



**JUSTICE AND ECONOMIC DISTRIBUTION THEORY: SECULAR AND ISLAMIC PHILOSOPHICAL  
INSIGHT**

**Bayu Taufiq Possumah**

**This version  
November, 2018**

*IESTAC Working Paper Series  
Working Paper No 9*

*Citation style: Bayu Taufiq Possumah (2018), Justice And Economic Distribution Theory: Secular And Islamic Philosophical Insight, IESTC Working Paper Series, Working Paper No. .... Bandar Baru Bangi: Organization of Islamic Economic Studies and Thoughts*

## Justice and Economic Distributive Theory: Secular and Islamic Philosophical Insight<sup>1</sup>

Bayu Taufiq Possumah<sup>2</sup>

### Abstract

In mainstream economics, distribution concerns who gets what. "Who" refers to the personal distribution of income among individuals or the functional distribution of income among suppliers of productive factors. Also mainly concerned with the factors which affect the wealth of nations. Issues of justice, elimination of poverty and deprivation are secondary. On other side, Islam not only concern to who gets what, but also concern to how the human gets what equally and justify. Therefore this study uses descriptive and synthetic approach to present principles and concept of justice distribution derived from the guidance of revelation; Qur'an and Sunnah. The study is derived into two main themes. The first one deals with theory of justice and a review on distribution theory in secular Paradigm, the second one is the taxonomy of economic distribution theory in Islam

**Keywords:** Distribution, Justice, Secular, Islam, Philosophy

**JEL Code:** P00, P40, P4, P51

---

<sup>1</sup> This paper has been presented in International Symposium on Islam, Civilization and Science (ISICAS) at Kyoto University Japan, 31 Mei-1 Juni 2014 and awarded Gold Medal as Best Paper Performance

<sup>2</sup> Research fellow at Organization of Islamic Economic Studies and Thoughts, Lecturer at Universiti Malaysia Terengganu and Postgraduate Lecturer at STEI Tazkia Indonesia. He can be contact at [bttaufiq@gmail.com](mailto:bttaufiq@gmail.com)

## Introduction

Most standard economic textbooks today define "Economics" as "The science of how people make choices on the allocation of scarce resources to satisfy their unlimited desires."<sup>3</sup> That is a statement of the basic dilemma in economic called "the problem of scarcity." Many classical political economists recognized the problem of scarcity, but they were preoccupied with the economic life of the entire community - with the "wealth of nations", as proposed by Adam Smith. They sought to identify the principles that underlie the production and distribution of wealth. As it is most often taught today, economics pays little attention to the distribution of wealth. Why ? That is a question we will ponder as we go through in this study.

Wealth/Resources distribution in fact is a central concern for economics, shown from what the economist said when explained the definition of the economics science. They explain that economics is a *science that teaches us how to manage the resources to fulfill human want*, or how to distribute the resources to the society to achieve the welfare. Since the economy become a distinct object of study in the 18th century, Aristotle has addressed some problems that most would recognize as pertaining to economics, mainly as problems concerning "how to manage a household"<sup>4</sup> or "how to distribute the resources". In his influential monograph, *An Essay on the Nature and Significance of Economic Science*, Lionel Robbins also has signaled this theme in his definition of economics. He defined economics as "the science which studies human behavior as a relationship between ends and scarce means which have alternative uses". This definition then well outlined by Samuelson when he defines economics as the "study of *how societies use scarce resources to produce valuable commodities and distribute them among different people.*"<sup>5</sup>

As the central concern of economics, the distribution concept would lead us to the real problem faced human beings that is not only because scarcity of resources, but how to distribute resources fairly to met human's need and want. Capitalism, Socialism, Welfare State, and Neo-liberalism have failed in bringing a better economic system due to unequal or injustice distribution of wealth. Related to the unequal distribution, at least there are two questions that we can come up with, *firstly*, the inequality of distribution was due to human intention? *Secondly*, exist because the error on the concept and mechanism of distribution (artificial scarcity)? Based on these questions, it is necessary to discuss how distributive justice in economics really is and moreover how the concept of justice itself?

Today, many countries run into highly significant economic growth, but why didn't economic growth reduce poverty? Gordon Berlin (2008) when analyzed economic growth on US in his article "Poverty and Philanthropy: Strategies for Change"<sup>6</sup> states that there are four principal explanations for that issues: i) widening inequality as the returns to economic growth, which used to be shared with the bottom half of the income distribution, now accrue primarily to the top one percent.ii) inflation-adjusted average wages and earnings that has had particularly devastating effects on those workers with low education level.iii) a persistent and pronounced decline in employment rates among men, and particularly among teenagers, and a related decline in full-year, full-time 2 work; and iv) explosive growth in single-parent households.<sup>7</sup>

Hasan (2006) represent that the rich countries' behaviour in protecting their economic ascendancy was revealed further when the detailed plan of actions, related to the 'Declaration on the Right to

---

<sup>3</sup> See <http://quizlet.com/dictionary/economics/>

<sup>4</sup> See Daniel M. Hausman, "Philosophy of Economics", *The Stanford Encyclopedia of Philosophy* (Fall 2003 Edition), Edward N. Zalta,

<sup>5</sup>Paul Samuelson, *Economics*, New York: McGraw-Hill, 1948

<sup>6</sup>See Gordon Berlin, (2008), "Poverty and Philanthropy: Strategies for Change, [www.mdrc.com](http://www.mdrc.com)

<sup>7</sup> for this issu See also Alesina, A. and D. Rodrik (1994), "Distributive Politics and Economic Growth", in *Quarterly Journal of Economics*, Vol. 109, No. 2, pp. 465-90

Development', calling for world food security, resolving the debt burden, eliminating trade barriers, promoting monetary stability, enhancing scientific and technical cooperation was favored by 133 countries and opposed by 11 OECD countries (including Canada, France, Italy, UK, US with one abstention-Australia) because the plan of action was deemed as an "imposition of one-sided obligation" (Nyamu-Musembi and Cornwall, 2004).

The UN took another initiative in 2000 to expedite achievement of goals of development, in the form of UN Millennium Development Goals (signed by all 189 member countries) to halve extreme poverty, end hunger, reduce child and maternal mortality, and reverse the spread of diseases like malaria by 2015. To meet these goals the donor nations have to increase their aid budgets, if not fulfil their promised 0.7% to ODA<sup>8</sup>

The richest and the largest donor, USA, contributed 0.1% of GNI in 2000 which increased to 0.16% in 2004 (or to \$18b). Estimates show that the amount of aid required by the poor countries to achieve the MDG targets is \$135 to \$195 billion per year for the period of 2005 to 2015 which is about .44 to .54 percent of the rich-world GNI (Sachs, 2005: 299)

In other side, Islam is not only a religion but a complete way of life that was revealed to humanity by our creator who is most knowledgeable, wise and just. Islam was revealed as a practical religion to be implemented in our daily life since it covers all aspects of human life. As such, when implemented honestly and correctly, Islam provides solutions to all problems that are faced by humanity. One of the most widespread and dangerous problems faced by humanity is that of poverty, hunger and starvation. Millions of human souls on this planet are living under extreme poverty and very inhuman conditions.

Social and economic distribution justice is as old as Islam itself, and have always enjoyed a special place in the societies. The oldest justice distribution institution, is the waqf or Islamic endowment, combined some features of philanthropy, social service agency, economic security, and supposed a political voice competing with that of the ruler. Many Muslims, however, believe though the secular world is struggling to create a 'norm', there are revealed directions for philanthropy and social security in Islam. In the Islamic code of property relations, a property owner's right to property is limited by the good of the community- if the owner is incapable of understanding this limitation the control over property is liable for removal. God has made all that is in the earth subservient to human kind<sup>9</sup>, but human being is not allowed freehold title; they are the trustees- not the absolute owners (Naqvi, 1981:87).

On these several issues, this paper attempts to analyses some concepts regarding the justice and distribution theory in western and Islamic perspective, and conceptualises the distribution theory from the Islamic perspective by producing suggested Qur'anic guidelines and comparing to the western perspective.

### **Theory of Justice in Western Economic Thought**

A just and equitable distribution of income and wealth, based on several western economic thinkers such as Eckhoff's (1974), Walzer (1976) and Rawls (1976), depends on the concept of justice of the whole society and centralized to Aristotle's Nichomachean Ethics (1976). As a matter of fact Richard Posner (1981) in His Recent book argues that economics in the form of his wealth-maximization theory, provides the soundest ethical basis for the organization and operation of social institutions<sup>10</sup> Thus, this subject is not

---

<sup>8</sup> Actually, the UN Commission on International Development argued for donors to provide .7% of their GNP (Gross National Product) by 1975 in aid. At the 1992 Earth Summit the donors renewed their pledge. But they cut their aid budget in the next five years dropping to an all time low of .22% of GNI (Gross National Income) in 1997 (UNDP, 2005: 84). Only five OECD countries, Norway, Luxemburg, Denmark, Sweden, and the Netherlands, ever achieved the UN target of .7% of GNI as ODA

<sup>9</sup> QS.22:65

<sup>10</sup> Richard Schmalbeck, The Justice of economics: An Analysis of Wealth Maximization as a Normative Goal, A Book Review, read more on <http://scholarship.law.duke.edu/cgi/viewcontent.cgi?article>

independent but it is closely related to the worldview and ideology of the community even more the civilization.<sup>11</sup> That is why appears the distinction of the definition and limit of equality distribution, i.e. capitalism advocates unlimited freedom and right of private property in the field of production and inequality in the distribution of wealth,<sup>12</sup> while the other school i.e. communism favours a complete abolition of individual liberty and private property and at the same time wants economic equality among people.<sup>13</sup> Islam in the same time have their own worldview and perceptions pertinent to the issue of what is justice or how to achieve it in community. This is important part of the basic should be discussed before the distribution theory itself. That is why this study started in discussing the theory of justice

Basically, the scholars [e.g. Frankena (1962), Feinberg (1973), Elsters,(1992), Miller 1999)] agree that "justice" is a set of universal principles which guide people in judging what is right and what is wrong, no matter what culture and society they live in. Justice is one of the four "cardinal virtues" of classical moral philosophy, along with courage, temperance (self-control) and prudence (efficiency). (Faith, hope and charity are considered to be the three "religious" virtues.) Virtues or "good habits" help individuals to develop fully their human potentials, thus enabling them to serve their own self-interests as well as work in harmony with others for their common good. The ultimate purpose of all the virtues is to elevate the dignity and sovereignty of the human person.<sup>14</sup>

In the past four decades, the most widely discussed theory of justice in distribution is what has been proposed by John Rawls in *A Theory of Justice*, (Rawls 1971), and *Political Liberalism*, (Rawls 1993). Rawls proposes the following two principles of justice<sup>15</sup>:

- Each person has an equal claim to a fully adequate scheme of equal basic rights and liberties, which scheme is compatible with the same scheme for all; and in this scheme the equal political liberties, and only those liberties, are to be guaranteed their fair value. This principle called equal right.
- Social and economic inequalities are to satisfy two conditions: (a) They are to be attached to positions and offices open to all under conditions of fair equality of opportunity; and (b), they are to be to the greatest benefit of the least advantaged members of society. This principle called economic equality (Rawls 1993, pp. 5–6. The principles are numbered as they were in Rawls' original *A Theory of Justice*.)

In this case, Rawl assumes that all human being born in the original position (poor and marginal) with the 'veil of ignorance'. Poor and marginalized humans will certainly choose distributive political institutions that emphasize social equality and prosperity distribution. This is John Rawls' justification for

---

<sup>11</sup> Several authors such as Dean (1994) when defined normative social theory, he said normative social theory is any set of doctrines that prescribes what human societies ought to be or how they ought to be governed, and the affords a standard for the critical appraisal of existing arrangements"Also Michael D Russel (n.d) in his paper "The Economic Agenda of Catholic Social Teaching: The Framework for a Normative Social Theory" declares that today's two most powerful worldviews are religion and economic systems, specifically Christianity and capitalism in the case of Western civilization. He also said theologians and some economists believe the science of economics should accept theology into its ranks and take ethical considerations into account when formulating theory and models.

