
A Non-Technical Primer on Private Ownership in Islam

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Islamic economics does not explain production, consumption or investment relationships. Islamic economics is only a school of thought. In Islamic economics, in contrast with other schools of thought, resources are not limited. Private ownership in Islam is absolutely respected, but the more an individual owns, the more responsibility he has to the society. In Islam, everything belongs to God and so the accumulation of wealth is not a goal, but a source of pleasing God. What individuals consume or give away to charity is what they own.

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Introduction

This paper is intended for readers with no background in economic theory, and so no attempt is made to provide any theoretical or empirical proof for ideas raised in this paper. In a world where all countries have open borders and operate under international economic interdependence, private ownership is one of the most important issues for a country wishing to have independent and effective monetary and fiscal policies. For example, if monetary authorities of a country believe that a low interest rate policy is an optimum way to achieve its economic objectives, the country cannot implement this low-interest policy if interest rates in the rest of the world, everything else being constant, are above what the country wishes to have. This is because the capital of the country will be moved out as its interest rate is below the rest of the world's interest rate, resulting in a shortage of capital in the country that will put upward pressure on interest rates, and, consequently, the economic objectives of the country will not be achieved.

However, this problem does not exist under the Islamic concept of private ownership because the rate of interest is not pre-determined. The rate of return (interest rate) on an investment is based on the profits made and it is only known after the end of the period. Such a rate is not comparable

with a predetermined rate of interest. Furthermore, all other economic problems which arise from non-Islamic private ownership, e.g., externality (diseconomy) in consumption and production are nil or at their minimum under private ownership in the Islamic concept. The purpose of this paper is to explain the theory of private ownership in Islam and its implications in practice. The following section provides a brief explanation about principles of Islamic economics and is followed by a section on private ownership in Islam. Finally, the last section is devoted to some concluding remarks.

Brief Explanation of Islamic Economics

At the outset, we should mention that Islamic economics is a school of thought. Islam does not talk of production, consumption or other economic relationships. Islam covers what is right or wrong (*Halal* or *Haram*) in distribution, in relationships between employers and employees, between buyers and sellers, between landlords and tenants, among members of a family, between the governments and individuals, etc. Furthermore, Islam recommends a type of government, principles of heritage, economic relationship between parents and children, husband and wife, etc. (Sader, 1349, pp. 9-17).

In comparison, human beings have complete freedom in a capitalistic system while in a Marxist system, society, not the individual, is important. The selfishness of individuals is fully respected in the former system, but not in the latter. Capitalism is

based on logic while marxism is based on ideology. Private ownership is permitted in an unlimited form in a capitalistic system while everything belongs to the government (society) in a socialistic system. Capital or a commodity can be used any way the owner wishes, both in production and consumption in a capitalistic system.

Islamic economics is based on three principles (Sader, 1350, pp. 354-367):

1. Principle of Mixed Ownership

In both capitalistic and Islamic systems we have three kinds of ownership: (a) private, (b) public and (c) government ownerships. Public and government ownership are the same in both the capitalist and Islamic systems.

2. Principle of Economic Freedom within a Limiting Framework

There are two limitations to economic freedom in Islamic ideology:

(i) Intrinsic (internal) limitations. These limitations are based on Islamic beliefs, but there is no force imposed on individuals. Individuals, according to their Islamic belief, impose the limitations on themselves by choice. For example, the individual pays *zakat* which is a tax on individual's savings (wealth). There is no government control on the payment of *zakat*. The calculation and payment are done by the individuals. The time of payment, the amount of *zakat*, the receiving persons and/or institutions, etc., are only known by God and the individual.

(ii) External limitations. These limitations (constraints) are imposed by the government. For example, the production and the transaction of alcoholic beverages are prohibited. No individual can produce or trade alcoholic beverages even if the individual does not believe in the law. However, non-Muslims are allowed to produce, trade among themselves, and consume alcoholic beverages in Islamic societies.

3. Principle of Social Justice in the Society

The principle of social justice in Islam includes the following: (a) The principle of cooperation among all members of the society, and (b) the principle of social balance. As Sader (1349, pp. 366-367) states, there is no unrealistic concept in Islamic economics. For instance, in Islamic economics, workers must have at least an average standard of living (the principle of social balance). However, such a standard of living is not achieved by the market forces or cyclical variations, etc. Such a state, according to Islam, is a requirement for the economy and its achievement is a moral responsibility for each member of the society (the principle of cooperation among all members of the society).

