

Economics and Islamic Laws

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Abstract

The short communication will discuss some economic principles as defined by Abu Hamid Muhammad, Known as al-Ghazali. He was born in 1058 AD, in a district of Khurasan in north-east Persia. His economic theory is anchored on five necessary foundations: Religion, life, family, property, and intellect. Also, he stressed social utility (maslaha), and distinguishes between necessities, comforts, and luxuries.

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Introduction

Imam al-Ghazali used the principle of Islamic law and its aim to propose economic theory. According to al-Ghazali, in an Islamic society there are five essential shariah mandated foundations of proper individual and social life. The five principles are: (1) din, i.e., religion (2) nafs, i.e., life or soul, (3) nasl, i.e. family or progeny, (4) mal, i.e., property or wealth, and (5) aql, i.e., intellect or reason. The principles are the aim of the shariah and focus on achieving benefit for mankind. He stressed Maslahah (literally meaning public or social interest) in his approach to economics. Al-Ghazali emphasized that the goodness of this life and the Hereafter (maslahah al din wa al-dunya) represents the key objective of shariah and this goal is necessarily known from shariah's overall teachings. Ghazali quotes one of the Prophet's (PBUH) sayings, "all creatures are dependents of Allah and the most beloved of them to Allah are those who are most beneficial to His dependents."

Ideology

He recommends neither extravagance nor miserliness but rather a middle course. Therefore, he promoted having success in this life and also in the next. He didn't want the person to be one dimensional. Ghazali stressed ethical behavior in the marketplace and condemned hoarding. He rejects usury and promotes justice, peace, and stability. Al-Ghazali mentioned in the section of Ethics of business and trading in four areas. (1) primacy of work and effort as means of livelihood; (2) learning lawful means of earnings (including lawful businesses and trades, usury, equivalentents in exchange [i.e., "equivalent"

prices and wages], compensation practices, lending and borrowing, partnerships, and shareholding); (3) justice and fairness in earning a living (covers topics such as cheating and fraud, hoarding, counterfeiting, false praises of goods exchanged, hiding defects in goods sold, deceit in business, and exploiting another's gentleness and simplicity in business affairs); and (4) benevolence and piety in business/trading activities.

Imam al-Ghazali discusses the issue of the unlawful nature of charging interest on money as it defers it from its primary function—which is a medium of exchange. He also views the prohibition of interest as an absolute and as part of one's faith.

Although al-Ghazali avoided practical politics, he offers detailed advice and commentary on the affairs of the state and how the rulers should conduct them; indeed, he has little hesitation in chastizing the rulers. He considers the state as a necessary institution, not only for the proper guidance and functioning of society's affairs but for the fulfillment of shariah-mandated social obligations (*furud kifayah*). For al-Ghazali, the "state and religion are the inseparable pillars of an orderly society.

I found the ideas of causality very profound as humans are looking for absolutes. For instance, al-Ghazali said: "The connection between what is habitually believed to be a cause and what is habitually believed to be an effect is not necessary, according to us" [al-Ghazali]. He elaborated this statement by saying that the connection between them that has always been observed from the past experience does not justify that it will always occur in the future. He states that the reason for this is due to God's decree, who

creates that a fresh decree be sent every time. Thus, a previous cause and affect cannot be guaranteed due to divine wisdom and intervention. The importance of this discussion is that this lack of necessary connection between cause and effect is to prove divine intervention. Furthermore, this leads to miracles and things occurring out of the norm. Furthermore, God can intervene in the natural setting of cause and effects. This intervention is referred as a miracle.

We see other well known scholars build on Ghazali's works. David Hume (1711-1776) on *Justifying Induction*, discussed this similar idea of cause and effect. Hume claimed that knowledge cannot go beyond experience. He believed that there was no evidence for cause and effect more than our own correlation between the two events. Therefore, Hume felt, as al-Ghazali mentioned earlier, that observation is the ultimate reference of this justification. However, as al-Ghazali had pointed out earlier, observation is not sufficient of a connection to point our cause and effect.

Margaret Smith says that al-Ghazali's work was very attractive for European scholars. She states that the greatest of these Christian scholars is St. Thomas Aquinas(1225-1274). St. Thomas studied Arabic writers and even admitted his indebtedness to them. He studied at the University of Naples where the influence of Arab literature was predominant. In 1224 Fredrick II established a university in Naples, with the chief intent of introducing Muslim philosophy and science to the West. In his *Summa Theologica* he attempts to reconcile Aristotelian and Muslim philosophy with Christian theology. It is said that Al-Ghazali attempted the same by harmonizing Islamic ethos with

Aristotelian rationalism.

The two shared the same belief that when faith and reason are harmonized, faith always holds supreme. St. Thomas said, “Whatever lies outside the scope of human cognition, it is necessary to resort to scriptures” (Fakhry 1968, 88). Also, on the concepts of cheating, fraud, prices, and other such topics he had similar opinions as Al-Ghazali. St. Thomas states, “It is sinful to have recourse to deceit in order to sell a thing for more than its just price, because this is to deceive one’s neighbor so as to injure him” (summa).

The concept of fraudulent and unlawful trading is also discussed in respect of selling things. First, the seller must disclose the fault in the thing he is selling. St. Thomas then quotes from the Bible, “Thy silver is turned into dross, thy wine is mingled with water”. He states regarding quantity of a thing measured as inaccurate or an unhealthy animal. These concepts are comparable assertions to Al-Ghazali’s works on cheating and just price.

Montgomery Watt said, referring to Islamic scholars such as al-Ghazali, al-Farabi, Ibn Sina, and others, “Though the part they played in stimulating the medieval Christian scholastics is acknowledged, the contributions of these men to the intellectual progress of mankind as whole has not yet been fully appreciated.”

Conclusion

As we see the emerging field of Islamic economics and try to develop new economic theories based on the fundamentals of Islamic ideology, we can start by first

contemplating on the works of the great predecessors such as al-Ghazali. He provided us many principles that we can use in our normative approach to Islamic economics. More importantly, we can use these principles in our personal businesses and finance. I feel blessed to be part of such a profound history of Muslim scholarship and legacy. We live in a world of great wealth inequality and see people struggling with basic necessities. We are witnessing an immense opportunity to develop and apply Islamic economic principles of shared risk, mutual cooperation, and interest free modes of funding. More importantly, we will Inshallah we able to apply the Islamic principles of justice, benevolence, and proper use of resources in achieving maximum benefit and minimum waste.

Allah (swt) knows the best!