

An Islamic Scheme of Equitable Distribution of Income and Wealth

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Distribution has always been a burning issue in any economic system, because the socioeconomic welfare of the individual and of the society depends upon the degree of justice and equity in the prevailing distribution patterns. The great emphasis placed on this issue springs from the fact that the majority of the world's inhabitants are poor while a small minority are rich. In spite of this bitter economic reality, capitalist economists usually address the problem of distribution in the context of output and efficiency. By ignoring personal distribution, they have reduced the general distribution problem almost to one of mere functional distribution.

The modern theory of distribution, which concentrates on determining the prices of productive services, can be regarded as an extension of the general theory of pricing. In the Islamic economic system, however, distribution is accorded prime importance and is not considered as limited to functioning as a mechanism for the distribution of output among various factors of production. As a matter of fact, the entire Islamic institutional framework ensures equitable distribution at every economic level and discourages the concentration of wealth.

Islamic economics incorporates the factor of personal income distribution in its mainstream economic theory by redefining ownership and reclassifying the factors of production with the intent of improving functional distribution. It then provides a just and equitable solution by adopting uniquely effective Islamic redistributive measures. This undertaking leads to an entirely different framework for the study of distribution at the micro- and macrolevels in an Islamic economy.

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This research will review the literature on the equitable distribution of income and wealth in an Islamic framework and present a synthesis of numerous Islamic distributive measures.

Philosophical Foundations

According to Islam, the universe was created by God. Humanity, which represents the best of His creation, was created to serve as His vicegerent on earth and, in order to accomplish this trust, was endowed with sufficient faculties and resources within divinely ordained constraints:

It is We Who have placed you with authority on earth, and provided you therein with means for the fulfillment of your life. Small are the thanks that you give. (Qur'an 7:10)

As God has provided sufficient means for fulfilling all "genuine" human needs, there is no scarcity of resources in an absolute sense. Keeping this fundamental fact in mind, it can be concluded that economic problems result from a lack of effort or mismanagement of existing resources by humanity. Islam solves this problem by teaching that not every "want" is valid and deserves to be fulfilled. Instead, it emphasizes the fulfillment of "needs."

From the Islamic point of view, God is the real owner of wealth, and humanity has been entrusted with looking after it as a test:

Believe in Allah and His Apostle and spend in charity out of the (substance) whereof He has made you heirs (or trustees). For those of you who believe and spend (in charity), for them is a great reward. (Qur'an 57:7)

and:

It is He Who has made you (His) agents, inheritors of the earth. He has raised you in ranks, some above others, that He may try you in the gifts He has given you. For thy Lord is quick in punishment, yet He is indeed Oft-forgiving, Most Merciful. (Qur'an 6:165)

As the trustee, humanity is responsible for making the best and most effective use of these resources in ways that are acceptable to God. He has made these ways known through the Prophet Muhammad. Individuals will be held accountable in the hereafter for how they managed this trust:

But seek, with (the wealth) which Allah has bestowed on you, the home of the Hereafter. Nor forget your portion in this world, but

do good, as Allah has been good to you, and seek not (occasions for) mischief in the land, for Allah loves not those who do mischief. (Qur'an 28:77)

and

Give them something yourselves out of the means which Allah has given to you. (Qur'an 24:33)

These verses imply that God, as the real owner of all creation, has the right to command an individual to give a specified portion of his/her personal wealth to another person. It also implies that God may forbid an individual to use his/her personal wealth in a specific way so that social evils and other negative events and ideas will not harm society.

Because God created the first man, Adam, and then created all human beings from him, all human beings are brothers and sisters irrespective of color, language, territory, or other artificial and man-made distinctions. This Islamic belief of universal brotherhood creates a strong feeling of mutual respect and cooperation in the cause of universal human welfare. It negates absolutely the justification for any type of discrimination and makes it clear that each person has individual as well as mutual rights and responsibilities.

Islam recognizes the role of an Islamic state in creating and maintaining harmony, balance, and discipline in the individual's exercise of his/her ownership rights in their individual and social frameworks. To do this successfully, the state requires adequate financial resources and, hence, ownership rights. The following principles, which have been derived by Muslim jurists and lead to ideal Islamic ownership patterns, are designed to minimize potential conflict between individual and social interests and thereby prepare the ground for the equitable distribution of resources.