In an Islamic system, individuals try to please God and only God. Note that when we consider any Islamic economic principle, we should consider it in a framework of a complete Islamic environment. An individual by nature may be selfish and tend to maximise his utility and/or profit subject to goods or resources available to him. However, if the individual is religious, he also attempts to incorporate awareness of the responsibility to society in his decisions in the process of utility or profit maximisation. This is because all aspects of life have a religious connotation for a practicing Muslim. Consequently, his economic decision also has a religious connotation. In the absence of religion, the utility or profit maximisation is purely due to selfishness and does not necessarily consider the society at all. In fact, to Muslims only religion can make human beings aware of the society so that the individual will consider the welfare of the society in his utility/profit maximisation (Sader, 1350, pp. 383-396). In Islam, a practicing Muslim, in his economic decision, while maximising his utility or profit, tries to please God. This Islamic economic concept is believed to lead to a higher efficiency in the society.

For example, competition in a non-Islamic economic system leads to an efficient production. However, in an Islamic economic system, competition among individuals is allowed, but this competition is toward pleasing God while maximising utility and/or profit. This kind of competition leads to super efficiency since not only the utility/profit of one individual is maximised but at the same time the social welfare improves. Note that in a non-Islamic system, starting from an efficient point, a higher utility of one leads to

a reduction of the utility of another individual. In an Islamic system, the individual's utility is a function of "God's pleasure." Since individuals are God's representatives (*khalefeh*) on earth, they please God through helping (making happy) other individuals. In this way, starting from an efficient point, a higher satisfaction of one individual results in a higher satisfaction for other members of the society and, therefore, the welfare of society generally will improve. As Sader (1350, p. 415) mentions, the relation between individuals and society in Islam is not a force of production. In other words, hiring, employing connection, employer-employee relationship, etc., are not the forces of production, but are based on welfare maximisation and are assigned by God. For example, in traditional economics, the demand for labour is derived from a profit maximisation decision. Workers are hired until their marginal product is equal to the real wage rate they are paid. In supplying their services, workers try to maximise their satisfaction and not the interest of the employers or the society. The less they offer for a given wage rate, the happier they are. In an Islamic system, in supplying their services, workers incorporate the interest (profit) of their employers as they constantly witness God's presence in their activities. Clearly, one can see that society can operate more efficiently in an Islamic system since cheating, shirking, etc., and, consequently, policing, do not need to exist.

In general, there is no limitation of resources according to Islamic economics. According to the capitalistic system, each society maximises its welfare subject to given resources. In Islamic economics, the resources are unlimited since the limitation is believed to be created by man. According to the *Qur-an* [ch. xiv (*Abraham*), v. 32-34], "It is God Who has created the heavens and the earth and sends down rain from the skies, and with it brings out fruits wherewith to feed you; it is He who has made the ships subject to you, that they may sail through the sea by His Command; And the rivers (also) has He made subject to you. And He has made subject to you the sun and the moon, both diligently pursuing their courses; and the Night and the Day has He (also) made subject to you. And He gives you of all that you ask for. But if you count the favours of God, never will you be able to number them. Verily, man is given up to injustice and ingratitude."

We can see from these verses that it is man who, by giving in to injustice and by being ungrateful, has made the resources limited. According to Sader (1350, p. 425), people, by using natural resources and their energy in an inefficient way, together with an unjust distribution of wealth and income, create limitation in resources. Furthermore, I believe that the external diseconomy created by economic units, the imposition of distorting taxes by governments and economic and non-economic wastes are examples of this injustice of man.

The value (price) of a commodity in Islam is determined, similar to capitalism, by its demand and supply, and not labour embodied in it. However, in contrast with capitalism, the share of labour from production is determined by the number of hours worked (labour embodied) in that production and not by the market value of the output. The market determines the price, but not the share of the factors of production (Sader, 1350, pp. 430-431). In many instances, in contrast to capitalism, workers and employers are sharing risk and they are also partners (Khan, 1989, pp. 63-69).

People are divided into three groups. The first group includes those with the highest talent and capacity. The share of this group from national income is according to their work. This group is the rich class in the society. The second group includes average or low talent and capacity/skill people. The share of this group from national income is determined by their work, but they are also eligible to "Public Funds" (Principle of Cooperation and Guarantee). Finally, the third group includes those people with no or minor talent and capacity/skill. The share of this group from national income is also determined by the Principle of Cooperation and Guarantee (Public Funds), (Sader, 1350, pp. 430-433). In sum, in Islam, techniques of production and technology do not determine the distribution of income, but the distribution of income is determined by the non-secular government (Sader, 1349, pp. 64-65).