<sup>12</sup> Refer to capitalists' view such as Samuel Freeman from University of Pennsylvania who says that rights and liberties are basic of preconditions on the pursuit of other social values, such as economic efficiency, the general welfare, and moderating the degree of inequality in the distribution of income and wealth. See Samuel Freeman, *Liberalism, Capitalism, and Libertarianism*, p.2, <http://www.law.nyu.edu>

<sup>13</sup> Refer to several views for example Nell and O'Neill (1972) who say on behalf of liberation view that to achieve equality of, society must have the right, at least ultimately, as communists believe, to decide what each person is obliged to contribute to the common good see James P. Sterba, ed., *Justice: Alternative Political Perspectives* (Wadsworth, Belmont, CA, 1980), pp. 33-40, 200-10

<sup>14</sup> See Center for Economic and Social Justice, *Defining Social Justice*, <http://www.cesj.org>

<sup>15</sup> See Julian Lamont and Christi Favor, "Distributive Justice", *The Stanford Encyclopedia of Philosophy* (Winter 2017 Edition), Edward N. Zalta (ed.)

distributive justice and government intervention in socio-economic equality. The idea of justice as fairness contained in the book *A Theory of Justice* has become a guideline for many state in the world to implement the policies of the affirmative action model and welfare state. The idea also justified the presence of a *nanny state* governance model

In contrast to Rawls, Robert Nozick in the *Anarchy, State, and Utopia* book states that justice is a situation where there is no violation of individual rights, including ownership rights and the right to enjoy the output of self-hard work. This means Nozick strongly opposes state intervention in distributing wealth (for example through taxes or subsidies). For Nozick, the distribution of prosperity for social equality is not only morally problematic, but also contains quite severe conceptual fallacies. According to Nozick, the biggest mistake of the theories of justice generally lies in the emphasis on output. In fact, justice that is too focused on the output is vulnerable to bias appearances and has the potential to violate individual right<sup>16</sup>

The most important difference from Rawls and Nozick's concept of justice does indeed line in the matter of disposition between processes and results. The concept of justice Rawls focuses on results, while Nozick prioritizes the process, especially in the ownership process. This ownership process is the core of the famous Nozick entitlement theory, where everyone has the right to enjoy all the resources they have if they are entitled to enjoy it. The Rawls concept of justice may seem more human and friendly. But there is an inexpensive opportunity cost in it. while the government distributes individual wealth to the hands of other individuals, how many production opportunities disappear? How much economic incentives are wasted? On the contrary, Nozick's conception of justice seems egoistic and selfish, but guarantees of property rights may encourage increased production and prosperity in the long run. Therefore the Nozick's justice has more validation of the economic logic than Rawls Justice.

Justice issues are now widely invoked to improve theoretical and empirical analysis in nearly every field of economics.<sup>17</sup> Incorporated to economics, justice touches the individual person as well as the social order, encompasses the moral principles which guide us in designing our economic institutions. Later, these institutions determine how each person earns a living, enters into contracts, exchanges goods and services with others and otherwise produces an independent material foundation for his or her economic sustenance. Therefore, the scholars should agree on the ultimate purpose of economic justice. Scholars, like Novak (2000) suggest that one of the purpose is to free each person to engage creatively in the unlimited work beyond economics, that of the mind and the spirit. Based on the concept of justice as mentioned before, there are two terms of justice in western social thought, Economic justice and Social Justice. Economic justice touches the individual person as well as the social order, encompasses the moral principles which guide us in designing our economic institutions. These institutions determine how each person earns a living, enters into contracts, exchanges goods and services with others and otherwise produces an independent material foundation for his or her economic sustenance. and Social justice encompasses economic justice. Social justice is the virtue which guides us in creating those organized human interactions we call institutions. In turn, social institutions, when justly organized, provide us with access to what is good for the person, both individually and in our associations with others. Social justice also imposes on each of us a personal responsibility to work with others to design and continually perfect our institutions as tools for personal and social development.<sup>18</sup>

However, the answer to the question "who should have what?" (a question that is related to justice in economics) is not clear yet. It is the moral delineation between persons' self-interests and what exactly

---

<sup>16</sup> Robert Nozick, (1974), *Anarchy, State and Utopia*, New York: Basic Books,

<sup>17</sup> A recent review on this subject appears in Richard Posner (1981), *the economics of Justice*, Cambridge, Mass: Harvard University Press.

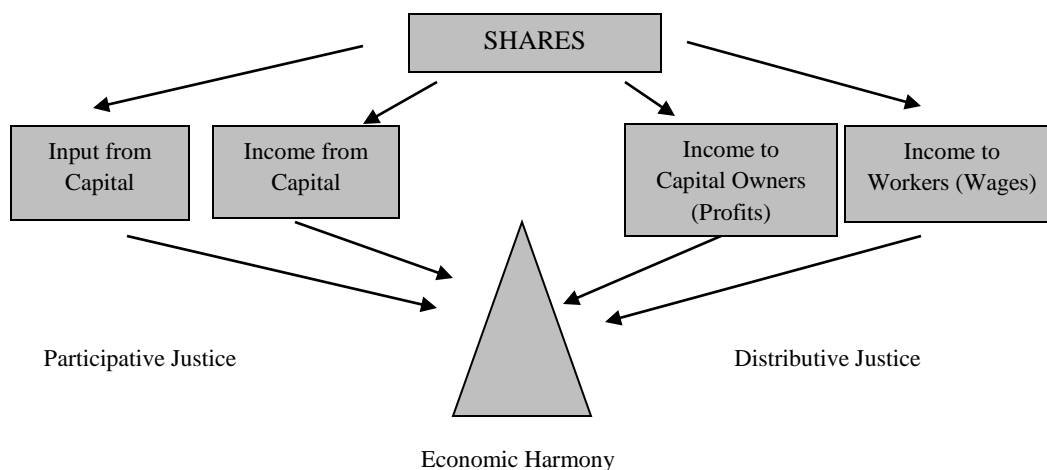
<sup>18</sup> The term "social justice" was first used in 1840 by a Sicilian priest, Luigi Taparelli d'Azeglio, and given prominence by Antonio Rosmini-Serbati in *La Costituzione Civile Secondo la Giustizia Sociale* in 1848

constitutes as “fair”, “just” or “equitable” distribution (we will use these terms interchangeably) in justice terminology it seems employed with considerable flexibility, and fairness arguments are sometimes even made by both parties on opposite ends of a dispute. Konow (2003) describes that there are at least three reasons for this. *First*, a large part of the literature on justice involves *prescriptive* theories: theories attempt to characterize a phenomenon in general terms, and prescriptive theories concern what “ought to be.” *Second*, source of variation in justice terminology refers to everyday usage and is more patterned than the differences in prescriptive theories of justice. There are different *senses* of justice that pertain to the specificity of ethical principles being addressed. This distinction can be traced as far back as Aristotle, who wrote that “justice and injustice seem to be used in more than one sense.” He identified justice that “is not a part of virtue but the whole of excellence or virtue” versus “justice as a part of virtue.” In other words, in a very general sense, justice refers to the whole of ethics such that “fair” can be equated with “good” and “unfair” with “bad.” *Finally*, justice arguments are often put forth, not to promote justice, but rather to further the interests of the party employing them. Indeed, skeptics of justice often cite such self-serving arguments as evidence justice is nothing more than cloak for self-interest.

Due to above reasons, a number western philosopher such as Thomas Hobbes (1851) believed distributive justice requires that a society's product should be distributed in proportions to men's merits<sup>19</sup>. Hobbes (1914) and Hume (view justice as mutual advantage while Kant (1785) and Rousseau (1762) view it as impartiality. But in a full market society there is no measure of a man's merit other than what the market will award him. So any actual distribution is by definition a distribution in proportion to men's merits, and hence just; it cannot be judged by any non-market standard. Hobbes set the tone of all subsequent liberal theories. Lockes (1695) developed Hobbes theory. Karl Marx (1875) emphasized on need in a very diverse context. Mill (1871) relying on competition markets agreed with the traditional liberal theories of distributive justice. Green (1879) like Mill could see no alternative to the market to correct distributive injustice.

Like every system, justice on economic involves input, output, and feedback for restoring harmony or balance between input and output. Within the system of economic justice as defined by Louis Kelso and Mortimer Adler (1958), there are three essential and interdependent principles: The Principle of Participation, The Principle of Distribution, and The Principle of Harmony.

Diagram 1: The Three Principles of the Kelso-Adler Theory of Economic Justice



<sup>19</sup>Thomas Hobbes, *Leviathan* (London: J.M. Dent, 1914), p. 66.

Like the legs of a three-legged stool, if any of these principles is weakened or missing, the system of economic justice will collapse. Since economics is the study of the allocation of goods to people, normative economics, and economic ethics, are practically co-extensive with the concepts of economics, distributive or social justice. The terms “social justice,” economic justice” and “distributive justice” all denote a formal concept in political and economic thought which has to do with a transfer or realignment of resources or rights (leading themselves to resources) from one group to another by a government.<sup>20</sup>

The problem of distributive justice is, in fact, universal and permanent. If someone benefits from anything, one can ask why this benefit does not accrue to someone else, by transfer of the object or by some compensation. Moreover, the reasons given for the answers – since justice has to be justified, just precludes arbitrary – are numerous, although they regroup in a few broad categories. Yet, the first important distinction is between the multifarious issues of *micro justice* which are specific as regards goods, persons, reasons, and circumstances, from the question of *macro justice* which applies general rules to the allocation of the bulk of goods and resources (this can include, for instance, property rights and the effect of the main large taxes and transfers on income distribution). It is also sometimes fruitful to distinguish a domain of “meso justice” that refers to goods that are specific but important and can concern everybody (such as education and health). The importance of issues of micro justice (or meso justice) is often trivial but can be vital (e.g. the allocation of rare organs for transplant).<sup>21</sup>

Elements of justice inspire four corresponding theoretical categories (or families) in to which each of the theories is placed and analyzed. The category *equality and need* covers theories that incorporate a concern for the well-being of the last well-off members of society including egalitarianism, social contract theories (chiefly Rawls), and Marxism. They inspire the Need Principle, which calls for the equal satisfaction of basic needs, the *utilitarianism and welfare economics* family comprise utilitarianism, Pareto Principles, and the absence of envy concept, which have grown out of consequentialist ethics, or the tradition in philosophy and economics that emphasizes consequences and end-states. They are most closely associated with the Efficiency Principle, which advocates maximizing surplus. The category *equity and desert* includes equity theory, desert theory, and Robert Nozich’s theory. Together they inform the equity Principle, which is based on proportionality and individual responsibility. The *context* family discusses the ideas of Elster, (1992); Frey and Stutzer, (2001a), Kahneman, Knetsch, and Thaler, (1986); Walzer, (1983); and Young, (1994), among others. This fourth family does not generate a distributive principle but rather deals with the dependence of justice evaluation on the context, such as the choice of persons and variables, framing effects, and issues of process. To Sum up, according to Konow (2003) the main theories of Justice in distributive categorized as in Table 1.

---

<sup>20</sup>The specific term “social justice” can be traced no further than the 1840s to the work of the Italian papal advisor d’Azedglio, *La Costituzione Civile Secondo la Giustizia Sociale* (1848).

<sup>21</sup>For instance, Rawls’s (1971) “Justice as fairness” or “social justice” refer to macrojustice. Elster’s (1992) *Local justice* is concerned with cases of micro and mesojustice.