First, the nature of the duties and responsibilities placed on the individual, society, and state necessitates that each has ownership rights. Second, one entity's exercise of its ownership rights must not clash with those of the other entities in such a way that the latter cannot exercise their legal ownership rights. No entity has the right to interfere in the property rights of another entity, except in the case of the state, which is obligated to do so if the greater good of the society demands it. Third, the state, as a symbol of God's vicegerency and the people's representative, is given special rights and authority over an individual's property to ensure that all property is used according to the socioeconomic objectives of the Islamic system. Fourth, if the state interferes with an individual's private property rights to achieve certain Islamic socioeconomic objectives and in a way that is not considered unjust, the individual must accept it. In such a situation, the state is legally required to provide just compensation. Fifth, the decision regarding the amount of state resources and the degree of inter-

vention in an individual's property rights must be reached through mutual consultation (*shūrā*) and must abide by the conditions laid down in the Qur'an and the Sunnah. Sixth, all natural resources (i.e., water, pasture, and fire) are for everyone to use in order to meet his/her genuine needs.

God has granted humanity the ability to choose freely between right and wrong so that the test associated with its trusteeship of resources will be meaningful. But human beings have not been created exactly alike:

He had raised you in ranks, some above others: that He may try you in the gifts He hath given you. (Qur'an 6:165)

As a result of this, Islam does not favor complete economic equality. In fact, some socioeconomic inequality is quite natural for the efficient functioning of a society, for without this element a society would be inactive. But this justification for socioeconomic inequality does not mean that Islam recommends extreme inequalities in income and wealth. Rather, what Islam prescribes is efficiency-based production and extremely effective large-scale equitable distribution.

Four Objectives

The following four objectives of the Islamic distributional scheme are based on the fact that Islam, as a complete code of life, guides humanity in all aspects of life and harmonizes the social and economic aspects in order to avoid socioeconomic disorder.

First, the achievement of the pleasure of God by establishing the dominance of His word throughout the world is the ultimate objective of the Islamic distributional scheme, which is instituted for humanity's eternal spiritual and material welfare.

Second, the Islamic distributional scheme seeks to achieve socioeconomic justice and equity. To realize its ultimate goal of creating and maintaining an ideal atmosphere of peace and tranquillity, Islam ensures social justice by applying the principle of the equality of all individuals in the eyes of the law and by providing equal opportunity for all and without discrimination. The end result of this is an exploitation-free atmosphere characterized by Islamic brotherhood. Without social justice, there arises class conflict and the subsequent inability to achieve peace, prosperity, and development. However, providing social justice alone is meaningless—there must also be economic justice based on the equitable distribution of income and wealth. Since all individuals are not equal in terms of their natural faculties, material resources, and actual contributions to the production process, Islam entitles everyone to a just reward based on one's contribution to the production process.

Third, the eradication of extreme inequalities in personal income and wealth is another goal. Although Islam recognizes income inequality based on different productive contributions, this inequality is confined

within natural limits by prohibiting and eliminating such social and economic evils as producing harmful goods and services, interest, speculation, artificial monopolies, profiteering through unfair prices, tampering with the measuring and weighing instruments, false advertising, fraud, and by imposing *zakat*, *'ushr*, and other distributive tools. In fact, the Islamic goal of economic justice means the equality of economic opportunity for all on the basis of "competition with a cooperative spirit." Such an attitude negates all types of exploitation and conforms to the Prophet's saying: "Do not injure, and do not inflict injury."¹

There is a consensus among Muslim economists that guaranteeing the fulfillment of basic human needs is the most important goal of the Islamic distributional scheme. Thus, all individuals must be helped to meet such basic needs as food, clothing, shelter, medical care, and education through an Islamic distributional scheme.

The Islamic Approach

Islam guarantees the equitable distribution of income and wealth by means of a realistic approach that recognizes the coexistence of the rich and the poor. Its response to economic inequality is to advise Muslims not to be jealous of those who have more wealth and to implement several redistributive measures that transfer part of the wealth of the rich to the poor. In exchange, the rich experience a positive utility in giving away part of their wealth in the name of God, Who has promised a tenfold reward in the hereafter. In fact, Islam ensures distributional equity first at the level of natural resource allocation, then at the level of functional distribution, and finally at the level of personal distribution.

Equity in Distribution. Islam ensures an equity-based ideal allocation of natural resources through the institutional arrangement of social ownership. This arrangement is derived from two understandings: All of creation belongs to God, and the spirit of the Shari'ah implies that when a right belonging to God is mentioned in the context of ownership rights and usufruct rights, it means that this particular right belongs to the community as a whole. It is referred to, therefore, as a public right.

