

The Islamic Economic System in the Khilafah (Caliphate) State Is What Will Provide People with a Secure Economic Life Free from Crises

(Translated)

Poverty, unemployment, obscene wealth concentrated in the hands of a small elite, devaluation of local currencies, removal of subsidies on basic goods, a decline in living standards, and unprecedented price hikes... this is the grim reality of the economy in our Muslim countries. The solutions always proposed to escape these crises are loans from the International Monetary Fund and the World Bank, leading us into even more complex problems: Accumulating debt and exorbitant interest, increased taxes, and a succession of crises result in the mortgaging of the nation's resources and wealth to the will and ambitions of colonial powers. This is because all these solutions only enable the rich to acquire goods, while the weak and poor, unable to afford them, go hungry. These are futile solutions that remain trapped within the capitalist economic cycle in which we are trapped. They are derived from the very system that created and caused these crises: the capitalist system, the root of all evil, is corrupt in its mechanisms and laws, and the world suffers its consequences and yearns to escape its disasters. Even Western thinkers and their leading capitalists doubt the effectiveness of the proposed solutions, saying that if these solutions succeed, they will only postpone the collapse, and will not succeed in solving the problems fundamentally.

The world economy needs a new structure and to break free from the shackles of capitalism. The world has no salvation from the woes of the sterile capitalist financial system except through an economic and financial system built upon the principles of Islam. Islam has been practiced for over a thousand years, and throughout this period, it has built a flexible and dynamic economy truly supported by strong local economic activity. The Islamic economy has also led the world and is a primary reason for the West's increasing prosperity before it turned to colonialism, as Western countries relied on trade with Muslim lands. The path to salvation lies in implementing the Islamic economic system, for it is the only system that can resolve current and future crises, in accordance with human nature and justice. However, this economic system cannot exist within flawed human systems because their general laws will inevitably affect it in one way or another. If a ruler were to attempt to implement the Islamic economic system alone, the desired results would not be achieved. This is because it is an integral part of Islam and must stem from the foundation upon which all systems of life are based. Islam is a creed from which the system of life originates, and it will only bear fruit through its complete implementation, as practiced by the Prophet Muhammad (saw), his Companions, and those who followed them in righteousness.

Islam is an indivisible whole; to take some of it and leave the rest is disbelief, no matter how small the portion left behind may be. This is what the Holy Quran states, in the words of Allah Almighty addressing Bani Israeel: **﴿أَفْتُونُنَّ بِبَعْضِ الْكِتَابِ وَتَكْفُرُونَ بِبَعْضٍ فَمَا جَزَاءُ مَنْ يَفْعَلْ ذَلِكَ مِنْكُمْ إِلَّا خِزْيٌ فِي الْحَيَاةِ الدُّنْيَا وَيَوْمَ الْقِيَامَةِ يُرَدُّونَ إِلَى أَشَدِّ الْعَذَابِ وَمَا اللَّهُ بِغَافِلٍ عَمَّا تَعْمَلُونَ﴾** **“Do you believe in some of the Scripture and reject the rest? Is there any reward for those who do so among you other than disgrace in this worldly life and being subjected to the harshest punishment on the Day of Judgment? For Allah is never unaware of what you do.”** [Al-Baqarah 2:85].

It is not permissible to implement some parts of Islam while neglecting others. Since the Islamic economic system is part of the Khilafah (Caliphate) system, its implementation in life will occur after its establishment. The Islamic system is a whole, and the economic system is a part of that whole. It is extremely difficult to implement the economic system alone without implementing Islam comprehensively. Furthermore, it is difficult to detail Islamic economic policy in a short article. However, we will summarize its broad outlines, which, Allah willing, will suffice to demonstrate the truth that the Islamic economic system alone is capable of

providing people with a sound, prosperous, and crisis-free economic life. Here is the explanation:

First: Economic policy in Islam:

Economic policy is the objective of the rulings that address the management of human affairs. In Islam, economic policy aims to ensure the complete fulfillment of all basic needs for every individual within the Islamic state, including food, clothing, and shelter. It also aims to enable individuals to fulfill their non-essential needs to the extent possible, recognizing that they live within a specific society with its particular way of life. This is achieved by obligating able-bodied men to work, so that they may provide for their basic needs and those of their dependents. ﴿فَامْشُوا فِي مَنَاكِبِهَا وَكُلُوا مِن رِّزْقِهِ﴾ **“so move about in its regions and eat from His provisions. And to Him is the resurrection of all.”** [Al-Mulk 67:15]. And by imposing it on the child born to him, and on the heir if he is unable to work ﴿وَعَلَى الْمَوْلُودِ لَهُ رِزْقُهُنَّ وَكِسْوَتُهُنَّ بِالْمَعْرُوفِ لَا تُكَلَّفُ نَفْسٌ إِلَّا وُسْعَهَا لَا تُضَارَّ وَالِدَةٌ بِوَلَدِهَا وَلَا مَوْلُودٌ لَهُ بِوَلَدِهِ وَعَلَى الْوَارِثِ مِثْلُ ذَلِكَ﴾ **“The child’s father will provide reasonable maintenance and clothing for the mother during that period. No one will be charged with more than they can bear. No mother or father should be made to suffer for their child. The father’s heirs are under the same obligation.”** [Al-Baqarah 2:233]. And he imposed it on the public treasury (Bayt ul-Mal) if there were no one who was obligated to support him, the Prophet (saw) said: «مَنْ تَرَكَ مَالًا فَلِوَرَثَتِهِ وَمَنْ تَرَكَ كَلًّا فَلِإِيَّتِنَا» **“If anyone leaves property it goes to his heirs and if anyone leaves dependents without resources they come to us.”**