Private Ownership in Islam

Private ownership in this paper means the ownership of whatever one *can* own, including skills, special ability, knowledge, etc. Private ownership in Islam is a

right for individuals (as is often the case under a capitalist system), but a right which also includes responsibility. Namely, it is not an absolute right without any responsibility (Sader, 1350, p. 374). For example, the *Qur-an* [ch. ii (*Baqara*), v. 188] says “And do not eat up your property among yourselves for vanities, nor use it as bait for the judges, with intent that you may eat up wrongfully and knowingly a little of (other) people’s property.” We can see from this verse that there is a broader responsibility toward society for personal property, and this limits its use. This Islamic law is the opposite of the capitalistic form of private property, which is used in any way the owner wishes. We can also understand from this rule of the *Qur-an* that nobody, including authorities, can invade other people’s property. Furthermore, even authorities are responsible to God for the public property.

It should be noted that while private ownership in Islam is absolutely respected, it has its own characteristics which make it completely different from any other school of thought. Namely, (i) while individuals have an absolute right to own property, their ownership is limited, (ii) they can own a property permanently in this world and/or benefit from its consumption in this world and in the next world, (iii) while an individual owns his property the society relationship with the property is not disconnected, and finally, (iv) there is a time limitation on the ownership. Let us discuss each of these characteristics separately.

(i) The Limited Ownership

As individuals receive their shares of outputs according to their labour input, they have full control of their property to consume it, use it as a means of production or save it. However, the Islamic law (not the government, i.e., if the individual is a practicing Muslim) puts some restrictions on the use of an individual’s property as follows: The individual cannot consume it wastefully, or use it in the production of unlawful goods like alcoholic beverages, gambling, etc. In fact, in Islam, individuals are only the trustee and not the owner of their property. It should be mentioned that some economists, e.g., Sader (1349, p. 176), suggest the regulatory authority should design the regulations in such a way to enforce this idea. For instance, the *Qur-an* (ch. xxxv (*Fatir*), v. 39) says, “He it is the one that has made you inheritors on the earth...,” or [ch. X

(*Yunus*, or *Jonah*), v. 14], “Then We made you heirs in the land after them, to see how you would behave.”

As we can understand from these verses humans are heirs of the earth, and own goods and skills solely for the purpose of being tested. While God has created everything, including knowledge and abilities, for our uses, He has given to some people more than to others. These are clear from the following verses in the *Qur-an*; “It is He who has created for you all things that are on earth...,” [ch. ii (*Baqara*), v. 29] 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 the Lord is quick in punishment: Yet He is indeed oft-forgiving, most merciful” [ch. vi (*An’am*), v. 165]. In sum, wealth is a gift from God, and so, those with more wealth carry heavier responsibilities to God and society.

(ii) This World and the Next World Ownerships

The accumulation of wealth or the ownership of wealth in Islam is not a goal, but a means of production and satisfying needs (Sader, 1349, p. 181). In fact, men are discouraged in the *Qur-an* from accumulating wealth for the sake of accumulation, as the Holy Book foretells a painful doom for the people who engage themselves in such vices. The *Qur-an* [ch. ix (*Tauba*), v. 34-35] says, “...And there are those who bury gold and silver and spend it not in the Way of God: announce unto them a most grievous penalty - On the Day when heat will be produced out of that (wealth) in the fire of Hell, and with it will be branded their foreheads, their flanks, and their backs. This is the (treasure) which you buried for yourselves: taste you, then the (treasure) you buried.” See also Niazi (1977, pp. 12-13).

In Islam, one cannot consider owning a property unless he uses it for consumption, investment, depreciation and/or gives it away to charity. To support the idea, we refer to a *hadith* (saying) of the Prophet Muhammad which says “You do not have any right to your properties, except the part you consume or give to charity. The charity part remains forever” (Sader, 1349, p. 182). We can immediately conclude that, (a) an idle property cannot belong to anybody except the society, (b) the only thing you really own in

this world is what you consume, and, finally, (c) what you give away as charity remains for you forever (in this world and in the next world). Furthermore, the *Qur-an* [ch. xxxiv (*Saba*), v. 39] says, “Say: Verily my Lord enlarges and restricts the Sustenance to such of His servants as He pleases: and nothing do you spend in the least (in His cause) but He replaces it: for He is the best of those who grant Sustenance.”

In another chapter, the *Qur-an* [ch. ii (*Baqara*), v. 272] says, “...Whatever of good you give benefits your own souls, and you shall only do so seeking the ‘Face’ of God. Whatever good you give, shall be rendered back to you, and you shall not be dealt with unjustly.” Even a non-believer can understand why only what you consume is truly yours. We may never be able to consume what we have saved since the next minute of our life is never guaranteed. Consequently, what we consume is, in fact, ours. And as we saw earlier from the words of God, that which is given for God will be restored to the giver many times here and in the hereafter.