Social ownership allows all citizens of the state to participate in the ownership of natural resources (i.e., rivers, river banks, streams, and local hunting places) and natural resources that do not result from human effort (i.e., natural water reservoirs and pastures). Such a partnership is based on the Islamic belief that an object of common utility must be kept in the custody of society, while other goods can be owned by individuals. According to the Prophet: "People are partners in three things: water, pastures (or grazing), and fire."² The right of partnership in fire means that people have a legal share in fire for cooking meals and burning candles, in the trees of nonowned forests and thickets, and in coal-like stones used for kindling fires. Some jurists argue that "fire" encompasses such energy sources as oil and gas.

Islam prohibits the restriction (*himah*) of naturally available objects of social ownership, except for the cause of God and the Prophet: "There is no enclosure except for Allah and His Prophet."³ The prohibition of enclosure, of course with the above-mentioned exception, illustrates the Islamic principle of the social ownership of natural resources. Restricting or safeguarding the social interest, for example by keeping people off land that was previously used by them in order to restrict its use for the Islamic state, is allowed. In this context, Abū 'Ubayd reported that 'Umar ibn al Khaṭṭāb said: "I swear in the name of Allah that if there were not these animals (held by Islamic state) to be used by me for providing a ride to the Mujāhidīn (the Muslims who fight the holy war) I would have not restricted (even) an area of land equal to a square of the length of one's hand."⁴

Keeping in mind the state's special responsibilities, Islam has guaranteed the permanent right of restriction only to the state in its pursuit of social welfare, such as in the case of land needed for building a dam. Islam grants ownership rights of agricultural land to individuals who, with prior state permission, start working it with the intent of reviving unowned and uncultivated barren land. In this way, Islam ensures the most effective use of barren land. If such land is kept barren for three years after the state has granted ownership rights, its ownership is given to someone else.

Equity in Functional Distribution. Islam recognizes that factors of production have a primary right in income generated by the production process. From the Islamic point of view, each factor of production is entitled to its due share of income according to its contribution to the production process. Equity and balance in the functional distribution of income is ensured through the following rules. First, interest (*ribā*) and interest-bearing transactions are forbidden: Any interest connected with debt (when money is loaned from a bank or an individual, for example, with the understanding that the principle plus interest will be paid back over a specified period of time) is forbidden. According to 'Uthmān ibn 'Affān, the Prophet said: "Do not sell one dinar for two dinars and one dirham for two dirhams."⁵ In the case of barter, this refers to one who loans goods from someone else with the understanding that he/she will return the original amount of goods and then some more. This is also forbidden:

Mālik ibn Aws ibn al Ḥadathān reported that the Prophet said: "Exchanging silver for gold (has an element of) interest in it, except when (it is exchanged) on the spot; and wheat for wheat is interest unless both are handed over on the spot; barely for barley is interest unless both are handed over on the spot; dates for dates is interest unless both are handed over on the spot."⁶

Other economic activities that are forbidden are profiteering (the economic exploitation of customers by charging higher-than-legitimate prices

in order to earn higher profits), and benefitting financially from such forbidden business activities as producing alcohol and pork products.

Factors of production that provide definite services but are not consumed in the production process, such as employees, are entitled to a pre-agreed fixed wage in exchange for their services. This wage should be based on the principle of a minimum wage sufficient to meet the basic needs of all members of society. Similarly, land and those related means of production that are used in the production process but retain their original and external forms and that can be rented and leased, such as machines, are subject to preagreed fixed rental rates. As for renting a piece of cultivable land, al Qaraḍāwī pointed out that some jurists allow the leasing land to the cultivator in exchange for a fixed quantity of money, gold, or silver. Other jurists, basing their opinion on the Prophet's reported prohibition of renting land for money, say that this is forbidden. In this context, al Qaraḍāwī concluded that the Prophet prohibited the renting of cultivable land in exchange for a fixed quantity of crops, for this would guarantee the landowner a fixed return, irrespective of what happens to the land or the crop, and would result in the lessee bearing the risk of gain or loss alone. The Prophet, however, allowed sharecropping in terms of proportions of one-third, one-fourth, and so on, as such arrangements are considered fair and equitable.

