

Capitalist Vs Islamic Law, Differences and Contradictions: A Content Analysis

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Abstract: This study presents analysis of the capitalists' economic structure and that of the Islamic laws prevailed in the Islamic tradition. It is obvious that capitalism is based on the production of material goods and services, making regular exploitation of the manpower working as labor class. Few, as analyzed in the literature are governing the large population for their own selfish motives and to gain the surplus value in return. With the change in the economic tradition in the western world, however, it has drastically changed the important values in the Islamic economic traditions as well as the process that is important for the structuring and restructuring of the industrialization. The capitalist tradition under the patronage of more and more production have exploited the workers class to the extent that they remain dependent forever while the Islamic tradition of the economic system distribute the economic gains as per the laws and rules enacted in the Islamic Sharia.

Key Words: Sharia, Islam, Capitalism, industry, poor, surplus value

INTRODUCTION

An economic system generally describes the organization, distribution as well as related services among people living in a society (Scherer, 2010). This not only includes the allocation of resources, the mean of production, distribution of goods, capital and related services but also includes all the political, socio-cultural, and related system of the society (Amalia, 2008). As a system, capitalism (more particularly, the

free-market economic system) refers to the system of economy that is run by private owners, while the economy is control by few in the private order of ownership (Itang, 2016). In this system, the capital (means of production and distributions) are controlled by the capitalist class rather than the state (Mellina&Ghozali, 2018). It this sense, capitalism encompasses private enterprises, economic freedom, competition, profit, wealth accumulation, and less intervention of government to control the profit and trade in the country(Con, 2018).

Relevant research studies have shown that it was during industrial revolution (after 1764), the Scottish economist, Adam Smith, paved the way of modern capitalism by introducing his book “*Wealth of Nations*” ((Smith, Adam,1776, Hidayat, 2014), and promulgated his theory, while the French revolution not only resulted in the destruction of feudalism, but it also provided all the means to changed the scenario in favor of capitalism and ultimately the older economic systems were overthrown and dominated by this new economic system (Hidayat, 2014).

Later on, with the advent of cold war through its end, the western imperialism sustained to make monopolist views for establishing the world economic system(Muslim, 2012).The expansion of capitalism continued and in its recent report (2021) the World Economic Freedom Report 2021 declared that more than 152 states have established economic system based upon the capitalistic economic principles around the world (Hidayat, 2014). The promoters of capitalism are of the opinion that such economies are more open towards open competition, free market access and thus believes on the quality production to attract the customers with low price(Amalia,2005). Further, it has also been reported that capitalism could bring new innovations, make people creative with the inculcation of hard-working conception to develop the society at large with no intrusion or lesser intrusion from the state. However, despite all these claims and arguments in favor of capitalism, it has been recognized as detrimental for the lower section of society.

Despite significant benefits of the capitalist economy, the most and drastic facet of this system as argued by Itang, (2016) is the division of society into have and have not by dividing them into different classes exploiting them with labor and surplus value(Amalia,2008). Further, the few (who control the economy) are ruling the masses and this majority is minority for making the decision (governed by the elite). The working class is misguided and are exploited them through suppressing trade unions, and thus high value profit is obtained with low wages through the promulgation of the surplus value (in return for very low wages) (Goldin, Claudia, and Lawrence Katz, 2008).

Capitalist economies through using different agenda monopolize the power structure with imperialism and introduction wars by implementing cold wars in the world i.e., cold war between US and Soviet Union that proved to divide the world into two poles during the Afghanistan war (Itang, 2016). Further, it has been noted in the formation of military alliances for grabbing control over the human as well as natural resources of the nation, to control trade by manipulating the war strategies capitalistic economic principles (Hidayat, 2014), and to make the countries dependent on the wealth of the capitalist nations(Con, 2018).

“Broadly speaking, the term “Islamic economics” defines a complete system that prescribes a specific pattern of social and economics behavior for all individuals. It deals with a wide-ranging set of issues, such as property rights, incentive system, allocation of resources, types of economics freedom, system of economic decision-making and proper role of the government. The over-riding objective of the system is social justice and specific patterns of income and wealth distribution and consequently economic policies are to be designed to achieve these ends.”

It has been recorded that Islamic system of economy has been based and consistently derived from the Islamic laws and Islamic jurisprudence (totally based on the principles of Quran, Hadiths and the Islamic traditions that prospered during the time of the Holy Prophet and the followers (Manan, 2012). Islamic economic system is based upon the benefits of humanity, working for the justice of society and well-being of the people based on collective wisdom and responsibility (Mellina, &Ghozali, 2018). Being divinely originated, the system of Islamic economy is providing the necessary component for the establishment of a lucrative economic system based on the prevailing justices needed for the larger society and thus is proved from the establishment of the Baitul Mall (Nengsih,, 2013). Further, the Islamic system also protect the private control over assets, businesses, and further, eliminate the class domination over material gains with the motto to reduce the poverty of masses with equal distribution of wealth by promoting the virtues of Sadaqat, Zakat with the protection of people with non-believers' nature with the social welfare programs. Islamic economic system believes on the provision of social security, provision of employment, social and economic insurance, pensions for the old, aged people, and thus is against the capitalistic and communistic type economies (Mellina&Ghozali, 2018). This paper is about highlighting the system, principles and operation of capitalism towards freedom of individual, liberty to control capital, however, the Islamic law and the system developed for economic prosperity is totally different from that of the modern economic western systems.

