Rise and Fall of Development: How does Hadith Views on Economic System?

Abur Hamdi Usman¹, Abu Zaki Ismail¹, Mohd Khafidz Soroni¹ & Rosni Wazir¹

¹ International Islamic University College Selangor, Malaysia

Correspondence: Abur Hamdi Usman, Department of Usuluddin, International Islamic University College Selangor, Malaysia. Tel: 60-0112-808-8797. E-mail: aburhamdi@kuis.edu.my

Received: August 12, 2015   Accepted: September 14, 2015   Online Published: November 20, 2015

Abstract
As many as 40% of the population that categorized poor people in the world on which their income less than 2 US dollar per day is the result of the existing applied economics theories and they have failed to obtain sustainability and stability condition. The economic theory that is now developed mainly use positivism approach where normative assessment dispensed. This paper attempts to re-open the history back into the 6th century, where the Prophet Muhammad (pbuh) tried to develop the economy of the state using concept taken from the hadith (prophetic tradition). This concept is the very roots of the improving Islamic economics theory nowadays that comes up to be the best alternative concept to replace upon the fail conventional theories. Qualitative approach through document analysis of relevance references as well as historical approach use to observe the economic development in the eye of hadith.

Keywords: economic, development, hadith, Zakat, justice

1. The Fallen of Economic Theories

Current conventional economics theory has dominated modern economic thought and has become a discipline that is very advanced and sophisticated. It is inevitable that conventional economics theories have gone through along development process or more than a century and have contributed greatly to the progress of human life materially, especially after World War II. But in its development, conventional economics has failed retain their idealism. Ideal conditions that the assumptions used in conventional economic theory never reached. Even in the last half century, the conventional economy continued to show weakness. The failure of the capitalist economy could no longer be covered up; the capitalist system is indeed already succeeded in creating a modern society such as today, unfortunately the number of people who were able to raise only a small part not entirely. Still, as many as 40% of the population in the world are categorized within come less than 2 USD per day.

The New Economics Foundation (NEF), a research institute based in the UK, states about the relationship between growth in income per capita with the proportion or share of the growth enjoyed by the poor. They discovered and proved that in the 1980s, for every increase of 100 US incomes per capita of the world, the poor only enjoyed US 2.2, or about 2.2 percent. Thus 97.8 percent enjoyed by the rich. Later in the period 1990 to 2001, any increase in income per capita of $ 100US, the percentage of which is enjoyed by the poor only 60 cents, or about 0.6 percent. While the rest, namely 99.4 percent, enjoyed by the rich (Woodward & Simms, 2006).

One of the factors that led to the destruction of capitalism is the greediness of the rich. For example, if you have 1 million ringgit, because in the modern economic system there is interest, then what would you choose, open a second shop or stored it to the bank? Most of people will put it in the bank for a reason at maturity level it will earn interest. You do not need to work, do not sweat and you get the money easily. But the question is if all the money goes to bank then who will produce goods? Eventually goods and services became less in the market, and if goods become scarce then prices will rise. If the price is high then it can only afford by of those who have more wealth.

The economic theory that is now developed mainly use positivism approach. Positivism is a philosophy that believes the true knowledge is based on the actual physical experience while normative assessment dispensed. Even human values do not be allowed in scientific activities, which only scientific operations might exist. Normative statements merely provide guidance where talking about how the world should be and does
account because sometimes a normative statement is strongly influenced by factors that are not rational factors such as culture and religion.

Why these theories have met dead ends? This is the evidence of a very limited human being because God gives science a bit, but we felt completely out so that the ultimate truth is restricted to the area of empirical, rational, and perceived experiences and sensible. Turns out it was wrong, we forget that this world contain seven loaded with some of existence that are unseen and cannot be solved by logic. Economic concept, the concept of monetary, financial concept, business concepts, concepts of management and accounting in fact contain faults and weaknesses. As a result we get into the trap of our own beliefs which has led to the creation of instability situation, crisis, economic and financial turbulence as well as the financial economic system that we experienced today repeatedly and it is getting worse.

2. Outcomes of Economic Development in Conventional Thinking

Galbraith (2007) in his book *The New Industrial State* stated that the consumption of goods has been the greatest source of pleasure and as benchmarks of the highest human achievement. As the results such are hedonism behavior, materialism and consumerism hit almost all aspects of society. Thus, the excessive increasing desire is only to fulfill the needs of individuals both in the form of material and gratification of desires itself. This can be said as a result of the phenomenon of modern capitalism. High economic growth according to the concept of the capitalist economic system needs to be re-examined. In fact, improvement of the well-being does not followed by the distribution of welfare. These conditions resulted in a widening gap of socio-economic between the rich and the poor.