Capital includes all means of production that provide indefinite services or those not known in advance and that are consumed wholly or altered completely during the production process. As a result, they cannot be rented in exchange for a prefixed return, such as interest. Due to the possibility of profit or loss being associated with the outcome of production process, the owner of the capital must bear the same risk as the entrepreneur. Thus, profit is not prefixed in terms of interest, which is why Islam has forbidden interest and all interest-based transactions.

Although this Islamic classification of production factors does not include the entrepreneur as an independent factor of production, it does recognize his/her existence. From the Islamic point of view, the ability to face risk should be associated with the capital itself. If an individual wants to invest capital in a certain business or in someone else's business, he/she must face the risk of profit or loss and not make a risk-free profit.

Islam avoids interest and ensures an equitable functional distribution of income by recommending three forms of production: private, partnership (*mushārikah*), and mutual cooperation (*muḍārabah*). In a private venture, the individual invests his/her money, faces the risk alone, and bears full responsibility for any loss. In a partnership, the organization is based on a cooperative agreement under which two or more investors provide funds for a joint-production enterprise and are entitled to participate in its management if they want to. Any profit is distributed among the partners according to preagreed ratios, and any loss is borne by each partner according to his/her capital contribution. In a mutual cooperation organi-

zation, capital is provided by one party while production is managed by the other party. Any profit is shared by the two parties according to pre-agreed ratios, and any loss that is not caused by the manager's negligence or violation of the terms of contract is borne by the investor.

Equity in Personal Distribution. Islam also seeks equity in the personal distribution of income and wealth for those who cannot participate actively in the production process: the elderly, orphans, and widows or those who have been affected by forces beyond their control (i.e., prevailing large-scale unemployment or natural disasters). As socioeconomic justice demands that their basic needs be financed, Islam has given the poor secondary rights to the wealth of the rich—defined as those whose income level and accumulated wealth is more than enough (according to Islamic criteria) to meet their basic needs—in terms of *zakat*, *'ushr*, inheritance, social welfare taxes, and other related items. This type of distribution, referred to as personal distribution, ensures social security and ultimately strengthens the Islamic restrictions imposed on the concentration of wealth by prohibiting interest and similar institutions and business practices.

In this context, Siddiqi⁷ points out that each individual is responsible for meeting his/her personal needs through his/her income from functional distribution. Islam requires everyone to be economically self-sufficient and discourages an able-bodied person from becoming a social burden, as implied by the following hadith:

He who seeks the world lawfully to refrain from begging, to cater to his family, and to be kind to his neighbor, will meet Allah with his face shining like the full moon.⁸

If an individual really cannot participate in the production process, he/she is to be cared for by others in the following order: one's near relatives, the people in his/her neighborhood, society in general, and, as a last resort, the state. An Islamic society that fails to provide a humane standard of living to the needy does not deserve to be called Muslim for, according to the Prophet: "One is not a true Muslim if he/she eats his/her fill while his/her next door neighbor is hungry."⁹

To deal with this problem, the Islamic system established a public treasury (*bayt al māl*) to meet the basic needs of the poor. Its traditional revenue sources and methods of distribution are described below.

Zakat. Understood as the purification and growth of wealth, *zakat* is the most important Islamic financial institution established for the socioeconomic welfare of humanity. Those who are able to pay must do so:

And be steadfast in prayer; and pay *zakat* (i.e., practice regular charity); and bow down your heads with those who bow down (in worship). (Qur'an 2:43).

Obedying this command is considered an act of worship and is regarded as one of the five pillars of Islam, and refusing to abide by it is equivalent to renouncing belief in Islam. Zakat must be paid by those individuals who possess 21 ounces of silver or 3 ounces of gold for one complete year. Zakat is also levied on wealth in the form of cattle, trade goods, and agricultural produce (*'ushr*).

The most important and unique feature associated with zakat is that only select people are entitled to receive it:

Alms are for the poor, the needy, those employed to administer (the funds), those whose hearts have been (recently) reconciled (to Truth), those in bondage and in debt, in the cause of Allah, and for the wayfarer. (Thus is it) ordained by Allah, and Allah is full of knowledge and wisdom. (Qur'an 9:60)

An important implication of this verse is that Islam, by declaring that slaves could receive zakat, was the first religion to make it possible for slaves to purchase their freedom by paying out of their zakat receipts the amount of money demanded by their masters.