**Table 1: Theories of Justice in Western Economic Discourses**

	<b>Paradigm and Contributors</b>	<b>Basis of Justice</b>
A	Egalitarianism Social contract Marxism	Equality & need - Every person should have the same level of material goods and services - Restrict individual freedom
B	Utilitarianism Pareto principles Absence of envy Efficiency principle	Utilitarianism & welfare Economics - Seeks to maximize well-being of society as whole - Utilitarianism, the greatest happiness to greatest members
C	Libertarian Equality theory Desert theory Robert Nozick's theory	Equity & desert - Seeks to raise the overall standard of living by rewarding effort and achievement - People own themselves - Once private property has been appropriated, a free market in capital and labor is morally required
D	Kahneman, Knetsch, and Thaler theories of local Justice Walzer Elster H. Peyton Young Bruno Frey & Alois Stutzer	Family of Context theories

Based on many understandings and theories of justice forwarded by the scholars, in general their concerns on the rights and freedoms, opportunities and power of opinion and prosperity. Various definitions of justice which pointed above can be seen from the notion of justice as, i). the constant and perpetual disposition to render every man his due"; ii). "the end of civil society; iii). "the right to obtain a hearing and decision by a court which is free of prejudice and improper influence"; iv). "all recognized equitable rights as well as technical legal right"; v). "the dictate of right according to the consent of mankind generally"; vi). "conformity with the principle of integrity, rectitude and just dealing"; (The Encyclopedia Americana, 1972 : 263)

### **Stylized Facts on Theories of Economic Distribution in Secular Paradigm: A Review**

Distribution theory in economics concerns with the nature of a just allocation of goods in a society. According to Encyclopedia Britannica,<sup>22</sup> economically, distribution theory understood as the systematic attempt to account for the sharing of the national income among the owners of the factors of production - land, labor, and capital. Distribution is the species of exchange of which produced is divided between the parties who have contributed to its production. A society in which incidental inequalities in outcome do not arise would be considered a society guided by the principles of distributive justice. The concept of fair allocation includes the available quantities of goods, the process by which goods are to be distributed, and the resulting allocation of the goods to the members of the society. Often contrasted with just process, which is concerned with the administration of law, distributive justice in economics concentrates on economic outcomes.

In general terms, distributive justice refers to the perceived fairness of one's outcomes and can be defined as the fair and comparative assignment of rewards, both economic and non-economic, to recipients (Cohen and Greenberg, 1982). Economic rewards consist of all those rewards that are translated to the increased financial well being of the recipient; while non-economic rewards are translated to improved working conditions and social benefits (Deutsch, 1985). Recipients include individuals, small or large groups, and complex social organizations. When reward is allocated or a decision is made, people often make a judgement whether or not the outcome was fair. A perception and judgement of distributive justice by society members enhances structural legitimacy, motivates individual efforts, and encourages the people to cooperate in the pursuit of societal goals. This perception or judgement is referred to as a distributive justice because traditionally has been an assessment of how resources are distributed or allocated to each individual. Kolm (1996) argues that justice is justification, and hence rationality in the normal sense of the term: for a valid reason, or justified. To him there are two extremes: i) Full process freedom. "to each according to his work" justifying free markets yet requiring public sector to implement free exchange and agreements compared by "market failures" (the liberal social contract). ii) Full or complete redistributive justice: equalizing the effects of all resources, approximated to help the most miserable, when equality is impossible.

However, since the term "Justice" has no singular meaning or definition, multifaceted interpretations of the tenets of distributive justice by individuals participating in the social exchange process is usually the source of conflict during allocation of reward. Different views of distributive justice are often in conflict with each other in any given situation. This is in line with what Rawls has in his theory of justice that in a society certainly will never be separated from many measures of justice which are derived from different comprehensive doctrines whether from religious institutions, politics, education and so forth. For Rawls this might happen because he believes that comprehensive diversity is a feature of a democratic regime. The democratic regime is very possible since there are many comprehensive doctrines that compete with each other and contradict one another<sup>23</sup> Hence. linked to the theory of justice that we have mentioned, we provide then some theory of economic distribution that was developed in the west as follows:

### **(a) The Marxian Theory**

In contrast to crude egalitarian communism, Marx developed his vision (which is discussed extensively in Coby (1986) and Rothbard (2000) of true communism which is to be more than a simple negation of private

<sup>22</sup><http://www.britannica.com/EBchecked/topic/166188/distribution-theory>

<sup>23</sup> John Rawls, A Theory of Justice, 22nd printed, Cambridge, Massachusetts: The Belknap Press of Harvard University Press, 1997

property; it is to be 'a positive abolition' which 'assimilates all the wealth of previous development'. Coby (1986) asserts that true communism should, of course, bring distributive justice, but Marx's vision goes far beyond that, it is to be a society where man becomes a true human being, free not only from all forms of external, (i.e. economic, political, cultural, etc.) oppression and manipulation, but also free from internal self-oppression and self-manipulation.<sup>24</sup> It was strengthened further by Erich Fromm (1974) who said that "Communism is the abolition of human self-alienation, and the real appropriation of human nature through and for man".<sup>25</sup> Fromm (1974) was further also stressed that : "For Marx the aim of socialism was the emancipation of man and the emancipation of man was the same as his self-realization. Hence, the aim of socialism was the development of the individual personality." Or in Marx's words: 'The suppression of private property is therefore the complete emancipation of all the human qualities and senses.'<sup>26</sup>

These extensive quotations are intended to demonstrate that although Marx was very critical of the injustices and inequalities of the capitalist income distribution, his view of socialist and communist income distribution did not imply an egalitarian leveling off all incomes. As noted by Oldrich Kyn (1976), Marx never specified exactly which income inequalities should be eliminated and which should remain, but it may not be difficult to draw some inferences from his views. Generally, Marx argued that all types of income inequality are based on artificial, man-made stratification of society into classes, racial or ethnic groups as well as inequalities resulting from the usurpation and the exercise of political and social power and from the specific forms of the operation of the capitalist market economy. These inequalities should be eliminated. On the other hand, the income differentials which are based on the natural differences in physical and mental abilities, in acquiring skills and knowledge, and possibly also differentials resulting from personal preferences (e.g. Between work and leisure) would remain. It seems clear that Marx would not opt for income equality if it was to limit personal freedom and the full development of individual potential or if it sacrificed talents to barrack type uniformity. Also, as noted Fromm (1974.) Marx argued that ascetic self-deprivation would not be acceptable as a tool for eliminating inequality, because it would almost surely have to be achieved by ideological mass manipulation, rather than by a truly voluntary manifestation of personal preferences.

Therefore, there are three basic reasons why Marxist justify income inequality: *first*, personal differences in the quantity of work measured either by its duration or by energy expenditures that each individual contributes to society. These differences may result from different physical endowments of individuals i.e. From biological or genetic factors, as well as from differences in work attitudes and preferences between work and leisure, i.e. Primarily from cultural or 'social environment' factors.

*Second*, personal differences in the quality or complexity of work. These may result from different mental endowments of individuals, which may be due both to biological or genetic factors as well as differences in skills and knowledge acquired by experience or education. *Third*, differences in the costs of reproducing labor power of a particular kind. According to the Marxian theory, labor which creates value is divided into two parts: necessary and surplus labor. Necessary labor is used to cover the reproduction costs of labor power and as such should be the main determinant of wages. This is relevant especially for income differentials of workers with different levels of education. It is more costly to reproduce the more educated labor power therefore wages and salaries of people with more years of schooling should be higher. However, the fact, that a considerable part of the cost of education in socialist countries is paid by the government rather than by individuals, may weaken this line of reasoning. It may seem surprising, but

---

<sup>24</sup>Marx defines human nature is man's unique laboring capacity and his relationship to the natural environment as determined thereby. The promise Marxism makes-the second component of its vision-is the liberation of the individual effected and expressed through creative, non-alienating labor. Marxism claims not only to serve the interests of the community but to accomplish as well the development of the individual. Marxism purports to be more individualistic than even liberalism.

<sup>25</sup>Op.cit. p.127

<sup>26</sup>Op.cit. p.132

probably fair to conclude, that the Marxian normative view on income distribution under socialism, although based on totally different theoretical and ideological postulates, leads to conclusions very similar to those reached in human capital theory.<sup>27</sup>

At the same time, Marxian theory also highlighted the source of income equality which should not exist in socialism. The reasons for this inequality are: *first*, probably most objectionable to Marxists is income inequality based on unequal distribution of wealth: (i) Marxists [see for example, Wolff (2006) and Howard (2002)] regard the income from owning property as a truly undeserved, exploitative return<sup>28</sup>; (ii) for functional reasons, Marxists [see for example, Hoppe (1996), and Murray (1991)] believe that under socialism private property should not exist<sup>29</sup>; and (iii) they (such as Hoppe (1996) object to private property as a source of income because it tends to maintain or increase income inequality. Wealthier people have access to better schools and to jobs which bring them higher incomes [refer to Hess (1984) and Benabou (1998)], and people with higher incomes accumulate wealth faster than those with lower incomes [refer to Saastamoinen (2006) and Deiniger et.al (1997).

*Second*, results from the power structure of society. The communist party apparatchik<sup>30</sup>, government official or central planner may deserve higher incomes than average workers if their jobs require more experience and higher-level of education, but they should not earn more simply because they belong to the upper layers of the power hierarchy. *Third*, Marxists should also find objectionable income inequality based purely on sex, race or ethnicity. Such income differentials are discriminatory, and have nothing to do with a person's contribution to society. *Fourth*, finally Marxists would probably object to income differentials resulting from persistent disequilibrium between supply and demand in the labor market. According to the original Marxist view all parts of a socialist economy should be rationally planned ex ante so that supply and demand for individual categories of labor should always be in equilibrium.

Hence, at least there are ten points as a result from Marx theory of justice and income distribution:<sup>31</sup>

- a) The abolition of the property/ownership of land.
- b) Income tax to be graded to income – the more an individual earned, the more they paid. The less you earned, the less you paid.
- c) Abolition of all rights of inheritance.
- d) The confiscation of all property of immigrants and rebels.
- e) The centralization of all credit into the hands of the state by means of a national bank with state capital and an exclusive economy.
- f) Centralization of all means of communication and transport into the hands of the state.
- g) The extension of factories and the instrument of production owned by the state. Bringing it into cultivation all land not being used that could be and an improvement in the fertility of the soil.
- h) The equal obligation of all to work

---

<sup>27</sup> Human capital theory that was developed by Adam Smith and Alfred Marshall, although it was not until the middle of the 20th century that Gary Becker and others developed a theory of human capital. This theory, according to which a person's level of education and experience determine his or her (labor) income, was originally envisaged in a microeconomic context, but has subsequently been applied to macroeconomics. Look forward on Wößmann, Ludger (2000), Specifying human capital: a review, some extensions and development effects, Kiel Working Paper no. 1007 (<http://www.uni-kiel.de/ifw/pub/kap/2000/kap1007.pdf>).

<sup>28</sup> See also André Gorz, "On the Difference between Society and Community and Why Basic Income Cannot by Itself Confer Full Membership." In Philippe Van Parijs, *Arguing for Basic Income* (London: Verso, 1992).

<sup>29</sup> In communism, the end of relations based on force, on violence and the universal antagonism of each against all ...will presuppose the end of ownership rights over people and things. The abolition of private property means putting an end to their foundations: the domination of the "other" (man or nature); appropriation, which only perceives the other in relation to utility; and the generalized degradation of the relations between men and also between the latter and nature. One will no longer be able to "use and abuse" something, whatever it is, just because one owns it. Nothing will belong to anybody anymore. A thing will be defined by its use. see <http://libcom.org/library/communism-points-consideration-linsecurite-sociale>

<sup>30</sup> Russian colloquial term for a full-time, professional functionary of the Communist Party or government; *i.e.*, an agent of the governmental or party "apparat" (apparatus) that held any position of bureaucratic or political responsibility, with the exception of the higher ranks of management. James Billington describes one as "a man not of grand plans, but of a hundred carefully executed details." See James H. Billington, *Fire in the minds of men*, Transaction Publishers, 1999, p. 455

<sup>31</sup> Marx and Engels, *Communist Manifesto*, trans. By S. Moore (Chicago, 1945), pp. 42-3.

and the establishment of industrial and agricultural armies. i) The combination of agriculture and manufacturing industries with the gradual abolition of the distinction between town and country by the more equitable distribution of the population over the country. j) Free education for all children in public schools. The abolition of child labor in factories; an educated child would be better for society in the long term, than a child not educated. Those who supported Marx said that his beliefs gave the working class hope of a better life. They said that the workers would be inspired by an intellectual who was on their side and who was fighting their cause. In 1898, the Russian Social Democratic Party was formed to expand Marx's beliefs in Russia. Marxism was a difficult belief to apply in Russia as the nation was primarily an agricultural nation and Marx had based his beliefs on an industrial society such as Germany or Britain. The conservatism, lack of any education and superstition that existed in the rural areas of Russia meant that Marx was less than enthusiastically welcomed even with his promise of land reform. Marx had based a great deal of his support on the industrial workers and it needed people in Russia to organise these people. Some tried to organise trade unions that were easily infiltrated by the police. It needed Lenin to make the industrial workers a more dynamic group capable of pushing through a revolution.<sup>32</sup>

### **(b) Neo Classical Theory**

Neoclassical economics is a term variously used for approaches to economics focusing on the determination of prices, outputs, and income distributions in markets through supply and demand, often mediated through a hypothesized maximization of utility by income-constrained individuals and of profits by cost-constrained firms employing available information and factors of production, in accordance with rational choice theory.<sup>33</sup> Neoclassical economics is a set of implicit rules or understandings for constructing satisfactory economic theories. It is a scientific research program that generates economic theories. Its fundamental assumptions are not open to discussion in that they define the shared understandings of those who call themselves neoclassical economists, or economists without any adjective. Those fundamental assumptions include the following:<sup>34</sup> (i) people have rational preferences among outcomes; (ii) individuals maximize utility and firms maximize profits; and (iii) people act independently on the basis of full and relevant information. Theories based on, or guided by, these assumptions are neoclassical theories. Thus, we can speak of a neoclassical theory of profits, or employment, or growth, or money, or income distribution between factors of production

Theory of distribution that treats wages, interest, and land rents in the same way, unlike the older theories that gave diverging explanations is one of the great advantages of the neoclassical, or the marginal productivity theorists in the 1890s. (Profits, however, do not fit so smoothly into the neoclassical system.) A second advantage of the neoclassical theory is its integration with the theory of production. A third advantage lies in its elegance: the neoclassical theory of distributive shares lends itself to a relatively simple mathematical statement.