Rationale of the Study

In the modern era, much has been debated on the implementation of capitalist ideologies in the world economic systems. Usually, capitalism has been considered as the strongest economic system, however; it has also been recognized as a system which produces economic injustice at large (Amalia, 2008). Studies have shown that the capitalist ideology is replacing the Islamic principles of the economy and the money begets money is increasing with mass exploitation with a wastage of energy, resources and human capital (Itang, 2016). The exploitative nature of capitalism increases the miseries of the common people and also paves the way for one group to become the master of the resources, which remain a source of serious criticism over the capitalist model of economy (Muslim, 2012). The current research is to go investigate the Islamic conception of the economic system and propose a proper mechanism to control and subside the influence of the western capitalism. This study also argues that capitalist economic system is contradictory to the social welfare of the masses as it accumulates economic resources in few hands and results in massive exploitation of the larger society.

Plan of Work/Methods and Procedure

A pure qualitative research approach with library methods has been used to analyze the contents available in the various scripts for analysis and comparison. However, the main focus was on the Islamic law and the law prevailed in capitalist economic structure.

Results and Discussion

Themes one: The source of Islamic Law

The Holy Qur'an

The first and most important source of the Islamic law is the Holy Quran (the primary source). In this context, the analysis of the Quranic Text reveals that almost all human relation has been clearly described by the textual contribution of the Holy Quran while the economic activities as discussed by Mardani (2015) with respect to human being are clearly denoted in the various verses of the Quran. The

economic dealings, the forbidden of interest, writing the transaction among people, the buying and selling of the goods and property has been clearly defined and the worse among people is who refuse the boundaries of the Islamic law (Various Verses of Al-Baqarah, 275 and others).

The concept Sunnah and Ijtihad

The second source of the Islamic jurisprudence after the Quran is dominantly recognized as the Sunnah, which backed the Quranic verses and provides more detailed explanations in terms of rules and regulation. In this context, the Quran clearly explain that "O" believers, obey Allah and obey the Messenger and those in authority among you. And if you disagree over anything, refer it to Allah and the Messenger, if you should believe in Allah and the Day of Judgment. That is the best [way] and best in result." In this context, the Sunnah provides the real explanation regarding the Quranic Ayah for clarification and more suitable direction. The term *Ijtihad* according to Britannica online dictionary is an Arabic word refers to "effort" in Islamic law, the independent or original interpretation of problems not precisely covered by the Quran, Hadith (traditions concerning the Prophet Muhammad's life and utterances), and Ijma (scholarly consensus). The authority for this has been given in the Holy Quran as "And those who have responded to their lord and established prayer and who see affair is [determined by] consultation among themselves, and from what we have provided them, they spend" (Surah Al-Ash-Shuraa:38). This has also been supported by the words of Itang (2016), that *Ijtihad* occurs in the time where the problems legally associated with the Quran and Sunnah but are not clearly given to people.

Islam and the Values Related to Economics

There have been several principles regarding the normative orders regarding the economic laws in the Islamic society. The basic values that are prevailing in the Islamic economic system are associated to the human development, social welfare, and the larger human welfare. Among the dominant values or values above all is the economic values of divinity called the *Ilahiyah* values concerning economies which according to Manan (2012) includes the activities related to production, distribution, consumptions of purely falls in the domain of *Shariah*. Besides divinity, moral values includes those which brings a separation for systems other than Islamic economic systems, and further, the Holy Prophet SAWW has been send to teach the lesson of morality in this regard.

Similarly, other components of the value system may also include the humanity i.e. that each individual must live with other individual treating them as the creation of Allah and must follow the obligation as set by the religion (as stated by Arwani, 2012). Further, person values are also determined, and each individual has been forbidden not to intrude in personal space of other. The middle range has been explicitly depicted to be followed in all the dead for avoiding excessive use of material gains as stated in the Holy Quran (Al-Furqaan:67). On the contrary, there has been differences in relation to the other systems of economies.

Capitalism, Concentration of Wealth and Creation of Classes in Society

Capitalism on the contrary has many components that predict the values which are against the concept of Islamic economy and human social welfare. The major difference is based on the development of classes which divided the society into two major classes i.e. "the have and have not" or generally known as the rich and the poor. According to Thoin, (2015), the division of property and its concentration in few hands makes the society unstable due to reason that capitalism believes on the private ownership of the property creating individualistic philosophy of holding property. The ideology of maximizing the profit becoming fatal for society, as it promote materialistic impulses and thus destroy the social

structure leading towards creating the elitism for the have and poor for the have not of the society(Korten, 1999).Thus, capitalism in its essence and spirit is producing imbalance in society by creating different class systems.