The amount of zakat that must be paid depends upon the following classification: Agricultural produce of land irrigated by rain: 10 percent; agricultural produce of land irrigated by an artificial irrigation system: 5 percent; gold, silver and cash (i.e., idle money) balances: 2.5 percent; trade goods: 2.5 percent; mineral output: 2.5 percent; treasure-troves (i.e., gold, silver, money, and other valuable items found in the ground or elsewhere whose owner is unknown): 20 percent; and factory assets, including inventory and raw materials, but excluding machines and related equipment: 2.5 percent.

'Ushr is also levied on agricultural produce according to the following verse:

It is He Who produces gardens, with trellises and without, and dates, and tilth with produce of all kinds, and olives and pomegranates, similar (in kind) and different (in variety). Eat of their fruit in their fruit in their season, but render the dues that are proper on the day that the harvest is gathered. But waste not by excess, for Allah loves not the wasters. (Qur'an 6:141)

Zakat and *'ushr* rates were determined by the Prophet. Since human labor is comparatively less involved in agricultural production (as one seed sown in the land is transformed into many grains through the grace of God) the rate of zakat on agricultural produce is 10 percent instead of 2.5 percent. This levy is due only on those lands subject to *'ushr*. The rate of *'ushr* on the produce of naturally irrigated land (i.e., rain, rivers, and streams) and on wild fruit is one-tenth of the total produce, while for crops grown on artificially irrigated land (i.e., well water and reservoirs)

it is one-half of the one-tenth of the total agricultural produce. This tax is applied to the total agricultural produce before deducting expenses for its cultivation, and the cultivator is responsible for paying it either in cash or in kind. Its beneficiaries are the same as those who benefit from zakat.

Sadaqat. The Qur'an mentions zakat, *ṣadaqat*, and *infāq* in the context of alms and charity to the poor. These distributional measures seek the moral upliftment of Muslims through the purification of their wealth and souls. The beneficiaries of *ṣadaqat* are the same as those of zakat. While zakat is obligatory on all Muslims, Islam has prescribed obligatory *ṣadaqat*, for example *ṣadaqat al fiṭr* (2.5 kilograms of wheat or its market value in monetary terms, to be given to the poor before the 'Īd al Fiṭr) as well as distributing voluntary *ṣadaqat* in the name of God to achieve His pleasure for the success in this world and in the hereafter. This latter practice is recommended strongly:

Those who (in charity) spend of their goods by night and by day, in secret and in public, have their reward with their Lord. On them shall be no fear, nor shall they grieve. (Qur'an 2:74)

The Beautiful Loan (Qarḍ al Hasanah). This type of loan involves no interest or return and designs the repayment schedule to suit the borrower's economic conditions. Islam urges those who can provide such loans to the poor to do so:

And Allah said: I am with you: if you (but) establish regular prayers, practice regular charity, believe in My apostles, honor and assist them and loan to Allah a beautiful loan. Verily I will wipe out from you your evils, and admit you to gardens with rivers flowing beneath. But if any of you, after this resists faith, he has truly wandered from the path of rectitude. (Qur'an 5:12)

Lending Domestic Utensils and Professional Instruments. This practice is recommended strongly. Ibn Hanbal even declared that it is obligatory. The following compulsory distributional measures are ordered by Islam to ensure equity on the level of personal distribution and to generate additional revenues for the public treasury (*bayt al māl*), which is required to spend its resources for social welfare needs. It is important to note that the public treasury, as an Islamic financial institution,¹⁰ has played a uniquely successful role throughout history in achieving the equitable personal distribution of income and wealth.¹¹ The treasury's trustee, the caliph, was responsible for collecting its revenues and was accountable for all that was spent.

Inheritance. As everything belongs to God, humanity is obliged to follow the uniquely comprehensive set of inheritance regulations issued by

God and His Prophet. The Islamic law of inheritance presents an ideal pattern of the equitable distribution of the deceased's wealth:

From what is left by parents and those nearest related there is a share for men and a share for women, whether the property be small or large, a determinate share. (Qur'an 4:7)