John Bates Clark (1891), John A. Hobson (1891), Knut Wicksell (1893), Philip Wicksteed (1894), and others made Ricardian diminishing marginal productivity into a general principle for determining the value, hence the income shares, of *all* productive factors. What workers and capitalists get is determined by the value of their respective contributions to output. Thus, did marginal productivity theory more closely join value theory - the determination of price - to the theories of production and distribution. Marginal

---

<sup>32</sup> See [http://www.historylearningsite.co.uk/karl\\_marx.htm](http://www.historylearningsite.co.uk/karl_marx.htm)

<sup>33</sup> Antonietta Campus (1987), "marginal economics", *The New Palgrave: A Dictionary of Economics*, v. 3, p. 323

<sup>34</sup> E. Roy Weintraub. (2007). *Neoclassical Economics*. *The Concise Encyclopedia Of Economics*. Retrieved September 26, 2010, from [http://www.econlib.org/library/Enc1/Neoclassical Economics.htm](http://www.econlib.org/library/Enc1/Neoclassical_Economics.htm)

productivity theory also recasts the question of who should get what: a general theory of factor pricing, which regards all inputs as contributing value to output, tends to make all productive factors commensurate.

However, key elements of Smith and Ricardo's distribution scheme remained intact. In particular, marginal productivity theory carried over the Ricardian emphasis on distribution as a matter of productive function, and the identification of suppliers of productive factors with membership in the laboring, landowning or capitalist classes.<sup>35</sup> Clark (1899)., for example, insisted that, though "the issue [of unfair distribution] is personal . . . It is settled by a knowledge of purely functional distribution" The emergence of the marginal productivity theory of distribution did little to change the tradition of "submerge [ing] the theory of personal income distribution within the grander themes of labor, capital and land" (Shorrocks, 1987).

Refer to Encyclopedia Britannica, the basic idea in neoclassical distribution theory is that incomes are earned in the production of goods and services and that the value of the productivity factor reflects its contribution to the total product. Though this fundamental truth was already recognized at the beginning of the 19th century (by the French economist J.B. Say, for instance), its development was impeded by the difficulty of separating the contributions of the various inputs. To a degree they are all necessary for the final result: without labor there will be no product at all, and without capital total output will be minimal. This difficulty was solved by J.B. Clark (c 1900) with his theory of marginal products. The marginal product of an input, say labor, is defined as the extra output that results from adding one unit of the input to the existing combination of productive factors. Clark pointed out that in an optimum situation the wage rate would equal the marginal product of labor, while the rate of interest would equal the marginal product of capital. The mechanism tending to produce this optimum begins with the profit-maximizing businessman, who will hire more labor when the wage rate is less than the marginal product of additional workers and who will employ more capital when the rate of interest is lower than the marginal product of capital. In this view, the value of the final output is separated (imputed) by the marginal products, which can also be interpreted as the productive contributions of the various inputs. The prices of the factors of production are determined by supply and demand, while the demand for a factor is derived from the demand of the final good it helps to produce. The word derived has a special significance since in mathematics the term refers to the curvature of a function, and indeed the marginal product is the (partial) derivative of the production function.

This functional distribution did not pass without prominent criticism. Edwin Cannan (1905) argued that "poverty (before this not mentioned at all about poverty) is a question of persons rather than of categories" Irving Fisher's in *Elementary Principles of Economics* (1912) argued that, with respect to the personal distribution of income, "no other problem has so great a human interest as this, and yet scarcely any other problem has received so little scientific attention" (Dalton, 1920). Hugh Dalton (1920) wrote:

*"While studying economics at Cambridge in 1909–1910 . . . I gradually noticed that most 'theories of distribution' were almost wholly concerned with the distribution as between 'factors of production.' Distribution as between persons, a problem of more direct and obvious interest, was either left out of the textbooks altogether, or treated so briefly, as to suggest it raised no questions. . . ."*

According to Marginalists theory the conflict between different classes does not exist any more. All factors have the same right to receive income according to their marginal productivity. Wages are no any more linked to a subsistence level, but they are linked to the marginal productivity of labour, that is to its contribution to the production process. This rule satisfies two principles, (i) The principle of efficiency (only factors who contribute to the process can obtain a remuneration). (ii) The principle of equity (the remuneration is ethically correct if determined by the productivity of the factor).

---

<sup>35</sup> In *Principles of Political Economy and Taxation* (1817), Ricardo's first sentence says "The produce of the earth...is divided among three classes of the community..." He defined these classes as owners of the land, owners of capital (machines, tools, etc.), and the owners of labor power who do the work

In contemporary, some authors such as Giuseppe Bertola, et.al (2006) proposed the study of the functional distribution coincides with the study of the markets of the factors of production, since it is in these markets that prices and quantities are determined. The problem is to construct a theory of supply and demand for factors symmetrical to the theory of supply and demand of goods. The demand is derived. The key variable in this context is the quantity of output. Hence, the allocation of resources and the distribution of income among factors of production can be viewed as if they were generated by decisions of representative consumers and producers<sup>36</sup>.

### (c) Keynesian Thought

Keynesian theories of income distribution contain two common features: (i) the independent of investment, which is based on investment decision made in some earlier period, from propensities to save, and (ii) A propensity to save out of profits that is greater than propensity to save out of wages. The extent to which microeconomics elements and the activities of governments have been introduced into these models has varied. There is as well an important distinction between those versions of post Keynesian theory that deal with the determinants of the rate of profits [Kaldor, (1955-56), Pasinetti, (1962)], and those that deal only with the level of profits and with profit shares [Kalecki, (1971); Riach, (1971); Asimakopulos, (1975)].

The formers, since they are restricted to situations of long-run equilibrium, make possible direct comparisons with other theories of distribution in particular, the neoclassical theory- that are defined for positions of long-run equilibrium. On the other hand, post Keynesian distribution theories concerned primarily with the determinants of the level of profits and with profit shares can concentrate on short-period situations that cannot, in general, be characterized by long-period equilibrium. It is in this latter setting that Kalecky and Keynes developed their concept of effective demand.

The principle of the Multiplier has been introduced by Keynes for the purpose of an employment theory that is to explain why an economic system can remain in equilibrium in a state of underemployment (or of a general under-utilization of resources). It could be alternatively applied for a determination of the relation between prices and wages, that is to a theory of distribution, if the level of output and employment is taken as given

- We shall assume a state of full employment so that total output or income (Y) is given.
- Income may be divided into two broad categories: Wages and Profits (W and P), where the wage earners' marginal savings is supposed to be small in relation to those of the capitalists

From these studies of justice distribution we may sum up the western idea of distribution concept in economic, and we may say there are five premises that underlay it:<sup>37</sup>

- Each individual has a good that demands respect, and individuals are due rights in order that they may pursue those goods (a crucial premise for modern liberalism).
- Some share of *material* goods makes up the rights due.
- The fact that everyone deserves this can be justified rationally
- The distribution of this share of goods is possible or practicable, not merely utopian.
- The state, not only private persons or organizations, ought to guarantee the distribution of Income

---

<sup>36</sup> Bertola G., R. Foellmi, and J. Zweimuller (2006), *Income Distribution in Macroeconomic Models*, Princeton University Press, Princeton.

<sup>37</sup>Samuel Fleischacker, *A Short History of Distributive Justice*, Harvard University Press, 2004, 1-11. See also Goodwin R. (1967), "A Growth Cycle", in C.H. Feistein (ed.) *Socialism, Capitalism and Economic Growth*, Cambridge University Press, Cambridge.

## The Taxonomy of Economic Distribution Theory in Islam

To obtain a comprehensive understanding of the theory of distribution in Islamic Economic, in this section we divide the discussion into two sections. Section one discusses philosophical basis of distribution theory in Islam. This section covered four principles; *Tawhid* Principle, Justice Principle, Ownership principles and *Al Ihsan* principle. Those principles important to be discussed since economic distribution in mainstream economic might be based on pure equality, need, effort, social contribution, or merit depending on western worldview to their socio-economic realm. Each of these mainstream principles is plausible in some circumstances but not in others. In some situation, the principle pull us in different situation<sup>38</sup>. Therefore it is substantial to go back in to Islamic worldview to look how Islam systematize the economic distribution. Finally, the rest section will discusses related to the Instrument and model of distribution. The sections as below:

### (a) Philosophical Basis of Distribution Theory In Islam

Basically, if we carefully examine the theory of distribution in Islam developed on four major components as philosophical basis that cannot be separated one to another. The four components are: Tauhid Principle, Justice Principle, Ownership Principle, *Al Ihsan* Principle, *Maqashid* Shariah Principle. We can track the basis of these four components on Al Qur'an and Al Sunnah, and see that each component is un-separated to create the theory of economic distribution in Islam, as follows<sup>39</sup>:

#### ***Tauhid Principle***

The actual word 'Tawhid' cannot be found in the Holy Quran, however it appears in the Sunnan of Ad-Daarutniy, volume two, in the book of Zakaat, Hadith 2034. Therein, it was reported that 'Abdullah Ibn 'Abbas said:

*'When the Holy Prophet sent Mu'aadh to the Yemen, he (pbuh) said to him: you will come across the People of the Book (Christians and Jews), the first thing you should call them to is Tawheed, (the Oneness of Allah) and should they know this, then inform them that Allah has made it obligatory upon them to pray five time per day ...'*

This suggests that *Tauhid* and distribution of wealth are closely linked. Al Qur'an also say:

*"Establish worship and pay the poor-die and obey the messenger, that haply ye may find mercy."*<sup>40</sup>

Distribution actually is relationship between human, between the have and the needy. That is why The Holy Quran delineates a Worldview of a single Humanity, purporting a single origin, purpose and destiny enshrined in the semantic of Tauhid or unity,

*'All mankind were once one single community; [then they began to differ -] whereupon God raised up the prophets as heralds of glad tidings and as warners, and through them bestowed revelation from on high, setting forth the truth, so that it might decide between people with regard to all on which they had come to hold divergent views. Yet none other than the selfsame people who had been granted this [revelation] began, out of mutual jealousy, to disagree about its meaning after all evidence of the*

<sup>38</sup> Shaw, et.al, (2007), Justice and Economic Distribution, in Moral issues in business, Belmont Califf, Wadsworth, Cengage Learning.

<sup>39</sup>The verses provided here not all but some only to represent other verses that convey the same concept as basis of distribution in Qur'an

<sup>40</sup>QS.24:56



*truth had come unto them. But God guided the believers unto the truth about which, by His leave, they had disagreed: for God guides onto a straight way him that wills [to be guided].*"<sup>41</sup>

Furthermore, at the heart of the Muslim social consciousness there is the belief that all humans are born into the Tauhidian or Unitarian principle, otherwise referred to as *al-Fitrah*. and the best understood of *al-Fitrah* is a 'human conscience' as the Prophet (pbuh) saying:

*'Righteousness is good character and sin is that which bothers the conscience, so much so that you do not wish others to witness you engaging in the act.'*"<sup>42</sup>

So, The Tauhid in the social justice context is derived from the goodness of individuals to serve humanity through generosity of spirit and selflessness and all of the good human traits of which the Holy Prophet, Muhammad (pbuh) was the best exemplar.

