

The Islamic Theory of Distribution

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The first step to end the contradictions in the economic structure of society begins with the distribution of economic resources among people. A just social system is one that allows all people to benefit from economic wealth. The Islamic economic system, accordingly, is based upon this criterion.

The first form of economic wealth is the natural resources of the environment. Unjust distribution of economic wealth begins with the problem of ownership of these natural resources. One must know who has the right of ownership of these resources in Islam. Sadr, thus, must develop the theory of distribution of natural resources at two stages: preproduction and postproduction stages, or what he calls primary wealth and secondary wealth, respectively.^[1] His endeavour is to discover the doctrinal basis of Islamic teaching concerning economic ownership.

For him, the study of economics in its empirical sense at this stage is irrelevant to the issue of social justice. In other words, he is building an ideological theory which addresses this issue. The empirical study of economics comes much later to evaluate whether the application of the ideological theory in the realm of life has an adequate basis in reality.

Distribution of Natural Wealth

In constructing the conceptual framework of his theory, Sadr also disagrees with political economists on the scope of economic resources. He disregards capital and labour as parts of economic resources. It is only nature that can be taken into account in the theory of distribution of natural resources. "For capital is, in fact, a produced wealth and not a primary source of production, because it represents, economically [speaking], any wealth which is produced and generated through human labour that can be reinvested in the development of new wealth."^[2]

On the other hand, nature itself is classified into four categories: 1) land; 2) raw material; 3) water; and 4) other natural resources such as living species in the air, sea and on land.^[3] Although the laws of Islam seemingly contain different regulations for each one of these categories, Sadr used his ingenuity to discover the common ground between them, giving his interpretation of what he calls "The General Economic Theory of Islam."

The sole owner of land and raw materials is the Islamic State. People may gain special rights

of ownership if they invest their labour to develop these natural resources, such as cultivating land and mining minerals. Individuals may gain precedence over others for a piece of land or source of minerals which they work.

The special right of ownership may be gained only through labour invested in developing that land or raw material, and such right expires as soon as that development ends.[4] People utilizing these resources must pay property taxes for their use to the Islamic State.

Water, on the other hand, can be owned if it is possessed for economic development. Although the sole proprietor of the natural resource of water is the State, all people have access to it for their use. The only exception is underground water, where the individual who invests his labour to develop its utility has an exclusive right to its use and benefits.[5]

Other natural resources, such as birds, animals, plants and marine life, are publicly owned. These sources of economic wealth may become private property through individual effort.[6]

As such, people, not the State, have the exclusive right to own resources via their labour. They may not lose this right indefinitely, or pay property taxes for their possession.

Based on this view, Sadr concludes that people themselves or, in more concrete terms, their representative government, are the sole and legitimate owner of the natural resources. Individuals may gain special privileges to make use of these resources only through their invested labour to develop these resources. Other types of individual labour, such as the use of force to possess, are not considered legitimate means to ownership.

Specifically, it is only invested human work that has legal significance for ownership of natural resources. Generally speaking, Islam gives individuals the right to own private property only through their continuous effort to develop these resources to benefit society as a whole.

Once private development of these natural resources is suspended, the right of private ownership would cease too.[7] From this Sadr derives the first principle of his theory:

All natural wealth is part of the public sector and individuals gain the special rights to use them only on one ground, that is, labour characterized by development [of these resources] by the direct work [of the individual himself].[8]

According to the above principle, an individual may not use other individuals to develop a natural resource in order to have the right of ownership of a large estate, for example; otherwise they will share the ownership and the benefits of that natural wealth on the basis of their labour. Islam totally rejects the capitalistic principle of individual ownership of vast natural resources on the ground that they are developed by the labour of others.

For the same reason, industries for the development of such natural resources as oil and minerals can be owned and managed only by the State.

Notwithstanding the emphasis on public ownership of natural resources, Sadr introduces the concept of the "priority right of use" of natural economic resources by the individual. He states that those who possess the labour and will to exploit the resources have the right to gain access to them if such exploitation serves public interest.

Distribution of Produced Wealth

Sadr, furthermore, develops an Islamic theory of distribution of produced commodities. Produced wealth is classified into: (1) primary commodities, such as agricultural produce and raw materials; and (2) secondary commodities, which are the primary commodities manufactured into different products.

In both of these stages of production, capital generated from previous economic endeavour as well as the means of production (tools and machineries) take part in the production process in these advanced economic activities. However, contrary to the capitalist theory, each of these components has no share of the product but they gain special rights for their use and their wear-and-tear in the production process.

As mentioned under the previous principle, Islam gives the worker the sole right of ownership of produced goods. However, Sadr realizes that human labour is but one of the components in the production of primary commodities. The other components are the natural environment and the tools which help man in the process of production. The tools, or means of production, according to Sadr, "contain stored up work of previous stages of production that will be exhausted and depleted during their use in the process of production."^[9]

In this case, if the tools are not property of the worker who benefits from their use during the process of production, then the legitimate owner of these tools must get paid for the use of his tools, i.e., the depleted stored up work in the tools.^[10] According to Sadr, herein lies one of the major 'ideological differences between capitalism and Islam.