According to Mishan (1967) in his book *The Cost of Economic Growth*, there are signs of increasing symptom anomalies such as stress, depression, frustration, loss of confidence, alienation between parents and children, divorce and anarchic actions. Tension spreads everywhere more than harmony, injustice become more obvious than justice. In addition, it turned out that the phenomenon of the increase in the volume of goods and services cannot contribute to human happiness. The ultimate happiness lies in the peace of mind, which is not merely only a function of the material but also spiritual state. Unfair income distribution makes people continue to suffer and unhappy. People are never satisfied and never willing to fulfill responsibilities to others. As a result, the level of social solidarity and moral have weakened and degraded.

Bell (2008) expressed on the modern capitalist system that there is a combination of three main forces, such greedy bourgeois, democratic political community and individualistic spirit, have failed to answer all the problems above. Even what the Marxism ideology has offered was not able to provide solution, because the real causes of human problems is not a class struggle, but moral degradation. No doubt, that Marxism played an important role in underestimating the moral aspect, together with its role in encouraging consumerism tendencies. Though, system of Marxism also has failed to solve almost all the problems faced by capitalism.

Moreover, according to Possumah, et al. (2012) the notion of economic development is very spacious and it is getting more accurate with pursuing in time. And among widely accepted indicators of economic development could explain as below:

2.1 Real National Income as an Index of Development

The national income as an index of economic development according to development Economist; Simon Kuznets, Meier and Baldwin. The country’s total output of final goods and services refer to the term “Real National Income” rather than in monetary terms. But this indicator has certain inherent problems such as changes in growth of population and value of money. For example, if rate of population growth is higher than the rate of increase in real national income, economic development retards instead of advancement.

2.2 Increase in Per Capita Real Income

The use of rates of growth in per capita GNP was another index of economic development. Prior to the 1970’s development was assessed on the basis of per capita income. Therefore development strategies have focused on rapid industrialization at the cost of rural development and agriculture. In this case, the problems of unemployment and inequality of income are given only secondary importance. And similarly, improvement in literacy rate, health condition and housing, these social indicators were given only casual importance. Thus, some countries witnessed falling standard of masses’ living of irrespective of increasing in per capita income. In addition, many rich people instead of sharing the fruits of development with the poor people.

2.3 The Modern Views on Economic Development

In terms of elimination of poverty or reduction, inequality and unemployment along with increase in GNP was
redefined during 1970’s economic development. The common-slogan announced as Redistribution from Growth. Even the World Bank, which used to emphasize economic growth as a goal of development during 80’s, shifted its emphasis to a better quality of life. A development economist, Todaro (1977) wrote development must therefore be conceived of as a multi-dimensional process involving major changes in social.

Hence, from these indicators, the objectives of economic development may be measured and its successful will be achieved if: (i) Expand the range of economic and social choices, or to free oneself from human misery, ignorance, and servitude (ii) Increasing of the availability and widen basic needs of the people such as food, shelter, health and protection. (iii). Raising standard of living, which means raising income, providing more jobs, better education, and greater attention to cultural and humanistic values.

3. Economic Development on Islamic Economic Views

Islamic economics is fundamentally different from other economic system in terms of form, style and purpose in which meet human needs in the world and the hereafter (al-falah) where this system is based on the Qur’an and Hadith. Thus, the presence of Islamic economics wanted to show a better economic system than the system of capitalist-socialist who wanted to provide a way out of suffering due to the economic system which has been very detrimental to the community, especially to the poor.

Possumah, et al. (2012) stated that characteristically, Islamic concept of economic development is comprehensive and integrated development which includes the development of the moral, spiritual and material. Aspects of moral, spiritual, material, social and economy cannot be separated in order to achieve socio-economic development in Islam. Economic development become a goals oriented activity and values towards improvement the well-being of human life in all its dimensions. The concept of economic development is enlarged to become a comprehensive concept. In the light of these, three main goals of development policy have been identified: (a) Human resource development (b) Expansion of efficient and useful production and (c) Improvement in quality of life. The main criterion on which economic development as an experience of human civilization “has to be judged ultimately” is “in terms of what it does to the lives of human beings” (Sen, 1988). Furthermore, Possumah et al. (2012) offers more detail that the objective of economic development in Islam is to achieve al-falah in the world and in the hereafter. This concept means that each standards quality of life shall be accompanied with the intent or purpose to have the pleasure of Allah. As submitted by members of Islamic economist, therefore the outcomes of economic development in the framework of Islam are as follows:

3.1 Human Resources Development

In this case, other than moral and spiritual strength, development must take into account the proper attitudes and aspirations, character and personality development, education and training that raises the skills needed for a variety of activities to promote knowledge and research, as well as the evolutionary mechanisms responsible for participation and creative by ordinary people in the critical development activities, in decision-making at all levels and ultimately in sharing the fruits of development itself. Priority should be given in the development of educational, spiritual orientation and structure development of new relationships based on cooperation, partnership and participation.