### **Justice (al Adl) Principle**

Generally, the Qur'an brings three terms, *adl* (justice), *qist* (equity/ fairness), and *mizan* (balance/scale) to signify justice and equity. The word of "Justice" is synonymous to the word of "Adl" in arabic. Etymologically, the root of word 'adl is a *mashdar* (Gerund) form of the verb 'Adala-ya'dilu-'Adlan-wa' udûlan-wa'adâlatan. The noun means always justice. As an adjective it means rectilinear, just, or well balanced; it thus applies both to beings and to things. The narrow dictionary equivalents for Justice and Equity are the words *Inshaf*. *Inshaf*, is commonly used in the meaning of Justice in Persian, Urdu, Turkish and other Muslim languages that have borrowed heavily from Arabic. But the word *Insaaf* has its root in the concept of dividing equally in halves. This is not always Just or Equitable. The words 'Adl and Qist are more comprehensive, represent two of God's ninety-nine Beautiful Names and are extensively used in the Qur'an. The Qur'an, therefore, does not use this word in the sense of Justice or Equity and mentions another words which convey to the same premises word "Adl". Those words are "al Qisth", "al wazn", and "al wasth". All these words numerous and repetitive. Word "adl" repeated in various shapes 35 times, "al Qisth" repeated 24 times, "al Wazn" repeated 23 times, "al Wasth" repeated 5 times.<sup>43</sup>

The root meanings of the word 'Adl represents the sense of Justice, Equity, Fairness, Non-Discrimination, Counter-Balance, to Rectify, Put in Order, Evenness, Proportion and the like. The Islamic concept of 'Adl is very comprehensive and implies fairness and equity in every thing a person says or does. It covers the comments we make, the judgements we pass, the way we handle our responsibilities and obligations to others, the way we deal with people, the way we handle differences, the way we treat others whether they are members of our family, friends, relatives, strangers or enemies. Fairness, equity and justice must be a hallmark of human behaviour in all of these areas. While reiterating Allah Subhaanahu wa Ta'aala's commands that He had always commanded the followers of earlier prophets, Allah says in the Holy Quran,

*"And when you speak, be just, even if it concerns a close relative."*<sup>44</sup>

He especially commands God-fearing people to watch what they say,

*"O believers! Have Taqwa and say only the words that are appropriate."*<sup>45</sup>

Those who deride, ridicule or insult others or use offensive names and epithets for others, they were told:

*"So, those who do not repent, they indeed are the Zhaalimeen (unjust, wrongdoers, inequitable, transgressors)." <sup>46</sup>*

---

<sup>41</sup>QS.2:213

<sup>42</sup>Narrated by Muslim

<sup>43</sup>Muhammad Fu'ad Abdul , (1981), *Mu'jam Mufahhros Li alfaadzhiil Qur'an*, Beirut, Daar al Fikr

<sup>44</sup>QS.6:152

<sup>45</sup>QS.33: 70

<sup>46</sup>QS.49:11

In a detailed advice that the Prophet, Sallallahu `alaihi wa sallam gave to Mu'adz, he ended with the following words:

*"Should I inform you of something on which everything else depends?"*

Then, he held his tongue out and said, *"Control it!"* Mu'adz wondered if we would be held accountable for what we say. Then addressing him in a frank, loving words of Arabic idiom, he replied,

*"It is the harvests of their tongues that will cause people to be dragged on their faces or noses into the fire."<sup>47</sup>*

The Messenger of Allah also said:

*"The fair and just people who are equitable: in passing judgements, in dealing with their family members and in using the authority delegated to them, will be on the pulpits of Noor in the audience of Allaah SWT."<sup>48</sup>*

Even in the treatment of the children there must be fairness and justice, regardless of who their mother is and regardless if they are males or females. The Messenger of Allah, Sall Allaahu `alaihi wa sallam said:

*"Treat your children equally when gifting or giving things. Were I ever to suggest giving preference to anyone, I would have suggested it to be given to the daughters."<sup>49</sup>*

One of the primary goals of Islam being the establishment of an ideal peaceful and fair society, justice has been extremely emphasized in the Holy Qur'an. Knowing how people drift towards injustice, the Holy Qur'an advises Muslims to let justice triumph over all other emotions, feelings and attitudes. Muslims are told:

*"O believers, be the enforcers/establishers of justice, giving witness for the sake of Allah, even if it is against yourselves, your parents or your kith and kin. Whether they are rich or poor, Allah has more rights than any on them. Do not let pursuing your desires come in the way of being just."<sup>50</sup>*

Judging from the source, justice can be classified into two; positive justice and revelational justice. Positive justice is the concepts of human products which formulated based on their individual and collective interests. The scales of justice - in this case - developing through agreements and short formal actions, this type of justice is a product of the interaction between expectations and conditions. Whereas revelational justice is justice originating from God called Divine justice. This justice is considered valid for all humans, especially for devout believers. (Majid Khadduri, 1999: 1). Therefore in term of economic distribution, the best fit for justice definition is "how to putting something to its proper place" means fair in the sense of "attention to the individual's rights and to grant those rights to its owners". Giving each person who has right his right and deserve it. Fighting justice in this sense is tyranny. This is what we can understand from Allah has said, *"you do no wrong, nor are you wronged"<sup>51</sup>*. we just may take our right from others, and the other may take from us their right.

Justice is a core of distribution system since is the first victim when an individual, a community or a state is overtaken by self-interest, favoritism for their own or by anger, revenge or hate against others. When that happens, the party on the receiving side of injustice reacts with similar attitudes, perhaps even more strongly. Al-Ghazali and Al-Shatibi [(see Zarqa (1980) and Ghazanfar and Islahi (1990), Siddiqi (1996) and Islahi (2005)] see the whole structure and content of *shariah* geared to achieving human welfare through the demarcation of spheres of liberties-and-violations associated with the pursuit of diverse ends in life in particular, the goals of *din* (religion), *nafs* (life), *aql* (intellect or reason), *nasl* (family), and *mal*

<sup>47</sup>Report ed in Musnad Ahmad, At-Tirmidzee and Ibn Maajah)

<sup>48</sup>Abdullah Ibn 'Umar in Muslim

<sup>49</sup>Reported from Ibn 'Abbaas by Sa'eed Ibn Mansoor in his Sunan and by At-Tabaraani in Mu'jam Kabeer

<sup>50</sup>QS.4:135,also QS.5:8

<sup>51</sup> QS. 2: 279

(property). The concept of limits<sup>52</sup> set by God on individual freedoms in these areas is critical. These limits are set so as to promote *mashalih* (social utilities or welfare), that is, all activities or things that help achieving these goals equitably and prohibit *mafashid* (disutilities) which detract from (justly) obtaining these goals. In case there is a conflict of interest, there are rules of precedence to help resolve such conflicts, with the key objective remaining *maslahah al diin wa al-dunya*, 'goodness of this life and the Hereafter.

### **Ownership Principle**

In Islam, the concept of ownership is one of an important principle of faith. As God created man as the *Khalifah* (vicegerent) on Earth, He endowed him with ownership (*milikiyyah*) rights over properties (*maal*) so that he can execute his duties and obligations to himself, family, society and God in a halal and just way. The object of ownership, i.e. mal, must be "something of value, permissible and capable of being possessed" (Qadri, 1973). *Maal* in the Arabic language signifies whatever in effect a man may acquire and possess; whether that is corporeal ('*ayn*) or usufruct (*manfa'ah*); such as gold, silver, animal, plant and benefit gained out of things such as the riding of vehicles, the wearing of clothes and the residing in houses etc. On the other hand, whatever a man cannot possess, cannot linguistically be regarded as mal. Al-Ghazali implies *Maal* as the element whose presence makes a person rich and its absence makes him poor. In other words, riches and poverty are determined based on the presence or absence of wealth. He considers *maal* as one of the Necessities (*al-dharuriyat*) that Shariah aims at protecting and at the same time the most serious fitnah (temptation) of this world (*dunya*).<sup>53</sup>

For instance, birds in the sky, fish in the water, trees in the forest, and mines in the secret depth of the earth are not linguistically considered mal.<sup>54</sup> In the light of the juristic definitions<sup>55</sup> of *Maal* we may now determine certain characteristics which qualify things as *Maal*: (i) In order for a thing to qualify as mal it has to be, in the words of the Mejlle (Art. 126), naturally desired by man. In other words, in modern terminology, it must have commercial value; (ii) It must be capable of being owned and possessed; (iii) It must be capable of being stored; (iv) It must be beneficial in the eyes of the Shari'ah; (v) The ownership of the thing must be assignable and transferable.

The term rights (*huquq* pl. of *haqq*), on the other hand, means something that can be justly claimed, or the interests and claims that people may have by law. According to al-Zuhaili (1985), *haqq* is what the law recognises for an individual to enable him to exercise a certain authority or bind others to perform something in relation to him. He further maintains that *haqq* sometimes relates to mal, e.g. the right of ownership (*haqq al-milkiyyah*), and the right of easement (*haqq al-irtifaq*) in adjacent land particularly with respect to rights to passage, water and development. Sometimes it may not relate to mal, rather it may denote some legal authority or claim due to someone who possesses such *haqq*, e.g. the rights of custody and guardianship upon a person of incapacity.<sup>56</sup>

In another place, Az Zarqa (1967) defines ownership as control over of something or something owned. Ownership is a relationship between human and good recognized by Sharia "Ownership" (*Milkiyyah*) is actually derived from the Arabic root word of "*Malaka*" which means to have. In Arabic the "*al milk*" means authorization of people on something (goods or property) and it is in his grasp in both real and

<sup>52</sup> QS.9:12

<sup>53</sup> Al Ihya, V. 3, p. 231.

<sup>54</sup> See az Zuhaili, p. 171.

<sup>55</sup> See Mahmassani (Sobhi Rajab), 1983, *Al-Nazariyyah al-'Ammah Li'l-Mujibat wa'l-Wuqud*, Beirut: Dar al- 'Ilm Li-1-Malayan, 3rd edn, p. 8.

<sup>56</sup> See az zuhaili, p.42

legally. Authorization dimension reflected in the form that the person has something good means having control over the goods so he can use it according to his will, and no one else, either individually or institutionally, which can stone wall stop him from making use of items. For example, Ahmad has a motorcycle. This means that the bike is in Ahmad authorization and grasp. He is free to use it and others cannot stop him and his way of enjoying the bike. The concept of ownership in Islam based on several verses in Qur'an, among as:

*"All that is in the heavens and on the earth belong to Allah s.w.t."*<sup>57</sup>

*"To him belongs whatever is in the heavens and on earth."*<sup>58</sup>

*"His is the Kingdom of the heavens and the earth and all that lies between them."*<sup>59</sup>

*"It is He who has made the earth manageable for you so traverse you through its tracts and enjoy of the sustenance which he furnishes, but unto Him is the resurrection"*<sup>60</sup>

Islamic concept of ownership has unique characteristics which is different to other economic system. Ownership in Islam are bound and relative not absolute. Relative here refers to the fact that the human ownership in fact is not the actual ownership (genuine, real) because, in Islam, everything in this world is God ownership, He is the Sole proprietor of the universe and everything. What is now owned by a human in essence is God's own and for the time being "given" or "entrusted" to them. In this context the special relationship that exists between the goods and the human (as owners) still bear in ownership dimension, because control and freedom to exploit and use it according to his will, but the rules or how to use the goods is set by the real owner. This impression can be captured for example in zakat obligations, appeal to infak, and feeding the poor. The fuqoha classify ownership into two types; Full/perfect ownership (*Milk at-Tamm*) and Semi/un-perfect ownership (*Milk an-Naaqis*). Two types of ownership refers to the fact that man, in his capacity as the owner of an item can take and utilize the substance of good, or use any value of good, or both. Full ownership is ownership for goods and benefits as well. While Semi ownership is only has for substance or benefits only. Both types of ownership have consequences. The implication of ownership in Islam is that the right of man over things is limited and qualified. Everything is subservient to the God's law and will. Man is entrusted the role of being a vicegerent. Thus, he has to deliver and fulfill that trust with utmost care and in the manner outlined in the Shari'ah law. From this classification there are three kinds of ownership in Islam: (i) Absolute ownership (ii) Public ownership (ii) Private ownership.