Allah (thus) directs you as regards your children's (inheritance): to the male, a portion equal to that of two females; if only daughters, two or more, their share is two-thirds of the inheritance; if only one, her share is a half; for parents, a sixth share of the inheritance to each if the deceased left children; if no children, and the parents are the (only) heirs, the mother has a third; if the deceased left brothers (or sisters), the mother has a sixth. (The distribution in all cases is) after the payment of legacies and debts. You know not whether your parents or your children are nearest to you in benefit. These are settled portions ordained by Allah, and Allah is All-knowing, All-wise. In what your wives leave, your share is a half if they leave no child; but if they leave a child, you get a fourth after payment of legacies and debts. In what you leave, their share is a fourth, if you leave no child; but if you leave a child, they get an eighth after payment of legacies and debts. If the man or woman whose inheritance is in question has left neither ascendants nor descendants, but has left a brother or a sister, each one of the two gets a sixth; but if more than two, they share in a third, after payment of legacies and debts, so that no loss is caused (to any one). Thus is it ordained by Allah, and Allah is All-knowing, Most forbearing. Those are limits set by Allah. Those who obey Allah and His Apostle will be admitted to gardens with rivers flowing beneath, to abide therein (for ever) and that will be the supreme achievement. But those who disobey Allah and His Apostle and transgress His limits will be admitted to a Fire, to abide therein, and they shall have a humiliating punishment. (Qur'an 4:11-14)

They ask you for a legal decision. Say: Allah directs (thus) about those who leave descendants or ascendants as heirs. If it is a man that dies, leaving a sister but no child, she shall have half the inheritance; if (such a deceased was) a woman who left no child, her brother takes her inheritance. If there are two sisters, they shall have two-thirds of the inheritance (between them). If there are brothers and sisters, (they share), the male having twice the share of the female. Thus does Allah make clear to you (His law), lest you err. And Allah has knowledge of all things. (Qur'an 4:176)

The broad outline of the Islamic principles of inheritance has been given in the Qur'an, and its details have been worked out through interpretation and analogy in light of the Qur'an and the Sunnah of the Prophet and his Companions. Its general principles are derived from the Qur'an and the Prophet.

Wills. An individual can dispose of only one-third of his/her property by means of a will, for the remaining two-thirds must be allocated among his/her prescribed heirs according to their legitimate share. This principle is based on the following hadith:

Abu Umāmah al Bāhili reported: I heard Allah's Messenger say during the course of his sermon in the year of the Farewell Pilgrimage: "Verily Allah has assigned to every one who has a right what is due to him. So no will is lawful in favor of an heir." Humaid ibn Abd al Raḥmān al Himyarī reported from three of the sons of Sa'ad, all of whom reported from their father, that Allah's Apostle visited Sa'ad when he was ill in Makkah He (Sa'ad) said: "Allah's Messenger, I own a large property and I have only one daughter as my inheritor. Should I not will away the whole of my property?" He said: "No." He (Sa'ad) said: "(Should I not will away) two-thirds of the property?" He said: "No." He (Sa'ad) said: "(Should I not will away) half (of my property)?" He said: "No." He (Sa'ad) said: "Then one-third?" Thereupon he said: "(Yes), one-third, and one-third is quite substantial. And what you spend as charity from your property is *ṣadaqah*, and your spending on your family is also *ṣadaqah*, and what your wife eats from your property is also *ṣadaqah*, and that you leave your heirs well off." He said: "It is better to leave them prosperous than leave them (poor and) begging from people. He pointed thus with his hands."¹²

If someone discovers that he/she is suffering from a fatal illness, he/she cannot transfer one-third of his/her current wealth to someone else.

The inheritance is distributed among the heirs after taking care of the deceased's legacies, debts, and funeral charges. Legacies are not allowed to be left as a responsibility for any one or more heirs, because such an arrangement would distort their legal shares due to the unfair preference of some heirs over others. A male, in general but not always, is entitled to a share that is twice that of a female in his own category. Orphans and indigent people who live in the deceased's locality should be given something from the inheritance as charity. In return they are expected to pray for the success of the deceased person in hereafter. In addition, a Muslim is not allowed to inherit from a non-Muslim, and a non-Muslim is not allowed to inherit from a Muslim.

It is important to note that the share to be inherited is directly proportional to the individual's nearness to the deceased. Hence, comparatively close relatives are entitled to a greater share than more distant ones. In fact, Islam has declared a wide circle of heirs so that the wealth accumulated by the deceased is distributed swiftly among all eligible individuals. If the deceased leaves behind no near or distant relatives, the wealth goes to the public treasury, which will channel it to the needy and use it to provide social goods and services. In short, implementing the Islamic law of inheritance strengthens the continuous process of wealth redistribution through zakat, *'ushr*, *ṣadaqat*, and other similar practices.