Second: General economic principles:

An examination of Islamic legal rulings related to economics reveals that Islam primarily addresses the issue of enabling people to benefit from wealth. This, in its view, is the fundamental economic problem of society. When Islam examines economics, it focuses on the acquisition of wealth, how people manage it, and how it is distributed among them. Therefore, the rulings related to economics are based on three principles:

1. Ownership
2. Disposal of ownership
3. Distribution of wealth among people

As for ownership, insofar as it is ownership, it belongs to Allah, insofar as He is the owner of the property, and insofar as He has stipulated that the money belongs to Him. Allah Almighty said: ﴿وَاتَّوَهُم مِّن مَّالِ اللَّهِ الَّذِي آتَاكُمْ﴾ **“And give them some of Allah’s wealth which He has granted you.”** [An-Nur 24:33]. Wealth belongs to Allah alone, but Allah Almighty has entrusted wealth to humankind and provided it to them, thus granting them the right to own it. Allah Almighty says: ﴿وَأَنْفَقُوا مِمَّا جَعَلَكُمْ مُسْتَحْلِفِينَ فِيهِ﴾ **“and donate from what He has entrusted you with”** [Al-Hadid 57:7]. However, this right of ownership, which stems from the concept of stewardship, is universal for all humankind. They possess the right of ownership, not actual ownership; they are stewards of the right to possess. Islamic law clarifies that there are three types of ownership:

a. Individual Ownership: Every individual has the right to own property through legitimate means.

b. Public Ownership: This belongs to the entire Muslim community. The Prophet (saw) said: «الْمُسْلِمُونَ شُرَكَاءُ فِي ثَلَاثٍ: فِي الْمَاءِ وَالْكَلَاءِ وَالنَّارِ» **“Muslims are partners in three things: water, pasture, and fire.”**

c. State Ownership: If a Muslim dies without an heir, his property goes to the public treasury (Bayt al-Mal). All taxes, poll tax, and other levies collected also go to the public treasury.

2. As for the disposal of property, it is explained as follows:

a. Disposal of Individual Property: This is clear in the rulings on transactions such as selling, mortgaging, and so on.

b. Disposal of State Property: This is clear in the rulings on the public treasury.

c. Disposal of Public Property: This is granted to the state because it acts as the representative of the community. However, Islamic law prohibits the state from disposing of public property through exchange or transfer. He permitted her to dispose of it in other ways according to the rulings specified by Islamic law.

3. As for the distribution of wealth among people, it naturally occurs through the means of acquisition and contracts. However, the differences in people's strengths and needs lead to unequal distribution of wealth. This creates the possibility of abuse in this distribution, resulting in wealth accumulating in the hands of one group and being withheld from another. It also leads to the hoarding of the fixed medium of exchange, namely gold and silver. Therefore, Islamic law prohibits the circulation of wealth only among the rich and mandates its circulation among all people. It also prohibits the hoarding of gold and silver, even if zakat (obligatory alms) has been paid on them.

Third: Islam's viewpoint of money

Money is generally used for three purposes: saving, spending, and circulation.

In the case of saving, one can save for any matter that requires accumulating some money, and this is permissible if zakat is paid on it after a year has passed and it reaches the minimum threshold for zakat. However, saving for the sake of saving, hoarding money, and accumulating it is forbidden according to the text of the Holy Quran, as Allah Almighty says: ﴿وَالَّذِينَ يَكْنِزُونَ الذَّهَبَ وَالْفِضَّةَ وَلَا يَنْفِقُونَهَا فِي سَبِيلِ اللَّهِ فَبَشِّرْهُمْ بِعَذَابٍ أَلِيمٍ﴾ **“Give good news of a painful torment to those who hoard gold and silver and do not spend it in Allah’s cause.”** [At-Tawbah 9:34].

As for spending, Islam has defined its rules, permitting some forms such as charity (sadaqa)... and obligating others such as paying Zakat... and prohibiting some forms such as spending on alcohol and gambling...