Linked to ownership and wealth distribution (*Huquq 'alal Maal*) Al-Ghazali further divides the religious benefits into three types on how to use the wealth (*Maal*):<sup>61</sup>

- What the Muslim spends on himself and which is directly or indirectly related to the devotional activities: the examples given are the pilgrimage and jihad which are among the most important devotional activities. The basic necessities of the life such as food, clothes, shelter and marriage, are means without which the devotional acts cannot be done properly. They are, therefore, part and parcel of the worship process based on the ruling which stipulates that "whatever is necessary for the accomplishment of a wajib (an obligatory act) is also a *wajib* (compulsory)".
- What he spends on the others in Shariah recommended ways like paying for needed services rendered to him, giving charity, offering hospitality, and even giving away to protect his honor.
- What he spends for the public interest in the form of *Waqf* such as mosques, schools, hospitals and bridges... as it is well known that these kinds of expenditures are of the nature to ensure continuous

---

<sup>57</sup>QS.4:126,134,

<sup>58</sup>QS. 16:52

<sup>59</sup>QS. 5:120, 43:85

<sup>60</sup>QS.67:15

<sup>61</sup> See Abdou Diaw, 2009, p.8-9

rewards to their authors. From all expenditure enumerated above, worldly benefits could be derived; however they are not the main motives.

### ***Al Ihsan Principle***

The concept of *Ihsan* means that a Muslim is a responsible person and a person of quality where he does things in a very good manner, in a complete sense, in a nice and tasteful way and is never satisfied with anything other than a quality job in all that he/she does, motivated by realizing that Allah prescribed *Ihsan* to everything and to all deeds. *Ihsan*: "it's to worship Allah as you are seeing Him and while you see Him not yet truly He sees you." This is the Prophet's definition of the term "*Ihsan*", and it signifies that a person, who is characterized with *Ihsan*, does everything perfectly as he sees his Master watching him. Allah, Most High, says:

*"Nay, whoever submits his whole self to Allah and is a doer of (Ihsan) good he will get his reward with his Lord; on such shall be no fear, nor shall they grieve."*<sup>62</sup>

*"Allah commands justice, (Ihsan) the doing of good, and liberality to kith and kin, and He forbids all shameful deeds, and injustice and rebellion: He instructs you, that you may receive admonition."*<sup>63</sup>

*"Serve Allah, and join not any partners with Him; and do (Ihsan) good to parents, kinsfolk, orphans, those in need, neighbors who are near neighbors who are strangers, the companion by your side, the way-farer (you meet) and what your right hands possess: for Allah loves not the arrogant, the vainglorious."*<sup>64</sup>

There are three important concepts of Islam: Islam, *Iman*, and *Ihsan*. *Ihsan* is one of the most important principles of Islam. The Qur'an has more than 66 verses on this subject. Actually the whole Qur'an guides to *Ihsan*, which means doing everything in an excellent manner and it also means doing the acts of charity and kindness. The best definition of *Ihsan* comes in a Hadith, in which the Prophet, peace and blessings be upon him, says:

*"(Ihsan is) it's to worship Allah as you are seeing Him and while you see Him not yet truly He sees you."*<sup>65</sup>

In prayers and in relation to Allah, feel His presence. In relations to parents, honor them, be thankful to them and do your duties towards them. In relations to other relatives, recognize their rights, be good to them and help them if they need help. In relations to people in society, who are weak, needy and poor, be charitable and nice to them. In human relations in general, be good to others. Even those with whom you disagree in matters of faith, present to them the message, but have no aggression towards them:

*"But because of their breach of their Covenant, We cursed them, and made their hearts grow hard: they change the words from their (right) places and forget a good part of the Message that was sent them. You will not cease to find them - barring a few - ever bent on (new) deceits. Pardon them, then, and overlook (their misdeeds): for Allah loves those who are kind."*<sup>66</sup>

In relations to the whole world including vegetables, animals and even inanimate things, do not waste, do not misuse or abuse, and be thankful to Allah.

---

<sup>62</sup> QS.2:112

<sup>63</sup> QS.16:90

<sup>64</sup> QS. 4:36

<sup>65</sup> Narrated by Bukhory.No.48

<sup>66</sup> QS.5:13

*“Do no mischief on the earth, after it has been set in order, but call on Him with fear and longing (in your hearts): for the Mercy of Allah is (always) near to those who do good.”*<sup>67</sup>

The Prophet, peace and blessings be upon him, said,

*“Allah has prescribed that you do everything in an excellent and nice manner.”*<sup>68</sup>

Finally, Just do good, because Allah loves those who do good things:

*“But do good; for Allah loves those who do good.”*<sup>69</sup>

The concept of *Ihsan* has been understood differently by various Islamic scholars. For example, some scholars explain *Ihsan* as being the “inner-dimension” of Islam whereas shariah is often described as the “outer-dimension”. *Ihsan* is excellence in worship, work, and in social interactions. For example, *ihsan* includes sincerity during Muslim prayers and being grateful to parents, family, and God. On the authority of Omar, who said: “One day while we were sitting with the messenger of Allah (pubh) there appeared before us a man whose clothes were exceedingly white and whose hair was exceedingly black; no signs of journeying were to be seen on him and none of us knew him. He walked up and sat down by the prophet. Resting his knees against his and placing the palms of his hands on his thighs, he said:”O Muhammed, tell me about Islam”. The messenger of Allah said: “*Islam is to testify that there is no god but Allah and Muhammed is the messenger of Allah, to perform the prayers, to pay the zakat, to fast in Ramadhan, and to make the pilgrimage to the House if you are able to do so.*” He said:”You have spoken rightly”, and we were amazed at him asking him and saying that he had spoken rightly. He said: “Then tell me about Iman.”He said:”*It is to believe in Allah, His angels, His books, His messengers, and the Last Day, and to believe in divine destiny, both the good and the evil thereof.*” He said:”You have spoken rightly”. He said: “Then tell me about *Ihsan.*” He said: “*It is to worship Allah as though you are seeing Him, and while you see Him not yet truly He sees you*”.<sup>70</sup>

*Ihsan* has many dimensions. *Ihsan* is worship. Recall the Prophetic traditions. When asked to define *Ihsan*, he said, “*Ihsan* is to worship God as if you see him, and if you do not see Him, know that he sees you”. *Ihsan* is reflected in creation. All creation is *Ihsan* from Divine love. The rain that sustains life is *Ihsan*. To a scientific mind, creation offers countless signs to divine transcendence. Creation is also a trust so that humankind may exercise its mandate as divine trustee on earth. So, protect the environment.

*Ihsan* has its reward built into it. *Ihsan* is the basis of sound economics, as in qard al hasan. *Ihsan* is mercy as when you forgive a wrongdoer. God commands justice and mercy. *Ihsan* is mutual support. Mutual support is the basis of seeking out and building a community. *Ihsan* is one of the strong fondation to develop the justice distribution of wealth in society. *Ihsan* is the cement that has held together the Islamic civilization. By living according to the concept of *Ihsan* and by applying it to all that a Muslim does, he/she will be rewarded and showered with mercy and forgiveness from Allah the Almighty. Furthermore, by doing that, a Muslim will ensure that he/she will pass the test and be amongst those of the best conduct.

Principle of *Ihsan* should be reflected on Muslim economic behavior, i.g. income distribution or always trying to share his surplus income to the others (who has the right). In other world if principle of *Ihsan* applied to income distribution will represent that<sup>71</sup>:

- Islam is not leave the weak and helpless peoples of the society for the market competition sitting passively and looking into their problems indifferently. It knows and understands that they have been denied the equal opportunities for various historical, social and natural reasons. It perceives why they have become unable to make both ends of their life meet. Quite different from the cruel

<sup>67</sup> QS.7:56

<sup>68</sup> Narrated by Muslim. No.3615

<sup>69</sup> QS.2:195

<sup>70</sup> Narrated by Muslim

<sup>71</sup> See P.P Abdul Razak, (2012), *Basic Philosophical Precepts of Islamic Economics*, p.9-10

and brutal capitalistic methods of making the weaker, the deprived and the backward classes of the society scapegoats of the intense competition by blatant misappropriation of the theory of survival of the fittest in the socio-economic realms. Islam approaches the problem from humanitarian level. Islam recognizes the competition and understands it as the wheel of the civilization as well. At the same time, it does not want to ignore the weaker sections who have been pushed back in the intensive competition by and between the well to do competitors as well. So, it has determined certain rights for such weaker classes in the surplus income of the rich and forward classes of the society. Quran say,

*“ There is no restriction on the blind, the lame and the sick ( and the like of any handicapped who cannot work as an ordinary person) if they eat from any house as it is their right.”*

- Islam unlike Marxian Surplus value theory, is not solely dependent on the price of the finished product. On the contrary, it evaluates a person's economic status using the measuring rods of both income and the time period. Through this, Islam says that it is the obligation of the trustees of the surplus income to provide the needy and the poor to meet their basic necessities of the life and Islam requires the state makes its own responsibility to ensure the protection of such rights. By fixing one year time period for calculation of the surplus income, Islam wants to take into consideration of short and long term economic problems of the trustees of the surplus income while assessing his/her economic status.
- Islam does not discourage acquisition of wealth and becoming its trustees. On the contrary, it works as an additive and a catalyst in converting the saving into the investment. The rich who gives out the right of the deprived in their property every year cannot help thinking of channeling their saving into a kind of productive investment. This has to be looked upon from another angle also that Islam prohibits interest as well. The right of the deprived in the surplus income of the rich together with the prohibition of interest works as an effective catalyst in turning the saving into the investment and generating thereby the economic growth both in its micro and macro levels. Interest, apart from being a moral graveyard, is a dead end of an economic transaction whereas each and every economic transaction which Islam has made lawful ensures various streams of value chains and long cycles of diverse economic transactions. Apart from prohibiting the commoditization of money and renting it thereof which has no intrinsic and inherent utility entailing from its entity itself, Islam sees it abhorrent to extract any thing additional on a lent and loaned ( same thing given and taken back) thing since it does not create any other economic opportunity for anybody other than the lender while bartering and/or buying a thing ( exchange of money or some thing with something else) creates long cycle of economic opportunities for the supplier of the raw materials, manufacturer, distributor, transporter, trader and buyer. Each of these clients has got its own cycles of economic transactions as well.

In fact, in case of linked to distribution of *Maal* (property) justice consists of *Ihsan* principles which one would like to apply to one's own self if in a similar situation. Qadri (1995) then contrasts 'adl with *ihsan* in detail. The summarize of discussion where 'adl is distinguished from *ihsan* as shown in Table 2.

Table 2: 'Adhl vs Ihsan

'Adl (justice, equity)	Ihsan (benevolence, kindness)
<ul style="list-style-type: none"> <li>- Equity is to give as much as is due and to take as much as is due.</li> <li>- Equity is that one should enjoy oneself and let others enjoy as well</li> <li>- It is equity that one should live for oneself as well as for others.</li> <li>- Equity is equality and the condition of faith.</li> </ul>	<ul style="list-style-type: none"> <li>- Benevolence is to give more than is due and to take less than is due.</li> <li>- Benevolence is that one should sacrifice one's sense of personal enjoyment for the enjoyment of others.</li> <li>- It is benevolence that one should live only for Others.</li> <li>- Benevolence is unconditional sacrifice and the perfection of faith</li> </ul>

Iqbal (2006) argued that the discussion on the table above at least in its external form, this understanding of justice comes very close to the Golden Rule to which the Western Kantian or welfare liberal concept of justice refer. Note, however, that as Musgrave (1985) states, the Golden Rule as an exclusive basis for deriving a theory of justice results in an asking for an equal division of the cake. That, under normal circumstances, would come under benevolence from an Islamic perspective rather than justice. The balancing act is another saying by the Prophet Muhammad (*pbuh*):

*"Jibreel kept on commending the neighbour to me so that I thought he would make him an heir"*<sup>72</sup>.