3.2 Quality of Life Improvement

Efforts of economic development should be directed to improve the actual of living standards of all people and to achieve moral welfare, economic and social. To achieve these points, the priority should be given to the following matters: (i). Creating employment opportunities and adjustments in terms of structure, technology, investment, regional, and education. (ii). Building a social security system that secures effective basic necessities of life for all those who are unable to engage in employment or the efforts to earn money, and they are who eligible for assistance through community, for example, charity institutions, grants, gifts, charity, etc.

3.3 Equality Development

It means the harmonious and balanced development between regions and between sectors of society and the economy. Economic decentralization and the development of appropriate for all parts and sectors are required to achieve justice and maximum progress.

3.4 Sustainable Development

From an Islamic point of view (Patmawati et al., 2011) defining sustainable economic development as development that meets the needs of the present without compromising the ability of future generations to meet their own needs is not holistic, as it only focuses on the material needs in sustainable development, there are three important aspects that should be sustained: (i) Maintaining the long-term rate of economic growth, (ii)
Achieving inter-generational equity in the use of natural resources, (iii) Restricting as far as possible, the increase in pollution to maintain the quality of the environment.

4. Economic Development on Prophetic Tradition (Hadith)

Islamic economics is based on the Qur’an and Hadith that makes it different from other economic system where aspects of moral, spiritual, material, social and economy taken into account. The religious meaning of hadith is a statement, action or approval attributed to the Prophet Muhammad (pbuh). Therefore, hadith can be divided into three categories based upon their content: a statement of the Prophet, an action of the Prophet, and the Prophet’s approval of an action done by other than him. Prophetic economic model presupposes the economic system introduced by Islam through the Prophet Muhammad (pbuh). It involves a wide range of concepts and practices, “in all phases and activities of life, in matters, material as well as spiritual” (Hamidullah, 1989). It also includes political, social and economic aspects of life, among others (Quth, 1978).

While in Mecca the Prophet was only a religious leader but did not like when he was in Medina. In a short period of time, he became a strong leader of a small community and kept growing in number over time. Medina has grown rapidly in the ten years following of his leadership. The city developed rapidly compared to other regions around Arabia, where at first.

The following are some of concepts and policies of the Prophet Muhammad (pbuh) on how the prophet teaches us how to build the economic system:

4.1 The Economy Is Should Be a Way of Ibadatullah

Substantively, the Mighty of Allah sends the teaching of Islam to the Prophet Muhammad (pbuh) is divided into three terms, namely faith, sharia and morality. Islam governs human behavior both relation with God (worship) and relation with other human (muamalah). Economic activity as a form of relationship among humans is not part of the faith, worship and morality, but rather an integral part of muamalah. Thus, Economics based on sharia (Islamic Economics) is an economy that is based on tauheed (monotheism). Nevertheless, economic issues cannot be separated entirely from the aspect of faith, worship, and morals.

Worship in Islam is a comprehensive definition that includes almost everything in all individual's activities. Throughout sura al-Nisa: 134, Allah says “Who so desires the reward of the world, then with Allah is the reward both of the world and of the Hereafter. And Allah is Hearing, Seeing.” Abu Hurairah reported which narrated by al-Bukhari, al-Tirmidhi and Ahmad that the Prophet Muhammad (pbuh) said, “And what is most likely to send people to Paradise? Has being conscious of Allah and good manners.” In other hadith, narrated by al-Darimi and al-Tirmidhi, Abu Said related that the Prophet said: “The truthful and trustworthy businessman will be in the company of Prophets, saints and martyrs on the Day of Judgment.” And many more verses in the Quran and saying or acts of Prophet Muhammad (pbuh) illustrated that economic activity in general is part of the worship of human to Allah to achieved success both in this world and in the hereafter.