Land Tax. This tax, known as *kharaj*, is imposed on land conquered by Muslims. All owners, whether a child, an orphan, an adult, a free man, a slave, a Muslim, or a non-Muslim, must pay it. Its rates are based on the land's tax-bearing capacity. Hanafi scholars have declared the maximum capacity to be 50 percent of the land's entire natural produce.

Revenue from Public Domain (Kira al Ard al Mumlikah). A large part of the public domain is leased to individuals in return for a percentage of the crop grown or cash. It consists of lands owned by people who died intestate, unclaimed lands, and one-fifth of the lands conquered by the Muslims.

Poll Tax. This tax, known as *jizyah*, is a reasonable poll tax received by the public treasury from those non-Muslim citizens who have entered into a covenant with the Muslim government and are therefore entitled to its full protection. In exchange, they enjoy all human rights and are allowed to decide their own affairs. The state, according to the terms of such a treaty, guarantees the protection of their life, honor, property, and places of worship. *Jizyah* is based on the following verse:

Make war upon those who believe not in Allah nor in the Last Day, nor hold that forbidden which has been forbidden by Allah and His Apostle, nor acknowledge the religion of Truth, (even if they are) of the People of the Book, until they pay the *jizyah* with willing submission, and feel themselves subdued. (Qur'an 9:9)

Twenty percent of the booty obtained during war must be deposited in the public treasury:

And know that out of all the booty that ye may acquire (in war), a fifth share is assigned to Allah and to the Apostle, and to near relatives, orphans, the needy and the wayfarer. (Qur'an 8:41)

This percentage is also applied to any treasure and mineral wealth extracted from the earth.

Fay. If a non-Muslim army deserts the battlefield, thereby leaving behind their land and other resources, or if an Islamic army conquers a non-Muslim country without fighting and obtains its wealth, all of the wealth captured without fighting (*fay*) must be deposited in the public treasury and spent for the social welfare. The property of a Muslim who leaves Islam, as well as property that remains unclaimed after one year of advertisement, must also be deposited.

Custom Duties and Tolls. Known collectively as '*ushr*', these taxes were imposed on imports and exports during the caliphate of 'Umar. They ranged from 2.5 percent to 5 percent, respectively. In the case of non-Muslim traders of a country at war with the Muslims, the rate was equal to that imposed on imports and exports by the enemy country on the Islamic state's Muslim traders.

Additional Taxes. In addition to these sources of revenue, others may be introduced to meet extenuating and special circumstances. Such taxes are to be temporary, for when the need for them no longer exists they must be canceled. In fact the Islamic state, as the social welfare maximizing agent of its inhabitants, has the right to impose additional taxes in extenuating circumstances for safeguarding the interests of the individual citizens and of the society as a whole: "They ask you as to what they should spend. Say what is left over" (Qur'an 2:219). This verse, revealed in the context of determining an appropriate amount of one's private spending in the way of God for the welfare of numerous social groups, enjoins Muslims to spend what is over and above their genuine needs for the welfare of the less fortunate.

The following hadith also provides a clear basis for imposing additional taxes when necessary: "In your wealth are also obligations beyond the zakat."¹³ The conditions that must be met are: a) there must be fairness, justice, and equality in taxation—only those who can pay should be taxed according to the rate laid down in the Shari'ah; b) taxes must be economical and well-balanced in the sense that they are assessed only to the extent necessary for protecting legitimate interests; c) the tax system must be simple and clear, so that every one can easily know his/her tax liability and the payment procedure; d) taxes must be imposed on wealth that has the potential to increase over time; e) must be temporary; and f) based on the mutual consultation and mutual consent of the concerned parties.

The Transmission Mechanism

Islamic distributive and redistributive measures play an important role in evolving a distinct Islamic transmission mechanism consisting of households, private investors, the government, and the voluntary social welfare sector. The expenditures of this latter sector are financed voluntarily by

Muslims in the form of *ṣadaqah*, *infāq*, gifts, inheritance, and wills.

This mechanism appears to be a two-stage transmission process by which an increase in the magnitude of various components of aggregate demand results in an increase in equilibrium income due to the implementation of Islamic distributive and redistributive measures. In the first stage, social welfare-oriented investments undertaken by the voluntary sector, along with the increased private investment induced by partnership and joint ventures that increase investment and labor employment opportunities and thereby increase the people's income and consumption, leads to an increase in aggregate demand. Producers respond to the increased aggregate demand by producing more, which results in output equilibrium, employment, and increased income. In the second stage, applying the Islamic redistributive measures enables the economy to experience a higher degree of equitable distribution, for the institutions of zakat and *'ushr* increase the income of the poor. And because of the fact that, in general, the marginal propensity of the poor to consume is higher than that of the rich, there occurs a net increase in aggregate consumption and hence a net increase in aggregate demand after paying zakat. Consequently, equilibrium output, employment, and income increase further and thereby reinforce the investment growth, employment, and individual output and income started in the first stage. In addition, it achieves the goal of an equitable distribution of resources.

