. 127).

The author mentions (p. 129) a curious and hardly credible order of Caliph Umar to Amr not to overrun Ifriqiyya, relying on superstition or occult interpretation (hardly in keeping with Islam) - a policy which, as mentioned by the author was not followed by Umar's successor, Uthman!

The *Bait al-Mal* of the Prophet's time was assisted from Umar's time by the provincial *Bint al-Mal*, which, after meeting their own requirements, remitted the surplus to the central *Bait al-Mal*: (p.277 et seq.). The same situation continued during the time of the *Khulafa-e-Rashidin*, Ali transferring the central *Bait al-Mal* from Medina to *Kufa*, and Muawiya to Damascus. But subsequently, owing to political and regional rivalries, and personal corruption of collectors and even the governors. the central exchequer suffered, although it received big contributions from the richer provinces like Egypt.

A Chapter is devoted by the author to the important subject of *expenditure* (pp. 286 et seq.) from the *Bait al-Mal*; with *Zakat* being spent on the specific heads mentioned in the Qur'an. the general funds were diverted to pension grants – '*ata'* and *arzaq* (sing. *rizq* - livelihood rations). defence and development projects, also *wazaif* - stipends or salaries to civil employees. By Umar's Caliphate resources from expansive conquests by 20 A.H. (pp. 291-292) enabled Umar to establish a welfare state, where each citizen, male, female and child (including slaves and non-Muslims) received adequate and equitable annual grants and free monthly rations. Table No.14 (pp. 292-293) gives categories and amounts of pensions (dirhams) for each recipient. Besides these annual pensions, each Muslim, including slaves, was allowed a *mudd* of wheat, two *qists* of vinegar and two *qists* of oil - ration cards and pension cards being issued, and registers of recipients and revenues (*dawawin*) maintained. The Organization of Muslim army in official tiers and distribution of pensions and rations through these officials are mentioned on p. 299. Apart from the above heads of expenditure, provision for general defence and campaigns administration, setting up of cantonments, maintenance of a naval fleet, and investment in agriculture (land reclamation, canals and dams, and projects of collective or community farming (p.305)); and the equally important subject of public welfare, (which is significantly distinguishable from the present-day systems based on capitalism and communism (p. 313)), are also mentioned.

The chapter on Economic Policy (of the Muslim State) gives details of the objectives of the economic policy the Caliph intended to achieve. These objectives include:

1. Improvement in the pattern of consumption (based on simplicity and austerity of living, the Caliphs themselves setting an example);
2. Improvement in the distribution of wealth and income - by free rations, *sadaqat*, laws of inheritance;
3. Stability of prices of essential goods;
4. Security of supply by improving means of communication, e.g. canals in Egypt, Iraq and later even in Sind (*Sakral* - dam);
5. Expansion in production by extensive and intensive agriculture;
6. Satisfaction of collective needs and other measures of a welfare state;

7. Population planning and distribution for social, political and strategic reasons;
8. Protection and safeguards for the consumer; and
9. Defence of the Islamic State for political and social stability.

In the last chapter 14 (of part III) of the book, the author deals with economic indicators in respect of:

1. Prices and cost of living;
2. Salaries and wages;
3. Affluence and the standard of living; and
4. Population.

He points out the relevant available data which is neither complete nor quite authentic, and varies with different scholars and sources. He, however, starts with *nisab* (*zakat* exemption limit) of 200 dirhams value of gold, silver, coin, barley pro duce of equivalent value of 5 was qs of grains or dates, forty sheep or goats, and five camels - all coming to an average value of 200 dirhams, considered sufficient for the annual consumption in value of an average family. If individual members of a family were liable to *Zakat*, then all such members were entitled to the exemption of 200 dirhams (*nisab*). This was the amount granted by U mar as pension, considered for annual requirements of a man, besides two modi of wheat per man per month was given as free ration. Table No.15, p.347 indicates prices in dirhams per unit for Hijaz and Iraq, Greek Papyri give prices for Egypt during the most expensive period in Egypt (Table 16, p.348), as observed by al-Kindi.

Were salaries and wages commensurate with the level of prices noted above?

Apart from the exemplary simplicity and austerity sulf-imposed by the Prophet and the *Khulafa-i-Rashidin*, Umar is reported to be the first to have taken up the fixation of salaries on a national scale (pp.351-353) - indicating that prices of consumable goods were within reach of the poorest in society.

Instances of wealthy persons, though not an index of an affluent society, indicate that the Islamic nation considerably prospered from the rule of Umar onwards, as compared with the meagre wealth and means during the holy Prophet's time. Such instances, however, may represent exaggerated figures, and not a true picture of a Muslim egalitarian society.

Expansion of Arab population with the expanding Muslim state was a material phenomenon, though the Arab conquerors did not attempt to oust the inhabitants of the conquered lands. However, interesting figures of a number of Arab families, even from the start of Islam, show the prolific reproduction of Arabs, giving an aver age 12 sons plus 6 daughters per head of family (p.363). Deliberate mobilization of population, (Muslims as well as non-Muslims) for strategic, political and socio-religious reasons was undertaken by the Caliphs and their Governors in Iraq. Syria and later on, in Egypt. This was also to relieve certain areas from population explosion (p.367).

In the end we would point out that the author's efforts to bring to relief the various aspects of economic life under Muslim rule has been based on incomplete data, exaggerated or under-estimated estimates, and may have sometimes over-emphasized the partisan spirit which crept into Muslim society with the commencement of the dynastic rule of the Ummayyads. He has also omitted to discuss or give details of incidence of taxation, under the *nisab* exemptions on various sources of wealth of tyer of *Zakat* as compared with the modern theory of incidence of taxation, the margin of purchasing power resultant on a flat rate of taxation of the rich and the not- rich taxpayer. Significance has not been attached to the Islamic method of different rates on different sources of wealth instead of aggregating value of all wealth and then levying tax at a flat rate or according to sliding slab system of taxation. Similarly the all-embracing and all-relieving function of *zakat* has not been adequately dealt nith, nor has the imposition of *Jizya* on non-Muslims been adequately justified, a subject which has been a target for criticism of Islam by Western scholars and historians. The book is, however, a useful contribution to the study of economic principles as applied to Muslim economic institutions during the first century of Islam.