



## The Economic Challenge for the Ummah

[Condensed from a talk by Justice **Mufti Taqi Usmani**, delivered at the International Conference of the World Muslim Congress.]

The nineteenth century was a century of political oppression whereby the powerful Western nations enslaved most of the Asian and African nations including a large number of Muslim countries. The present century, which is nearing its end, has witnessed the gradual independence of these countries from Western imperialism. However, despite our apparent success in achieving the goal of political liberty, we could not succeed in acquiring independence on intellectual, economic and strategic levels. That is why Muslim Ummah could not yet reap the fruits of its political freedom.

Now the Muslim world is looking toward the coming century with hope that it will bring for it total independence in the real sense so the Muslims may find their due place among the nations of the world and may be free to live according to the Quran and the Sunnah of the Prophet, Sall-Allahu alayhi wa sallam.

However, this hope cannot be realized through wishful dreams. We will have to work hard for our total freedom even more than we did for our political freedom. We need a total revision of our strategy, a well-considered plan, a collective resolution, and a revolutionary approach. In this paper, I would like to confine myself to two major issues.

### **Self-Imposed Dependence**

It is common knowledge that Ummah's basic economic problem is the dependence of the Muslim countries on others. Most of the them are borrowing huge amounts from the rich Western countries. Some countries are incurring these heavy interest-bearing loans not only for the development projects, but also for their day-to-day expenses, and what is more serious, for

the payment of interest accrued on their previous loans which keeps the size of their indebtedness ever-increasing through a vicious circle.

Dependency on foreign loans is the basic disease of our economy that has not only shattered our economic life, but has also devastated our self-determination and has forced us to submit to the demands of our creditors, sometimes, at the price of our collective interests. It is no secret that the creditors impose their own conditions before they advance a loan. These conditions keep us under a constant foreign pressure, often stop us from pursuing our own objectives and force us to follow the policies dictated by others. The evil consequences of dependence on foreign loans are too obvious to need any further elaboration.

Islamic teachings consider "Indebtedness" as a detestable phenomenon, which should not be resorted to except in cases of extreme necessity. The Prophet, Salla-Allahu alayhi wa sallam, even refused to offer the funeral prayer for a person who died before paying back his loan.

Moreover, the Muslim jurists have discussed whether it is lawful for the ruler of a Muslim State to accept the gifts offered by a non-Muslim. The answer: It is lawful only where the acceptance of gifts does not result in any kind of pressure against the interest of the Ummah.

Islamic principles require that the Muslims should avoid incurring foreign debts, even if they face some hardships. But our present indebtedness was not created by lack of resources. In fact, the Muslims have never been so resource-rich. They own enormous natural resources. They occupy important strategic positions on the globe. They are joined together by a geographical chain from Morocco to Indonesia, broken only by India and Israel. They produce nearly 50% of the oil of the world. They are said to account for more than one third of the world's export of raw material. What is more, the cash they have invested in the western countries alone may be more than sufficient to set off their total liabilities.

According to a recent report of Islamic Development Bank, the total external debt of the IDB member countries in 1996 amounted to 618.8 billion dollars. The deposits and assets kept by the Muslims in the Western countries are said to be much more than this amount. Obviously, there is no authentic record of such deposits, because their owners do not disclose them. However, the economic experts have estimated them to be between 800 and 1000 billion dollars, out of which 250 billions are said to be taken back by the Arabs to their own countries after the Gulf War. Practically it means that we are borrowing a part of our own money at a high rate of interest.

Even if these estimated figures are taken to be exaggerated, one can hardly deny the fact that had these huge amounts been kept and properly used within the Muslim world, the Ummah would have never resorted to incur the debt of more than six hundred billion dollars.

Our dependence on foreign loans is self-imposed for which we cannot blame anyone but ourselves. We did never probe in to the factors underlying the flight of our capital. We did never try to remove those factors and instill confidence in our own people. We could not deliver ourselves from the corrupt and oppressive system of taxation. We were not able to create a peaceful atmosphere for investment. We could not provide our countries with stable political system. We did not bother to create opportunities for the sound utilization of capital and, above all, we failed to mobilize the spirit of Islamic unity and to activate the strength of the Muslim Ummah as a whole.

The tragic situation cannot be corrected by expensive celebrations at the advent of the new century. We will have to take the challenge of time seriously. Our economic and political leadership will have to find ways and means to free ourselves from dependence on foreign countries. We already have the basic resources for that. All we need is to design new policies to utilize the wealth of the Ummah within the Muslim world, and to develop the concept of Islamic brotherhood and mutual understanding and cooperation.

The Quran says: "All the Muslims are brothers." Quranic injunctions and the Prophetic teachings require that the Muslim Ummah should act as a single body. The geographical barriers should not divide them into different nations with conflicting objectives. The political boundaries may only be tolerated for the internal administrative affairs of each country, but all the Muslim countries must have a united face at least with reference to the common objectives of the Muslim Ummah vis-à-vis the rest of the world.

Gone are the days when technical know-how was the monopoly of a few Western countries. Now, the Muslim talent is capable of at least handling the immediate requirements of the Ummah. What we need is to seek this talent, and to put it to the service of this Ummah with a missionary zeal.