The Concept of Surplus Values and Free Market Economy

The capitalistic economy is surrounded by economic forces that are more concerned about only more profit is the values for survival. The focus is on the individual growth and not on societal growth. Further, the exploitation of the labor class through the promulgation of surplus values remains dominant in running the economy. Regular exploitation continues due to low wages and higher demands from the industry, thus societal welfare is absent, while lack of government intervention in the economy is the major source for creating freedom toward individual control and exploitation (Goodwin, Ackerman, & Kiron, 2013). On the other hand, the market and the economic process is based on the free-market competition attracting the consumers, the service holders, the bankers, the suppliers and all the other stockholders, thus rising an unjust environment (Koerniawan,2012). In conclusion, there has been focus on personal gains, individual control over economic gains, free market competition, surplus value, lack of government control, and promoting classes with materialist attitudes in the society.

Comparative Analysis of Islamic and Capitalist Economy

The textual and contents of the both the system has been analyzed and on the basis of the given evidence, it has been obtained that:

1. The Philosophical Foundations

The sources of the Islamic economic system is from the Holy Quran, Sunna and these are the dominating forces in establishing the economic system in the Islam which is also argued by Muslim (2012) as well discussed in the earlier part of this paper while contrary to the religion, as noted by Edwin (2006), capitalism which is the outcome of the late 17th century is based on human creative laws and is established for certain purposes as well. Similarly, it has been argued that Islamic philosophy which is divine, humanist and is based on social welfare and collective philosophy to provide sound foundation for socio-cultural, political as economic development of the people is contradictory with in such relations to the capitalist economy.

2. The Main Purpose

The main purpose of the Islamic Economic System is individual and collective welfare of the masses. The collective consciousness has been focusing, directing all the economic material towards societal development and promoting sacrifice of money, property and material gains for other. However, on the other hand, the purpose of capitalism is to avoid such purpose and to gain individual welfare on the exploitation of laborers, governments as well as collective consciousness (Hidayat, 2014).

3. Capital Control and promotion of interest

The capital is centralized or at least in the control of the Islamic state divided among the inhabitants of the state through Zakat, Sadaqat, Wazifa from the Baitul-Mal etc. Capital in the form of lawful is encouraged to the maximum if a person has the capacity to produce. However, the capitalist economy is based on the conception of applying to multiply the income and capital through interest as the main source of profit earning which is strictly prohibited in Islamic economic system. Employability and social welfare is the objective of Islamic economy, however individual deprivation is hidden in the capitalist economic structure and according to Sudarsono(2009), with the motive to gain more and more profit through increase interest, personal capital, the increase in unemployment as well as poverty of the masses increase drastically. The study of Adey (2011) also support the same argument and accordingly the capitalist structure has no charity approach and the interest for getting the money

increase individualist control with mass exploitation neglecting the concept of social welfare state.

4. Property, Money and Capital Ownership

Individual is playing a key role in controlling the capital and productive resources in capitalism and the study of Mohammed, (2004) while arguing the capital control in capitalism explicitly denotes that authority on the distribution of goods, services, income sources, as well wealth remain with the person and can be utilized for larger exploitation, however individual absolute power over income resources is the heart of capitalism (Rozalinda, 2014). This conception is contrary to the Islamic values of individual dignity, human rights, social welfare as well societal development. In such cases, economic activities are associated with people, however, absolute liberty is prohibited and gaining money through the use of illegal means is punishable (Martinelli, Harahap, & Zainuddin, 2019). Morality and humanity the obligatory values for the followers and restrictive types of freedom are allowed for the followers as stated by Muhammad (2004). having, using, and utilizing their wealth. The utilization of currency/money according to Nurlaili, (2006) for the exchange of goods and services related to production, however there are multiple usage including buying, selling and even contacting or buying as well (Ilyas, 2016). The capitalist approach is different, and the use of money can be for goods, for commodity as well as many other relations as denoted by Edwin (2006).

Summary and Conclusion

There have been observable facts in comparative analysis of Islamic economic and capitalism. It is obvious that there are differences between the two systems and each system has its own argument and standing structure to support. Islamic system had strong evidence for market economy, investment, and profit for individual to a greater extent. Private ownership is also acceptable in both the systems; however, limitations do exist in certain scenario. However, the basic and foremost difference as analyzed from the contents are the motives regarding profit/private ownership i.e., in the capitalist economy, complete freedom has been given to individual for decisions with no boundaries while contrary to it, Islamic economy is ethically and morally bound even in private ownership and profit. The liberty is authorized with certain limitation not to harm humanity and illegal profit if prohibited. The Islamic economy encourages a balance in the capital accumulation, production, distribution and further encourages control over capital and property to certain extent discouraging the flow of wealth in the hand of few for the non-demonstration of certain class system. The profit making and gaining control over capital to create monopoly of a class is encourage in the capitalism which is against the principal of Islam. The natural process of supply and demand is discouraged in capitalism due to the free and uncontrolled mechanism of state laws. Similarly, the concept of surplus value, the labor exploitation, the class system and the monopolistic mode of production, distribution, and consumption of good and services in capitalism not only create class of have and have not in the society but pave the way for more exploitation of the laborers to produce personal gains and to remain in the policy making process for selfish motives.

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