

## **Rejoinder**

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1. I have never maintained that the objectives of fiscal economics of Islam are not shared by the secular economies of the modern world. They are. But this further reinforces the validity and relevance of Islamic objectives. The distinction of an Islamic economy, however, lies in two significant respects. Firstly, Islamic polity had spelt out these objectives much earlier and treated economic and fiscal objectives as integral part of the whole scheme of socio-economic development whereas orthodox traditional economics even today is unable to resolve the conflict between the two objectives of growth and equity and strives in vain to rectify the consequences of "unadulterated" growth through marginal adjustment in its own abstraction of reality. Secondly, the Islamic economy, deriving as it does, its strength from ethico-cultural roots, is better suited to attain those objectives effectively and adequately. For most of these objectives are intrinsically moral and structural changes. Islam brings about a change in the heart, values and preferences of the individual and reinforces these through structural changes and appropriate legal authority designed not only to nurture them but also to implement them.

2. My article does not stipulate that *zakat* will be the only fiscal device in an Islamic state. However, it does maintain that it will serve as the focal point of the whole exercise in fiscal dynamics. It is obvious that such an assertion does not exercise a restraining influence on the state's power of fiscal coercion. Moreover it defines and delimits the scope of operations of government revenues and expenditure. The reviewer must be aware of the modern government's uninhibited exercise of fiscal power, which in quite a large number of cases can not be justified in terms of either its yield or equity considerations. The recent reversal of the Third World to a host of regressive taxes is only an illustration of fiscal license. Moreover, *zakat* indirectly defines the expenditure pattern of an Islamic economy in a much more effective way than any 'free enterprise' or socialist doctrine can do.

3. The reviewer has stated that in view of the enormous fiscal needs of the modern state, the resource gap formula will not serve any useful purpose. Perhaps, he forgets that we are analysing an economy based on Islamic ethics where, firstly, expenditure will tend to decline relatively, and secondly, quite a substantial flow of resources, though *zakat* and voluntary individual and collective activities, will tend to reduce the fiscal needs of the state to meet its equity and welfare expenditures. Further, it may be underlined that even today a fairly large part of development expenditure is financed out of non-fiscal and para-fiscal devices by modern states. It will be open for an Islamic state to mobilize resources for development through non-coercive participation of an Islamic collectivity in the "sacred" task of development.