But all this requires the unified efforts from the leadership of our countries. This is the biggest challenge faced by them. They must meet it, not only for the betterment of the Ummah, but for their own survival. A great responsibility, in this respect, lies on the shoulders of OIC, which

should take the initiative and create a Muslim talent pool to design new policies for the Ummah as a joint body.

## **Restructuring our Economic Systems**

The twentieth century has witnessed the rise of communism, the conflict between capitalist and communist countries and lastly the fall of communism. The capitalist Western countries are celebrating the fall of communism as if it was an empirical evidence of their own victory, not only on a political front but also on ideological plane. The fact is, however, that communism was based on an emotional reaction against some evil consequences of the capitalist economy, specially, against the element of inequitable distribution of wealth, which has been experienced in the capitalist countries throughout the centuries. The failure of communism was not due to its justified criticism of the evils of capitalism. Rather it was caused by the inherent defects of the alternative system suggested by it. The capitalist economies still suffer from inequities in the distribution of wealth. There is still a large gap between the haves and the have-nots and 'poverty in the midst of plenty' is still the major problem of their economy. These are the real problems created by capitalism and unless they are satisfactorily solved, it may give birth to another reaction that may be more aggressive than communism.

The world, therefore, is badly in need of a Third Economic System. The Muslim Ummah can work out this system based on the Islamic norms. The economic principles taught by the Quran and Sunnah of the Prophet (Sall-Allahu alayhi wa sallam) are quite capable of solving the major economic problems faced by the world today. While they allow private ownership and market economy, they also provide a well considered system of distributive justice, which may eliminate the inequities and bring about a system in which profit motive works with the collective interest of the society. The basic fault of communism was that, frustrated with the inequity of capitalism, it assailed the very institutions of private ownership and market forces and developed a utopian idea of planned economy which was unnatural, artificial and oppressive. The denial of individual liberty curtailed the zeal for production and the wide powers of the state left the destiny of the people in the hands of the ruling class.

It was neither private ownership nor the institution of market forces that was the basic cause of injustice in the capitalist system. The basic factor for creating inequities in the capitalist countries was the absence of a criterion to differentiate between just and unjust earnings. The instruments of interest, gambling, speculative transactions and the tools of exploiting immoral

desires of the consumers to secure huge profits were allowed, which tend to create monopolies and in turn paralyze the forces of demand and supply or at least obstruct their operation. It is thus ironical that the capitalist theory on the one hand asserts the principles of *lassiez-faire* but, on the other, by allowing the aforesaid instruments, interferes with their natural function and stops the market forces from playing their due role by creating monopolies that impose their arbitrary decisions on the bulk of the common people.

The system of interest favors the rich industrialists who benefit from the wealth of the common people who deposit their savings in the bank, and after making huge profits do not allow the common people to share these profits except to the extent of a fixed rate of interest that is again taken back by them as it is charged to the cost of production. At macro level, it means that these rich people always use the money of depositors for their own benefit and in reality pay nothing to them because the interest payments are always added to the cost of production. Similarly, gambling is a major instrument for concentrating the wealth of thousands of men in a few hands and for promoting the disastrous motive of greed for the unearned income. The speculative transactions are also a major source of disturbing the natural market operations and contribute to the inequities in the distribution of wealth.

Islam not only allows the market forces but also provides mechanism to keep them operative with their natural force without their being hindered by monopolies. It applies two types of controls on the economic activities.

First, it subjects the process of earning to certain divine injunctions, which clearly define the limits of *halal* and *haram*. These injunctions tend to prevent monopolies and curb the unjust and immoral earnings and commercial activities detrimental to the collective interest of the society. In the context of modern economic needs where the savings of the common people are activated to boost development, the use of the Islamic instruments like *musharakah* and *mudarabah*, instead of interest, may make the common people directly share the fruits of development which may bring prosperity in a balanced manner reducing the gap between the rich and the poor.

Second, the institution of *zakat*, *sadaqat*, and certain other financial obligations provide that even the *halal* income is again distributed to the persons who could not earn enough due to insufficient market opportunities. Through the twin controls, the wealth is kept under constant circulation and the chances of its concentration are almost eliminated.

But our main tragedy is that the principles of Islamic economy are still in theoretical form for which no living example is available. The Muslim countries have not tried to structure their economy on Islamic basis. Most of them are still following the capitalist system and that too in a half-baked manner, which has made the economic atmosphere much worse than that of the developed capitalist countries. Unfortunately, despite having the clear cut Islamic injunctions, the inequities existing in Muslim countries are far more severe than in the Western world.

This tragic situation cannot last forever. If we are not prepared to mend our ways, some natural process of revolution is bound to find its way. If we want to avoid disastrous consequences of such revolution, we'll have to restructure our economic system on the basis of clear guidance provided by the Qur'an and Sunnah. Our success in setting an example for implementing the Islamic principles will be our best gift to the human fraternity at the advent of the new century. I hope that if the principles of Islamic economy are implemented sincerely, we'll find the world more receptive to them today than we experienced it in the past.

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Taken from: [http://www.albalagh.net/Islamic\\_economics/economy.shtml](http://www.albalagh.net/Islamic_economics/economy.shtml)