

Political Economy of Islam

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All Middle Eastern countries, with the exception of two countries, profess Islam as their state religion. Islam, whether simply in words or in fact, is woven into the fabric of these societies, affecting everything from the political system, to the social, financial and economic system. Islam is a rules-based system, with the collection of rules constituting its institutions in the quest to establish societies that are just. Allah commands mankind to behave in a fair and just manner to protect the rights of others, to be fair and just with people, to be just in business dealings, to honor agreements and contracts, to help and be fair with the needy and orphans, and to be just even in dealing with enemies. Allah Commands humans to establish just societies, rulers to be just and people to stand up for the oppressed against their oppressors. It is for these reasons that it said that justice is at the heart of Islam. In the same vein, the state (policies) must step in to restore justice whenever and wherever individuals fail to comply with divine rules; government intervention must enhance justice. This series brings together scholarship from around the world focusing on global implications of the intersections between Islam, government, and the economy in Islamic countries.

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Seyed Kazem Sadr

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Dedicated to
Seyyed Riza Sadr, who illustrated the “Way of the Qur’an,” the “Way of
Mohammad,” and the “Way of Ali”;
Imam Musa Sadr who began to follow this Path in Jabal Amil and was
captured in Qadhafi’s trap;
Mohammad Baqir Sadr who built the foundation of the Islamic Economic
School, and tasted martyrdom in perfection of this Path;
All the Martyrs of the Way of Islam;
Shaheed Mustafa Chamran.

FOREWORD

It is indeed a pleasure to have this invaluable contribution as the first volume in the series *The Political Economy of Islam*. Professor Sadr's manuscript contains a unique and major piece of research that is sure to enhance our understanding of the inception and evolution of Islamic economic and social practice. This is especially important in today's troubled world, where we witness all manner of interpretations of the holy Quran from clerics, *Shariah* scholars, academics, rulers, military leaders and even terrorists. Many of those who provide interpretations of the fountainhead of Islam, the holy Quran, do so with agendas that invariably twist, pervert and hijack Allah's Words.

The Prophet Mohammad, Allah's Messenger, was the human being chosen to interpret and implement the foundational teachings of Islam during his few years in Medina. He did so with love for the Almighty and for His creation, and with justice as his moral compass. While the Prophet's interpretation is indispensable, unfortunately, there is a dearth of high quality research on the Prophet's days in Medina. Professor Sadr has made a major contribution by affording the world a rare glimpse into the birth of Islam in the Arabian Peninsula. To appreciate the development of Islam in context, Professor Sadr begins by giving an introduction to conditions in the Arabian Peninsula at the birth of Islam. He then delves into the practices of the Prophet in setting up the first Muslim government, its public treasury, financing and expenditures. He then describes how the Prophet established the Islamic economic system as a market-based system, where markets are recommended for their efficiency, requiring sound regulation, monitoring and supervision. This is followed

up with the Islamic views on consumption, production, exchange savings and investment. He then concludes by establishing justice as the driving force for the Muslim society envisaged in the holy Quran and established by the Prophet.

Sadly, for Muslims and non-Muslims, the brief period in the history of Islam explored by Professor Sadr is a distant and fuzzy episode in the development of the religion that is Islam. Soon after the Prophet's passing away, the religion was hijacked. Today, there is a total disconnect between the rules-based religion outlined in the holy Quran and implemented by Allah's Messenger and its practice by the secular and clerical leaderships in the Muslim World. The rediscovery of Muslim society established Medina and its resurrection in the context of the twenty-first century though hard, is not impossible. Muslims must take charge of their religion by studying the Quran and the life of the Prophet. They should question, debate and engage their teachers, but not necessarily accept their interpretation as the final word. In turn, this should help in developing what the religion indicates, in practical terms, for the political, social and economic characteristics of a successful Muslim society.

Allah gave humanity the freedom to choose and Muslims are free to choose and should exercise Allah's invaluable gift. At the same time, while Muslims should not leave their religion in the hands of their leaders, they should also note that the Quran requires Muslims to develop themselves and their societies. Each and every Muslim has a critical role and must do his or her part in creating just and flourishing communities. Professor Sadr's book offers much insight not only for all Muslims as they begin their journey, but also for non-Muslims to appreciate the Islamic system practiced in its purest form.

Hossein Askari
Dariush Zahedi

PREFACE

The objective of this book is to provide an authentic model of an Islamic economy. Such a model derives its authenticity and authority from the fact that it is based on the policies of the Messenger of Allah (ST), Prophet Muhammad (SAAS). To specify this model, the economy of the earliest Islamic society under the tutelage of the Messenger (SAWA) and his successors has been studied. Two institutions of great importance, the market and the public treasury (*Baitul mal*) and their impact as the development of the private and public sectors have been particularly emphasized in this study.

It is important to note that the economic policies of the Messenger cannot be well understood without detailed consideration of the conditions existing in the Arabian Peninsula at that time. Therefore, the first part of the book is devoted to the geographic, economic and cultural dimensions of life in the Arabian Peninsula before Islam, the challenges faced by the Messenger's mission and the economic policies of the Messenger after migration to *Madinah*.

The second part of the book is devoted to the analysis of the nature and functioning of the public treasury, its revenues and expenditures, and its financial and fiscal policies. Analysis of the institution of the market, its characteristics and functioning during the earliest Islamic period constitutes the material of the third part of the book. An analysis of exchange, consumers, producers, and investor behavior in an economy without an interest rate mechanism is addressed in this part. The final part investigates the fundamental objective of Islam for human societies; that is, justice within the context of discussions in earlier parts of the book.

It is worth noting that, in addition to the search for an authentic economic model, studying the history of the earliest period of Islam is important from the point of view of cultural value development. Before Islam, Arabian society lacked a level of cultural sophistication comparable to the two dominant cultures of the time: the Byzantine and Persian. Yet, following the conquests, Muslims were able to assimilate the best of both cultures within the economic, social, political and cultural framework provided by their understanding of Islam. Study and analysis of the history of the earliest Islamic period can shed light on the question of how Muslim society was able to avoid the dominance of its culture by the more advanced powers of the day and to develop its own unique and independent culture. Study of the economy of the earliest Muslim society and its social, political and economic institutions provides valuable insights.

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The idea for this book was formed in 1980 and become the main source of a syllabus for a course on the economy of the earliest Islamic period in Iranian economic schools. Since then, much effort has been devoted to the preparation of the present volume, for which the greatest debt of gratitude is due to the efforts of Dr. Hassan Ali Ghanbari of Shaheed Beheshti University of Iran. Without his contribution, this book could not be presented in English.

The book has also benefited immensely from the views and constructive criticism of university colleagues, religious scholars and students, for which the author is grateful. I am immensely grateful to Professor Abbas Mirakhor for all the support he has given in connection with the publication of this book. Thanks are also due to Mr. Ziyaat Isaacs and Ms. Alaa Al Abed for their valuable editorial assistance, to Dr. M.H. Hamzhepour, Mr. Hosain Bolboli, Mr. Ali Bahador and Mr. Ahmad Zainul Abidin for their assistance with the graphics incorporated in this volume. Finally, the assistance of Prof. Dr. Obiyatullah Ismath Bacha and Datuk Professor Dr. Syed Othman, given so generously, was of significance in regard to the completion of this project and is greatly appreciated.

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