4.2 The Economy Not Merely about Property or Profit

In the Islamic perspective, human welfare is not merely dependent on wealth maximization, but it takes a balanced satisfaction of material and spiritual needs of human. From Abu Huraira stated which narrated by al-Bukhari that the Prophet Muhammad (pbuh) said: “When someone is made rich but he does not pay Zakat for his wealth, then on the Day of Judgment his money will be turned into a poisonous snake with two black spots on its head. It will coil around his neck and bite his cheeks and say: ‘I am your wealth, I am your treasure’. Beyond property or profit factor there are other things more important that Muslim should concern. The Prophet Muhammad (pbuh) has stressed the importance of honesty in most of his sermons, saying: “Remember, there is no faith in him who is not trustworthy; there is no place for him in religion that cares not for his pledged word or promise.” Again, condemning those who cheat in business Prophet Mohammad (pbuh) has said: “He who cheats is not of us. Deceditfulness and fraud are things that lead one to Hell.” Once Prophet Muhammad (pbuh) came upon a heap of corn in the market of fraud and thrust his hand onto it. His fingers felt damp. On being asked, the trader replied that rain had fallen upon it. The Prophet (pbuh) replied, “Why did you not then keep (the wet portion of) it above the dry corn, so that men may see it? He, who deceives, is not one of us.” Thus traders who deceive by showing to customers a false sample or by concealing from them the defects of the product they are selling are not true Muslims in the judgment of Allah and, they are going to end up in hell. In relation to this, there is one hadith which narrated by Muslim, The Prophet (pbuh) said: “Remember, he who will obtain the property of another by swearing a false oath will appear as a leper before Allah (on the Day of Judgment).”

Hence, summarizing Islamic perspectives on property and profit such as follow:
An absolute owner of everything that is in the earth is Allah. Ownership by humans is relative, limited to carrying out the mandate to manage and utilize in accordance with its provisions as indicated by Qur’an, sura al-Hadid (the Iron) verse 7. In a Hadith narrated by Abu Daud, the Prophet said: “Someone on the Last Day will surely asked about four things: his age for what is spent, their bodies for what is used, where his property is obtained and for what is used, as well as his knowledge of what is used.”

Status of property owned by humans are as follows:
- Property as a trust (deposit) of Allah
- Property as tests of faith
- Wealth as stock of worship, namely for implementing commands and perform transactions, and between people, through charity, donation, and alms as indicated by Qur’an, sura al-Tawbah (the Repentance) verse 41.

Property ownership can be done through the efforts of (charity) or working (Ma’isyah) is halal and in accordance with the rules as indicated by Qur’an, sura al-Baqarah (the Cow) verse 267. The Prophet Muhammad explained which narrated by al-Tabarani that “Finding halal income is mandatory after another obligation”. Furthermore, in other hadith which narrated by Ahmad, the Prophet added: “Allah truly loves His servants who work. Anyone who works hard for a living and their family equals with the mujahidin in Allah’s way.”

Prohibited taking illicit business, such as through the activities of riba (Qur’an, 2:273-281), gambling, buying and selling haram goods (Qur’an, 5:90-91), stealing rob (Qur’an, 5:38), cheating in measures and weights (Qur’an: 83:1-6), in ways that vanity and harm (Qur’an, 2:188), and through bribery.

4.3 The Importance of Zakat Institution

The material of wealth as means and not an end which become Muslim’s sole preoccupation in Islamic views. In relation to this, Amr Ibn al-As reported which narrated by al-Bukhari that the Prophet Muhammad (pbuh) said: “What a blessing wealth is in the possession of a righteous man.” Again, Abdallah Ibn Habib on the authority of his paternal uncle which narrated by al-Bukhari that the Prophet said: “There is nothing wrong with wealth for those who are conscious of God, Almighty and Majestic is He.”

In Islamic economics, strategic and instrumental values greatly affect the economic behavior of human and community and economic development in general is zakat. It was also as the main source of the state in the classical period of Islam and Islamic countries in general. From a practical point of view, every Muslim who meets the requirements for paying zakat should be collected from them and absolutely this is the part of duty of an Islamic state. Karim (2002) states that Muhammad (pbuh) was the first of state’s leader who introduce a brand new concept on state financial sector where all proceeds must first be collected and distributed in accordance with the needs of the country based on the principle of trust, and the collected yields did not belong to individual but state. Where these treasures collection was called Baitul Maal (home of property or state treasurer). Moreover, Possumah, et al. (2012) stated that Baitul Maal has existed since in the era of the Prophet even though had not well established. Baitul Maal institution independently formed as an economic institution in the era of Umar ibn Khattab suggested by Walid ibn Hisyam, an expert in Islamic jurisprudence. Since then, Baitul Maal had become a vital institution in Islamic countries. Further, Baitul Maal has handled a variety of matters ranging from withdrawal zakat (also tax), ghanimah, infaq, shadaqah to construct public facilities such as roads, bridges, hire armies and as well as social or other public interests. Compare with today, Baitul Maal can be said functioning as the Ministry of Finance, Directorate General of Taxes, Ministry of Social Affairs, and Ministry of Public Works and so on.