The former regards the owner of the means of production as the sole owner of the produced commodities, whereas Islam considers only the labourer to have the legitimate claim to the commodities produced. In capitalism, tools get a share of the product because their use, like human labour, represents expenditure of a certain amount of work in the production process. In Islam, tools only assist and aid man to facilitate the process of production; thus, they must be compensated for in rent, not in profit sharing.^[11]

Accordingly, only the labourer has the legitimate claim to the products of his effort. Therefore, it is unthinkable in Islamic economics, states Sadr, for someone to employ others and provide them with rent and tools so that he alone owns the products of their labour.^[12] Likewise,

industries and production units that employ many workers can function in an Islamic State only if they are owned publically.

In Sadr's theoretical vision industrial capitalist production can no way evolve in an Islamic economic system except through State's direct involvement and control in economic development. The State, on behalf of society, which is the sole owner of economic resources, can employ people and pay them only wages for their work and not give them share of the produced commodities.

Furthermore, since the utilization of the economic wealth of the environment is the responsibility of society as a whole-the sole proprietor and beneficiary of natural resources-it gets a share of the produce of primary commodities. The State, in this stage of production, has the right to collect what is known as tasq (income tax) from producers to finance social welfare expenditures and meet the economic needs of the people.[13]

As for the production of secondary commodities, Islam gives the owner of primary commodities the right to establish his claim to final products. The legitimacy of his ownership does not cease because someone aids him in transforming his commodity into different forms. An individual, if he/she owns the raw materials, has the right to manufactured commodities produced out of that material.

To put it plainly, the worker, in this case, does not only own the product of the natural resources but also the produced commodities in latter stages of production. If the State, for example, extracts or mines certain natural resources through its publically owned enterprises, then it also has the right of ownership of all the finished goods extracted from those natural resources.

People who participate in the production would get paid for their labour. Industries that develop natural resources, such as oil and minerals, theoretically speaking, cannot be owned privately in an Islamic economic system. It is because the State is the primary owner of natural resources, which gives it the right to own the produced product.

However, there is a theoretical loophole to make capitalists flourish in an Islamic economic system, which is through the obtaining of natural resources from the State on lease by private enterprises, where the latter can claim legitimate ownership of the produced commodities.

In any case, ownership is not affected by the use of the means of production belonging to someone else. The owners of tools and machines get paid for the use of these in the production process. By the same token, the owner of primary commodities may also hire someone else to manufacture his goods. The worker, this case, gets the salary for his labour, which should be specified in the job contract. The worker, consequently, has no claim on the

final product he produces.[14]

Islam specifies two means of payment for a hired worker: the first one is through wages, where he is paid for the amount of work he performs in accomplishing a task; the second is by sharing in the profit of the final product. In this case, the worker gets only a percentage of the profit specified in the agreement between him and the owner of the primary commodities. The

general principle, in Islam, for earning is:

...that earning is only based on contribution of labour during the process (of production), so the contributed labour is the only legitimate means for someone to get paid by the owner of the process...and without such contribution, there is no legitimacy for his earning.[15]

Based on this economic principle, the owner of capital will not receive fixed payment from the owner of primary goods, i.e., it is usury, which is prohibited. Monetary capital will not be considered as contributing any amount of labour at all.[16] Fixed payment is allowed in Islam only in one case, where there is a consumption of labour, either directly through a worker, or indirectly (accumulated work) through the means of production. As for monetary capital, no such work is exhausted or depleted.

In this matter, the owner of the capital is allowed to share the profit and the loss with the owner of primary commodities. The legitimacy of earning in this situation is based on his help in facilitating the process of production, for which he deserves to be rewarded in the form of .profit sharing

Notes:

[1]. Al-Sadr, "al-Nazariyyah al-'Islamiyyah li-tawzi' al-masadir al-tabi'iyah" (Islamic Theory of Distribution of Natural Resources) in Ikhtarnalak (Beirut: Dar al-Zahra', 1982), 136-137.

[2]. "Al-Nazariyyah," 138.

[3]. Iqtisaduna, 433.

[4]. Ibid., 483.

[5]. Iqtisaduna, 519-520.

[6]. Ibid., 5 2.

[7]. "Al-Nazariyyah al-'Islamiyyah li tawzi'," 148.

[8]. Al-Sadr, Khutat tafsiliyyah `an iqtisad al-mujtama' al-'Islami (General Basis of Economics of Islamic Society), in al-Islam yaqud al-hayat, 88.

[9]. Iqtisaduna, 619.

[10]. Iqtisaduna, 584.

[11]. Al-Khutut al-tafsiliyyah, 97.

[12]. Ibid., 99.

[13]. Al-Khutab, 561.

[14]. Iqtisaduna, 605.

[15]. Iqtisaduna, 618.

[16]. Ibid., 625-627