Nevertheless, this was not done. Furthermore, the blueprint of justice is, as such, specified in the *Shari'ah* rather than left for human reason to speculate from a single principle or two.

## (b) Maqashid Shariah

*Al-Maqhasid al-Shariah* is a manifestly important and yet somewhat neglected discipline of the Shari'ah. The Shari'ah generally is predicated on benefits to the individual and the community, and its laws are designed to protect these benefits and to facilitate the improvement and perfection of the conditions of human life (Kamali, 2012). Fundamentally, *Maqasid al-Shariah* reveals the dignified view of Islam which has to be observed entirely, not partially, as Islam is an absolute and integrated pattern of life and its purpose includes the complete life, personal and public; in this world and the Hereafter (Ibn Ashur, 2006; Kamali, 1998). Therefore, a profound perception of *Maqhasid al-Shariah* involves serious obligation of each individual and community to justice and social welfare. The outcome of such profound perception would be society where every individual (or group) will work together with each other rather than compete, as proper achievement in this life is to obtain the ultimate happiness (*falah*) (see Kamali, 2008a). Accordingly, barely maximization of profits cannot be the only driving goal of a Muslim society. Maximization of profit must go hand-in-hand with attempts to ensure healthy human awareness, justice, and fair play at all levels of human interaction (Mu'amalah).

According to the one of *Maqhasid Al Shariah* i.e preservation of wealth, Islam facilitates the preservation through the distribution system that ensure circulation of wealth; to make sure that wealth does not concentrate in a few hands (Wealth Monopoly). The Qur'an lays down clear rules for the distribution of the "*Anfal*" (the Spoils of War), the "*Fa*" (which technically means the "property abandoned by the enemy or taken from him without a formal war), and "*Warāthah*" (Inheritance). Of the "*Fa*" the Qur'an says:

<sup>72</sup> Narrated by Abu Dawud, No.5133



*“Fai’ belongs to Allah, to His Apostle, and to kindred and orphans, the needy and the wayfarers in order that it may not (merely) make a circuit between the wealthy among you...”<sup>73</sup>*

Similarly, “Anfa’” have to be distributed according to the rules laid down in The Qur’an.<sup>74</sup> Thus, there are set rules for the distribution of the state money and property among the needy and indigents. The Qur’an has severely condemned the hoarding of wealth. It says:

*“Who piles up wealth and layeth it by, thinking that his wealth would make him last for ever! By no means! He will be sure to be thrown into that which Breaks to Pieces”.<sup>75</sup>*

Hoarding is condemned also because “the miser’s hoards block up the channels of economic service and charity, and the circulation of goodwill among men.” Thus, according to Islam, stagnation of wealth not only leads to uneven and unjust distribution of wealth among the members of a community; it also causes “hardening of the heart” which renders man callous and his “milk of human kindness” is gradually dried up till it becomes harder than a rock even;<sup>76</sup> it dries up feelings of love, sympathy, fraternity and justice which are among the basic values taught by Islam. As we have seen before, any valuables on which ‘Zaka’ is not paid will become his torment on the day of Resurrection. Imagine a society which is devoid of all the emotions mentioned above, which lacks all tender feelings, the result will be self-destruction and man will be living his life at a level far below even the animal level. Islam wants to ensure equitable circulation of wealth among all the members of the society; wealth has to flow from the more privileged to the less privileged and only such a scheme can guarantee a truly welfare state in which each has according to his deserts and performance.

Therefore, in case of the payment of Zakah, the main objective is to purify one’s wealth and the central justification for it is equal allocation of wealth to everyone. Consequently, *Maqhasid al-Shariah* reveals the noble vision of Islam which must be observed entirely as Islam is an absolute and integrated way of life. In general, its goal embraces both individuals and societies for the good in this world and the Hereafter. It underlines benefits for both of them and its laws are devised to shelter these benefits and support progress and rightness of the setting of human beings on earth (Soualhi, 2008). The Holy Qur’an illustrates this notably when it underlines the leading rationale for sending the Prophet Muhammad (s.a.w) in verse:

*“We sent Thee not, but as a Mercy for all creatures”<sup>77</sup>*

Furthermore, it can be also observed in the Qur’an’s description of itself when it says

*“O mankind! there hath come to you a direction from your Lord and a healing for the (diseases) In your hearts, and for those who believe, a guidance and a mercy.”<sup>78</sup>*

To ensure justice in distribution, fulfilling maqhasid also defined as how to prioritize collective need than individual interest. Therefore the importance of identifying the intents of islamic law for the individual in the economic realm as well as the collective ones. The intents for individual such as giving the individual his due in the realm of material wealth, and this by (i) working nad striving to make honest living and (ii) spending material moderately. Once met such need, one have to spend on types of charity as commanded by Islamic law. The intents for collective in economic realm dealing with such (i) establishment of islamic state to guarantee muslim unity, cooperation, wealth sharing and justice itself.(ii) setting up system and

---

<sup>73</sup> 59:7

<sup>74</sup> QS.8:1, 41

<sup>75</sup> QS.104:2-4

<sup>76</sup> QS. 2: 264-65 where *The Qur’an* makes a beautiful comparison of those who spend for just show-off and those who spend for the good pleasure of none but Allah. It likens the hypocrite to “a hard, barren rock, on which is a little soil” and a true believer to “a garden, high and fertile”.

<sup>77</sup> QS.21:107

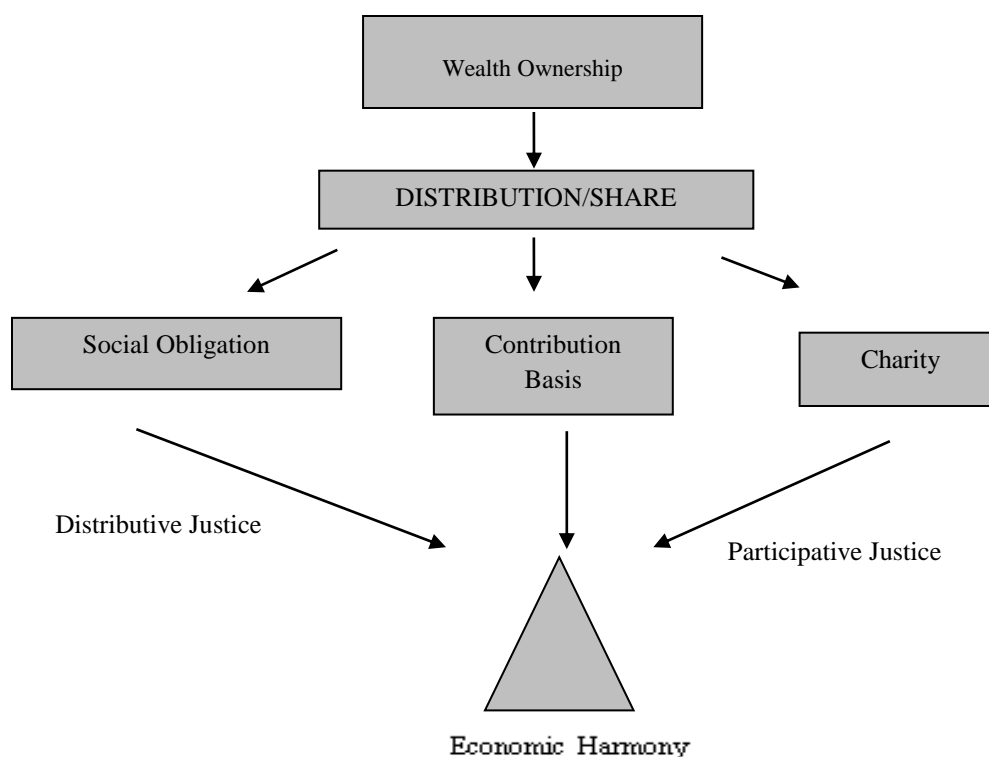
<sup>78</sup> QS.10:57

institution which are capable of ensuring essential needs and organizing social security for all classes of citizens.<sup>79</sup>

### The Instruments of Economic Distribution in Islam

After we laid down the foundation of distribution and its objectives from Al Qur'an, we also take what the Al Qur'an provides regarding the instruments to ensure the mechanism of how the wealth or income distributed to the right places and settle up the justice always available in all degrees of societies. Based on the principles that mentioned in previous section, the instrument outright as a model of distribution accumulated and divided depending to the source of the wealth ownership. The instruments divided in three types: i) Social Obligation basis which covered Zakat, Inheritances, etc; ii) Contribution Basis which covered wages, profit, etc; and iii) Charity basis which covered Waqf, Shadaqah, etc, as presented in Diagram 2:

Diagram 2: Instruments of Economic Distribution



<sup>79</sup> See Gamal Eldin Attia, Towards Realization of The Higher Intents of Islamic Law, Maqashid al Shari'ah A Functional Approach, Islamic Book Trust Kuala Lumpur, IIIT, 2010, p.211-221

## (a) Social obligation Basis Instrument of Distibution

### - Zakat

Zakat is an Integral part of Islamic belief. It is one of the five concepts necessary to believe to become a Muslim. Besides religious, Zakat is an economic concept and has Socio-Economic implications. First such measure is Zakat which is compulsory levy or tax collected from rich by the Islamic state or the community and distributed to or spent on the poor. Before understanding its significant role in the distributive system of Islam, let us have a glance through the relevant verses of the Qur'an and the Ahadith of Muhammad (PBUH), as below:

From the Qur'an:

*"Establish worship, pay the poor-due, and bow your heads with those who bow (in worship)."*<sup>80</sup>

*"Establish worship, and pay the poor-due and whatever of good ye send before (you) for your souls, ye will find it with Allah. Lo! Allah is Seer of what ye do."*<sup>81</sup>

### - The Inheritance

The basic principle of inheritance has been setup by verses 7 and 8 of chapter 4 of the Holy Qur'an. According to these verses, both men and women of a family would inherit the estate left by their parents and near relatives and something shall also be bestowed on kinsfolk, orphans and the needy who are present at the time of division of inheritance. These verses read:

*"Unto the men (of a family) belongeth a share of that which parents and near kindred leave, and unto the women a share of that which parents and near kindred leave, whether it be little or much – a legal share. And when kinsfolk and the orphans and the needy are present at the division (of the heritage), bestow on them therefrom and speak kindly unto them."*<sup>82</sup>

The verse No. 11 of chapter 4 of al-Qur'an prescribes the shares of the children and parents of the deceased. This verse reads:

*"Allah chargeth you concerning (the provisions for) your children: to the male the equivalent of the portion of two females, and if there be women more than two, then theirs is two-third of the inheritance, and if there be one (only), then the half. And to his parents a sixth of the inheritance, if he have a son; and if he have no son and his parents are his heirs, then to his mother appertaineth the third; and if he have brethren, then to his mother appertaineth the sixth, after any legacy he may have bequeathed, or debt (hath been paid). Your parents or your children; Ye know not which of them is nearer unto you in usefulness. It is an injunction from Allah. Lo! Allah is Knower, Wise."*<sup>83</sup>

The verse No. 12 of chapter 4 of the revealed book of Islam prescribes the shares of the husband and wife in each other's heritage. It also prescribes shares of the distant relatives in case the deceased leaves no children and no parents. This verse reads:

*"And unto you belongeth a half of that which your wives leave, if they have no child; but if they have a child then unto you the fourth of that which they leave, after any legacy they may have bequeathed, or debt (they may have contracted, hath been paid). And unto them belongeth fourth of*

---

<sup>80</sup>QS.2:43

<sup>81</sup>QS.2:110, see also 6:141, 9:5,60,103, 22:41,78, 24:56, 30:39

<sup>82</sup>QS.4:7-8

<sup>83</sup>QS.4:11

*that which ye leave if ye have no child, but if ye have a child then the eighth of that which ye leave, after any legacy ye may have bequeathed, or debt (ye may have contracted, hath been paid). And if a man or a woman have a distant heir (having left neither parent nor child), and he (or she) have a brother or a sister (only on the mother's side then to each of them twain the brother and the sister) the sixth, and if they be more than two, then they shall be sharers in the third, after any legacy that may have been bequeathed or debt (contracted) not injuring (the heirs by willing away, more than a third of the heritage) hath been paid. A commandment from Allah. Allah is Knower, Indulgent.”<sup>84</sup>*