4.4 Wealth Should Be Circulated within the Community

In the Qur'an, sura al-Naml (the Ant) verse 60, the wealth is referred to as God’s bounty (fadl). God, as the Creator and Sustainer of the universe, is the real Owner of all things, including all the things which man possesses and uses, Allah said: “Who has created the heavens and the earth and sends down rain for you from the sky? With it we caused to grow orchards full of loveliness; it is not in your power to make trees grow in them.”

The wealth should be produced, distributed, acquired and spent in a way which is pleasing to God since Him is the true Owner of all things and Muslims are merely His trustees. The acquisition of wealth is not to be squandered for meaningless or wasteful purposes, nor wealth is an end in itself, and all above should not to used
in order to gain power over other people through exploitation or control of the means of livelihood. The Qur’an and Hadith explain it very clear that an act of disobedience to God is any form of gain which results in some injustice or harm to others. On the other hand, to purity of faith Qur’an says that the most pleasing thing in the sight of God were kindness and charity, forbearance and forgiveness, and doing well to others.

However, wealth is a test for Muslims and a source of temptation both with respect to the ways in which Muslim acquire and spend it. Abu Barazah al-Aslami reported which narrated by al-Tirmidhi that the Prophet Muhammad (pbuh) said: “On the Day of Resurrection, no human being will be released from God’s presence until he has been asked where he obtained his wealth and how he put it to use.” In other captured hadith, from Aisha narrates that the Prophet Muhammad (pbuh) used to pray, saying “O God, I seek Your protection from the evil of the temptation posed by both wealth and poverty.”

Hence, in three principles Islam delineates a framework for individual pursuit and management of wealth embodied, such as: (i) Circulation of wealth and prohibition of hoarding it. (ii) Spending of wealth in terms of priority, since Islam places primary importance on spending on Muslim, and giving this higher priority than spending on charity. The Prophet Muhammad (pbuh) said: “The best charity is that which is spent out of sufficiency. Begin with those for whose material support you are responsible”. (iii) Moderation. The miserliness and excessiveness were the two extremes that Qur’an warns of both in spending and management of wealth. And it calls for a path of moderation. Therefore Qur’an (25: 6-7) states in praise of those “Who, whenever they spend on others, are neither wasteful nor misers but [remember that] there is always a just mean between those [two extremes]”.

4.5 Economy Is Representative of Justice

One of the economic values which based on Tauheed, according to Saefudin as cited in Muhammad (2000) is justice. The word justice is mentioned more than 1,000 times shows how this basic value weighs much honored in Islam, both of which related to the social, political and economic. Hence to spread justice among people is the ultimate goal of the economic system in Islam, so that not a single person remains destitute among the people.

Prophet (pbuh) said: “Allah the Exalted said: O my servants, I have forbidden oppression for myself and have made it forbidden among you, so do not oppress one another.”

In wider view of justice, among the most important issues that Islam concern a lot is a fair distribution of wealth in society. Qur’an (59:7) emphatically said, “To treasure it not circulate among the rich among you”, and in sura al-Ma’arif (the Ascending Stairways) verse 24: “Among their property rights are poor, both beggars and people who do not beg”. Even affirm by the Prophet Muhammad (pbuh) in term of this the unfortunate and the poor. The Prophet once said which narrated by al-Bukhari and Muslim: “The parable of those who believe in love, as a body, if one member of the body is sick, the other members of the body also feel the pain”. This hadith explains further of the verse from the Qur’an, surah al-Ma’ur: 1-3, “Did you see who reject religion? They are the ones who let the orphans, and they also do not feed member of the poor.”

To sum up, enforcement of social and economic justice guided by a sense of fraternity (brotherhood), loving (mahabbah), and cooperation (takaful) also help each other (ta’awun), either between the rich and the poor and between government and the people.

5. Conclusion

No one deny nowadays that conventional economics theories have contributed greatly to the progress of human life materially through along development process for more than a century. But it has failed to retain their idealism. Even in the last half century, the conventional economy continued to show weakness. Back to the 6th century, Islam through the Prophet Muhammad (pbuh) provides an economic concept based on the Qur’an and Hadith that fundamentally control the way of human life and the role of government as well to achieve comprehensive development not only in economic sector but also spiritual, politic and social aspects.
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