As for trade, Islam regulated it in two ways:

a. It established a fixed standard by which wages and prices are measured, which is called "money," and limited it to gold and silver only.

b. He clarified the correct Islamic transactions, such as the rulings on partnerships in Islam (including partnerships in the form of 'inan, abdan, mudaraba, wajah, and mufawada), and the rulings on leasing, trade, sharecropping, irrigation, sales, currency exchange, and agency. He prohibited factories that manufacture prohibited substances and prohibited transactions such as invalid partnerships that do not meet the conditions for their formation and validity, such as joint-stock companies, guarantee companies, insurance companies, and usurious mortgage companies. He also prohibited fraud and monopoly.

Fourth: Islam's view of criticism:

The Prophet (saw) designated gold and silver as currency, making them the sole monetary standard by which wealth and labor were measured, and upon which all transactions were based. The Prophet (saw) specified the weight of gold and silver according to the weight used by the people of Mecca, saying: «الْوُزْنُ وَزْنُ أَهْلِ مَكَّةَ» **“(The standard) weight is the weight of the people of Mecca.”** By reviewing the monetary scales in Islam and comparing them to today's weights, the dinar is equal to 4.25 grams of gold, and the dirham is 2.975 grams of silver.

Fifth: Prohibition of usury (riba)

Islamic law strictly forbids usury (riba); its authenticity and meaning are unequivocal. It declares those who engage in usury to be at war with Allah and His Messenger. Allah Almighty says: ﴿يَا أَيُّهَا الَّذِينَ آمَنُوا اتَّقُوا اللَّهَ وَذَرُوا مَا بَقِيَ مِنَ الرِّبَا إِن كُنْتُمْ مُؤْمِنِينَ فَإِنْ لَمْ تَفْعَلُوا فَأْذَنُوا بِحَرْبٍ مِنَ اللَّهِ﴾

﴿وَرَسُولِهِ﴾ **“O believers! Fear Allah, and give up outstanding interest if you are ‘true’ believers. If you do not, then beware of a war with Allah and His Messenger!”** [Al-Baqarah 2:278-9]. So severe was its prohibition that the Prophet (saw) cursed usury and those who deal in it, and a curse is expulsion from Allah’s Mercy. However, Islam encouraged and urged lending among Muslims, as the Prophet (saw) said: **«مَا مِنْ مُسْلِمٍ يُقْرِضُ مُسْلِمًا قَرْضًا مَرَّتَيْنِ إِلَّا كَانَ كَصَدَقَتِهَا مَرَّةً»** **“There is no Muslim who lends something to another Muslim twice, but it will be like giving charity once.”** This is not on an individual level. It is the function of the economic departments in the Khilafah (Caliphate) to provide loans to farmers and entrepreneurs within the framework of the state’s vision for economic development and its policy of eradicating poverty by creating labor markets and providing goods. However, these loans are not usurious, and their aim is not profit. The Khilafah is a welfare state, not a tax-collecting state.

Sixth: Oversight of the Economic System in Islam

These are regulatory bodies that ensure the fairness of the economic system as outlined in Islamic law, and they can be summarized by the following regulatory tools:

1. The Office of the Market Supervisor (Hisbah): The market inspector oversees markets, weights and measures, and combats fraud in markets and public places, as well as monitoring other violations.
2. The Judiciary: Judges resolve all disputes, including financial and economic ones that may arise in people’s daily transactions.
3. The Supervision (Diwan): These are oversight and control mechanisms for the movement of funds within the public treasury, including Zakat funds, state funds, and funds belonging to public ownership. They supervise the collection and expenditure of funds to ensure that every transaction is conducted correctly.
4. The Office of Grievances (Mazalim): This office handles complaints filed against those in authority if they wrong the people in any way, including financial and economic matters.

These are the broad outlines of economic policy in Islam. For those seeking further details, we recommend the book, "The Economic System in Islam," a precious and unparalleled work of Islamic thought. It is the first book to clearly and explicitly articulate the reality of the economic system in Islam in this era. Its sole source for deriving legal rulings related to economics is the Book of Allah and the Sunnah of His Messenger, along with the guidance they provide through analogical reasoning and the consensus of the Companions. It does not rely on any other source for these economic rulings, which guarantee a dignified life for all people, Muslim and non-Muslim, as long as they live under the Khilafah (Caliphate), which safeguards their security and livelihood and provides them with a secure and crisis-free economic life.

In conclusion, we ask Allah to enable Muslims to put the general provisions of Islam into practice and implementation in a state that governs them according to what Allah has revealed.

Link to the book on the website of the Central Media Office of Hizb ut Tahrir:

Arabic: <https://www.hizb-ut-tahrir.info/ar/index.php/resources/hizb-resources/48.html>

English: <https://www.hizb-ut-tahrir.info/en/index.php/latest-articles/1737.html>

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