## **(b) Contribution Basis Instruments of Economic Distribution**

Islam allows and guarantee for every individual accountability for his actions done in this world. He would be rewarded for his good actions and punished for his evil actions in the hereafter. Accountability for individual's actions is meaningless if the individual is not provided reasonable freedom to act independently. Therefore, Islam puts highest value on individual's freedom of action in every field of human activity such as social, political, economic religious, moral, etc. Linked to the Islamic concept of equity in the distribution of income and wealth and its concept of economic justice, does not however require that everyone be rewarded equally, irrespective of his contribution to society. Islam tolerates some inequalities of income because all men are not equal in their character, ability and service to society<sup>85</sup>. Therefore, distributive justice in Islamic society, after guaranteeing a humane standard of living to all members through the institution of Zakaat, allows such differentials in earnings as are in keeping with the differences in the value of the contributions or services rendered, each individual receiving an Income corresponding to the social value of the services he contributes to society.<sup>86</sup>

Islam recognise the contribution to output made by factors of production only by labour and therefore Islam does not allow the concept of exploitation of labour and no relation with the concept of surplus value as propounded by Marx. Islam places relationship between the employer and the employee under the concept of brotherhood and equal treatment of all individuals in society. Accompanied by economic justice such that everyone gets his due for his contribution to society or to the social product and that there is no exploitation of one individual by another. What a 'just' wage is and what constitutes 'exploitation' of labour needs to be determined in the light of the teachings of the Qur'an and the Sunnah. An employee is entitled to a 'just' wage for his contribution to output and it is unlawful for a Muslim employer to exploit his employee. The Prophet declared that three persons who will certainly face God's displeasure on the Day of Judgement are: one who dies without fulfilling his commitment to God; one who sells a free person and enjoys the price; and one who engages a labourer, receives due work from him but does not pay him his wage.<sup>87</sup>

## **(c) The Charity basis Instruments**

According to Veen (2009) Charity in Islam is not only about alleviating material poverty in the short-term through individual acts; rather, Islamic teachings focus on broader concepts of social and economic development as part of a holistic approach to human development. This acknowledges that charity alone

---

<sup>84</sup>QS.4:12

<sup>85</sup> QS. 6:165, 16:71, 43:32

<sup>86</sup> Muhammad Umer Chapra, Islamic Work Ethic, Al-Nahdah: Muslim News and Views Vol 3, Issue 4 (October December 1983)

<sup>87</sup> Narrated by Bukhori

will not solve poverty. An exploration of Islamic teachings on finance and justice suggests that Islam encourages an alternate set of trade rules and a different kind of financial system that discourages the exploitation of the poor and ensures a more equitable distribution of wealth. As the Prophet said:

"There is no person who does not have the obligation of (doing) charity every day that the sun rises." Whereupon he was asked: "O messenger of God, wherefrom would we get something to give in charity (so often)?" To which he replied: "Indeed the gates to goodness are many: glorifying God, praising Him, magnifying Him, saying 'There is no god but Allah', enjoining the good and forbidding the wrong, removing any source of harm from the road, listening to the aggrieved, guiding the blind, showing the seeker his need, striving as far as your two legs could carry you and with deep concern to give succor to him who asks, carrying with the strength of your arms (the burdens of) the weak. All these are (acts of) charity which is an obligation on you." And he added: "And your smiling in the face of your brother is charity, your removing of stones and thorns from people's paths is charity, and your guiding a man gone astray in the world is charity for you"<sup>88</sup>

The following instruments provide a broad overview of the main forms of charity in Islam to ensuring justice and equitable distribution of wealth or income: *Waqf*, *Shadaqah* and *Qardh al Hasan*

## Conclusions

Concept and system distribution is part of economic science, influenced also by the ideology and worldview forming its system and philosophy. Among the evidence is that the distribution system, either secular western or Islam, the both system emanate based on some principles, i.e principle of Justice. The Distinction between both is the principle of justice in western refers to the relatively human thought and desire of wealth, such as Aristoteles Nichomachean of ethic. In Islam, concept of justice is always refers to Al Quran and Sunnah as two basic sources of human's life. Justice in Islamic economics is closely related to morality as part to a whole of society system and often specified to several terms such as fairness, equality, right and desert. But those terms must defined based on what Al Qur'an and Al Sunnah defined, not refer to thought, culture or society behavior. Beside justice principle, the economic distribution in Islam based on several principles such as Tauhid principle, Ownership principle, *al Ihsan* principle, and Maqashid Shariah. In Islamic worldview, all these principles must unseparate each other forming the distribution system to achieve the objective of Islamic economic it self, i.e equality and eradication of poverty, and to ensure the achievement, the Islamic distribution establish some instruments as a practical model of distribution it self. Then, the instruments divided into three types according to distributive justice and participative justice: Social obligation, contribution basis and also charity basis. From this study, we can say also that the concept distribution in Islamic economic is a proof of Islamic economic as the independent science, distinct from conventional or secular economic.

## References

- Ahmad, Ziauddin, (1991), *Islam, Poverty and Income Distribution*, The Islamic Foundation, Leicester, UK
- Al-'Ibadi, Abd al-Salam Dawud, (1974), *Al-Milkiyyah fi al-Shari'ah al-Islamiyyah, Tabi'atuha wa Wazifatuha wa Quyuduha*, Amman: Maktabah al-Aqsa, p. 171
- Al-Zuhaili, Wahbah, (1985), *Al-Fiqh al-Islami wa Adillatuh*, Damascus: Dar al-Fikr, vol. 4, p. 40;
- Az-Zarqa', (1967), *al-Fiqh al-Islamy fii Tsaubih al-Jadid*, Damaskus: Matabi Alif Ba – al Adib, p.33.
- Aristotle, (1976), *The Nicomachean Ethics*, trans. J. A. Thomson, London: Penguin Books Ltd.
- Aristotle, (1999), *Politics*, David Keyt (ed.), Oxford: Clarendon Press

---

<sup>88</sup> Narrated by Bukhori and Muslim

- Berlin, Gordon, (2008), "Poverty and Philanthropy: Strategies for Change, [www.mdrc.com](http://www.mdrc.com)
- Bertola Giuseppe, et.al, (2006), *Income Distribution in Macroeconomic Models*, Princeton University Press, University Press
- Benabou, Robert (1998): "Inequality and Growth", NBER Macroeconomic Annual, pp. 11-92.
- Billington, James H., (1999), *Fire in the minds of men*, Transaction Publishers
- Bukharin, N. (1969), *Historical Materialism*. Ann Arbor: Ann Arbor Paperbacks
- Chapra, Muhammad Umer, (1983), *Islamic Work Ethic*, Al-Nahdah: Muslim News and Views Vol 3, Issue 4 (October December 1983)
- Carchedi, G. , (1975b), "Reproduction of social classes at the level of production relations." *Economy and Society* 4:361-417.
- Dean, James M. (1999): "Social Factors in Religion and Economics." *Religion and Economics: Normative Social Theory*. Dean, James M. and A.M.C. Waterman, ed. Kluwer Academic Publishers, Boston
- Deiniger, Klaus & Squire, Lyn, (1997), "Economic Growth and Income Inequality: Reexamining the Links", *Finance & Development*, March 1997, pp. 38-41
- Eckhoff, T. 1974. *Justice: Its Determinants in Social Interaction*. Rotterdam: Rotterdam Press
- Flemming J., and J. Micklewright, "Income Distribution, Economic Systems and Transition". Innocenti Occasional Papers, Economic and Social Policy Series, No. 70. Florence: UNICEF International Child Development Centre.
- Hess, Moses, (1984), *Communism: points for consideration - L'Insecurite Sociale*, <http://libcom.org/library/communism-points-consideration-linsecurite-sociale>
- Hoppe, Hans-Hermann, (1996), *Socialism: A Property or Knowledge Problem?*, *The Review of Austrian Economics* Vol. 9, No. 1
- Howard, Michael W. , (2002), *Liberal and Marxist Justifications for Basic Income*, A paper for the First Congress of the U.S. Basic Income Guarantee Network, CUNY Graduate Center, New York City, March 8-9, 2002.
- Kaldor N., (1955- 56), *Alternative theories of distribution*, "Review of Economic Studies", Vol. 23 (1), pp.83-100
- Kamali, M. H. (1998). *Al-Maqasid al-Shari'ah: The Objectives of Islamic Law*. *The Muslim Lawyer*, 3(1), 1-7.
- Kamali, M. H. (2008a). *Maqasid al-Shariah Made Simple* (Revised edition ed.). London: The International Institute of Islamic Thought (IIIT).
- Kamali, M. H. (2012), *A summary of the book "Maqasid Al-Shariah: Made Simple"* Summary Published by IIIT
- Kolm, Serge-Christophe, (1996), *Modern Theories of Distributive Justice*, MIT
- Konow, James, (2003), *Which is the fairest One of All? A Positive Analysis of Justice Theories*, *Journal of Economic Literature*, Vol. 41, No. 4.
- Kravis, Irving B. (1962), *The Structure of Income: Some Quantitative Essays*. Philadelphia: University of Philadelphia Press
- Krueger, Alan B. (1997), *Measuring Labor's Share*. NBER Working Paper 7006.
- Lenin, V. (1969), "A great beginning." Pp. 478-96 in *Selected Works*. London: Lawrence and Wishart.
- Marx, Karl. (1993), "*Critique of the Gotha Programme*." In *Justice*, edited by Alan Ryan. Oxford: Oxford University Press, pp. 159-63
- Marx & Engels, (1998), *The Communist Manifesto*. New York: Penguin group.
- Murray, Charles, (1991), *The pursuit of happiness under Socialism and capitalism*, *Cato Journal*, Vol. 11, No. 2 (Fall 1991). Copyright © Cato Institute
- McLellan, David, ed., (1977), "*Capital*." *The Marx-Engels Reader*, Oxford University Press: Great Britain

- Novak, Michael, (2000), "Defining Social Justice," *First Things* 108 (Dec. 2000), 11-13. Rev. Peter-Hans Kolvenbach, S.J. "The Service of Faith and the Promotion of Justice in American Jesuit Higher Education", <http://www.firstthings.com/article/2007/01/defining-social-justice>.
- Rawls, John. (1971), *A Theory of Justice*. Cambridge: Belknap Press of Harvard U. Press.
- Russell, Michael D., (undate), *The Economic Agenda of Catholic Social Teaching: The Framework for a Normative Social Theory*, [business.uni.edu/economics/Themes/Russell](http://business.uni.edu/economics/Themes/Russell)
- Saastamoinen, Jani, (2006), *Wealth Distribution and Economic Growth*, University of Joensuu, see <http://epublications.uef.fi>
- Samuelson, Paul, *Economics*, New York: McGraw-Hill, 1948
- Siddiqi, M.N. (1980), 'Muslim economic thinking: a survey of contemporary literature'.in K. Ahmad (ed.), *Studies in Islamic Economics*, Leicester: Islamic Foundation, pp. 191–315
- Smirnov, A. (1996), 'Understanding justice in an Islamic context: some points of contrast with Western theories', *Philosophy East and West*, 46 (3), 337–50
- Soualhi, Y. (2008), *the Question of Methodology in the Science of Maqasid*. *The International Journal of the Humanities*, 5(11), 91-98
- T. H. Green, (1879), *Principles of Political Obligation, on Lectures on the Principle of Political Obligation and Other Writings*, eds, Paul Harris and John Morrow. Cambridge: Cambridge University Press. 1986
- Walzer, Michael. (1983), *Spheres of Justice: A Defense of Pluralism and Equality*. New York: Basic Books, Inc.
- Wößmann, Ludger (2000), *Specifying human capital: a review, some extensions and development effects*, Kiel Working Paper no. 1007 (<http://www.uni-kiel.de/ifw/pub/kap/2000/kap1007.pdf>).
- Wolff, Richard, (2006), "Class and Economics" *Dollars and Sense*  
<http://rdwolff.com/sites/default/files/attachment/4/Class%20and%20Economics%20for%20Dollars%20and%20Sense.pdf>
- Wright, Erik Olin and Perrone, Luca, (1977), *Marxist Class Categories and Income Inequality*, *American Sociological Review*, Vol. 42, No. 1 (Feb., 1977), pp. 32-55