Conclusion

This detailed review gives rise to the following impressions: the Islamic scheme of equitable distribution a) is based on a long-term institutional approach that is totally consistent with the goals of the Islamic system; b) encourages a decentralized framework of distribution from the point of view of efficiency; c) consists of a set of compulsory (i.e., zakat), voluntary (i.e., *ṣadaqat*), permanent (i.e., zakat and *'ushr*), and temporary measures (i.e., *ṣadaqat al fiṭr* and inheritance). Permanent distributive measures take care of the permanent needs of the poor, while temporary distributive measures finance their needs in extraordinary circumstances; d) ensures an ideal pattern of distribution wherein all aspects of individual as well as social life reflect Islamic values; e) is broader than other schemes, for it not only seeks to eliminate poverty but also to maximize social welfare by relieving all types of economic hardships. An example of this is the provision of financial support to needy travelers, debtors, and students.

Islam applies a comprehensive set to many minor and major distributive measures, the cumulative impact of which leads to a substantial transfer of wealth from the rich to the poor. Islamic distributive measures, being multipurpose, not only achieve economic growth, reduce extreme economic inequalities, and ensure economic justice, but also enable the state to achieve political stability and social integrity based on mutual confi-

dence, peace, prosperity, and development. In short, Islamic distributive measures provide sufficient resources to the public treasury, and these resources are allocated for the welfare of individuals as well as the society as a whole.

Thus it can be concluded that the Islamic approach to the distribution of income and wealth is unique. It presents an ideal pattern of equitable distribution by applying a universal humanitarian approach based on the Islamic principles of mutual help and cooperation in a global perspective. As a result, Islamic distributive and redistributive measures ensure equity and justice in the functional as well as in the personal distribution of wealth and guarantee an ideal level of spiritual and material welfare, peace, prosperity, and development for humanity in this world and in the hereafter.

Endnotes

1. Ibn Mājah, *Sunan Ibn Mājah* (Egypt: 'Isā Ḥalabi and Co.), 2:784.
2. *Ibid.*, 2:826.
3. al Bukhārī, *Ṣaḥīḥ al Bukhārī* (Karachi: Asaah al Mutal'ai, 1961), 1:319.
4. Abū 'Ubayd, *Kitāb al Amwāl* (Lahore: ak Maktabat al Asariah, n.d.), 294.
5. Muslim, *Ṣaḥīḥ Muslim* (Karachi: H. M. Saeed Co., n.d.), 2.
6. *Ibid.*
7. Munawar Iqbal (ed.), *Distributive Justice and Need Fulfillment in an Islamic Economy* (Islamabad: International Institute of Islamic Economics, 1983), 262.
8. al Tabrāzī, *Mishkat al Maṣābiḥ* (Damascus: al Maktab al Islāmī, n.d.), 2:658.
9. Ibn Hanbal, *Masnad Ibn Hanbal* (Beirut: Dār al Fikr, n.d.), 1:55.
10. Afzalur Rahman, *Economic Doctrines of Islam* (London: Muslim Educational Trust, 1986), 1:122-44.
11. M. A. Mannan, *Islamic Economics: Theory and Practice* (Delhi: Idarah-i Adahiyat, 1980), 36-39.
12. al Bukhārī, *Ṣaḥīḥ al Bukhārī* (Karachi: Asaah Al-Mutal'ai, n.d.), 2:806.
13. al Tirmizī, *al Jamā' i li al Tirmizī* (Faisalabad, Pakistan: Ziaul Sunnah, n.d.), 2:22.
14. In fact *mudārabah*, a cooperative venture between the unemployed-noncapitalist-skilled worker and the unable-to-work capital owner, and *mushārikah*, a cooperative venture among owners of small amounts of capital, leads to the employment of previously unemployed physical and human capital. This enables investors, producers, and consumers to enjoy economies of scale and leads the Islamic economy to a state characterized by a higher level of overall investment, employment, income, and aggregate demand.