(iii) The Society and Private Ownership

Another feature of private ownership in Islam is the existence of a continuous connection between the society and a privately owned property, human or non-human. That is, the connection of the society and the property, even if it is not a public good, is not cut as a result of the individual ownership. The society should still control or influence the way the property is used (Sader, 1349, p. 178). Furthermore, certain things like running water (rivers), lakes, oil, or similar resources, (e.g., mountains, etc.), cannot be owned by any individual, or by the state. Instead, every one is equally entitled to derive benefit from them. These goods belong to the whole community, and the state may manage them on behalf of the community, as a trustee, and be held accountable (Khan, 1989, pp. 7-8).

Furthermore, the society (needy individuals) has a right to a portion of an individual’s property. The *Qur-an* [ch. lxx (*Ma’arij*) v. 24-25] says, “And those in whose wealth is a recognized right for the (needy) who asks and him who is prevented (for some reason from asking).” Note that here we are talking of “right,” not charity. This Qur-anic law is unique to Islam. As Niazi (1977, p. 25) also states, “...in contrast to social

stratification conscious conception of property, where the beggar and the destitute are entitled only to charity, the Qur-anic concept of trustee-ownership declares the share of the poor and the needy in the wealth of others as their right.” On this subject see also Shafi (1975, pp. 7-8).

(iv) Time Limitation of Ownership

In Islam, the right to use, own and give away the entire property of a person is limited to the time the person is living, since the distribution of the property after death has been determined in the *Qur-an*, see ch. ii (*Baqara*), v. 180 and 240, ch. iv (*Nisaa*), v. 7-9, 11-12, 19, 33, and 176, and ch. v (*Maida*), v. 109-111. In this way, private ownership in Islam is different from that of capitalism in which individuals have an absolute right to their property before and after death.

It should, of course, be mentioned that individuals have an absolute right to the distribution of some parts of their property after their death, provided we define private property in light of time limitation. For example, in Islam, if an individual, by his work and effort, makes an idle natural resource active, he has a complete right, under the above mentioned limitations, to use that natural resource. And by the time his action makes the idle resource active he continues to have the absolute right of using the property.

However, this right will be terminated immediately after his death. In this aspect also private ownership in Islam is different from private ownership in capitalism, since in the latter the individual can own the natural resource and determine its ownership(s) after his death as he wishes. In general, according to many Islamic scholars, individuals can only determine the ownership (by writing a will) of one-third of their property after their death. The rest will be distributed according to the law of God in the *Qur-an* (see above verses). For example, in one instance, the Prophet of Islam recommended Sa’d b. Abi Waqqas to give away in the name of God only one-third of his property after his death (*Muwatta’ Imam Malik*, ch. 58, p. 330). Note that one of the outcomes of the Islamic law of inheritance is the elimination of inequality in the distribution of wealth, and so, income (Shafi, 1975, pp. 33-34).

Concluding Remarks

Islamic economics does not explain production, consumption or investment relationships except as a school of thought. In Islamic economics, in contrast with other schools of thought, resources are not limited. That is, national income is not fixed, so that an individual can have more of the national income without other individuals having less. This idea looks very unrealistic to many economists who are not familiar with Islamic economic thought. A simple explanation of this fact is that, in Islamic economics, the resources are unlimited, and if there are any limitations they are imposed by the injustice of man and not by nature.

Furthermore, Islamic private ownership creates a kind of externality (economy) where an increase of consumption, e.g., of an individual leads to more consumption for other individuals in the society. Private ownership in Islam is absolutely respected, but the more an individual owns, the more responsibility he has, through what he owns, towards society. In such a system, one can readily prove that in a country which operates under free international trade, the economic policy of a country can be completely independent of the rest of the world.

In Islam, everything belongs to God. The accumulation of wealth is not a goal, and if the wealth is accumulated it is only to be used for worshipping God. What individuals, in fact, consume or give away to charity is what they own. Individuals can only determine up to one third of their wealth to be given to any person or source after their death. The rest of their wealth is distributed as the *Qur-an* has prescribed. The poor and destitute have a right to a portion of the property of fortunate individuals in the society.

Finally, it should be emphasized that despite the fact that private wealth is not the goal of individuals in Islam, the sanctity of ownership in Islam is very much emphasized. The Holy Prophet, in many instances, recommended paying special attention to ones property, to the point He said "He who dies in protection of his property is a martyr," and "Your blood, your property and your honour are sacred to you like the sacredness of this day of yours, in this city of yours and in this month of yours..." (Khan, 1989, pp. 8-13).

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