Book Review

Title: Islam, Poverty and Income Distribution.
Author: Dr. Ziauddin Ahmad.
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Islam, Poverty and Income Distribution is a book written by an eminent scholar, Dr. Ziauddin Ahmad. The book is divided into four chapters. Chapter 1 explains Islamic vision of a just socio-economic order. The second chapter outlines the policy framework for the eradication of poverty and achievement of an equitable distribution of income and wealth. Chapter 3 provides the distinctiveness of the Islamic approach. The final chapter summarizes the main discussion and concludes.

The book emphasizes the commitment of Islam for upholding human dignity which is subdued by the presence of poverty. Prophet Muhammad (PBUH) sought refuge from the state of poverty. Islam emphasizes on the state as well as the members of the Muslim community to actively engage in feeding the hungry, spending in charitable acts and sharing the bounties of Allah with their fellow members. Islamic approach tackles the problem of poverty through its philosophy, specific teachings and institutions.

At the philosophical and behavioral level, the Islamic worldview regards wealth and resources as the trust of Allah. This encourages the cooperation, sharing and responsibility by inculcating the value of custodianship. Islamic philosophy of life prioritizes equitable distribution over Pareto efficiency. Overreliance on Pareto efficiency paralyses the equity and ethical concerns of development policy change. As per Pareto efficiency, it is inefficient to help millions of poor to make them better off while making any single rich person worse off. While Islamic principles allow freedom and liberty in lawful consumption within the moral boundaries, they induce affirmative action to promote well-being when people possess the means. In contrast, according to consumer sovereignty, as long as people can put up dollar votes for their preferences, resources will be allocated on producing, marketing and distributing inessential goods even if a quarter of world population lives in poverty and suffer from hunger, malnourishment and curable diseases.

The specific teachings of Islam encourage people to belittle their material and instinctive desires and seek contentment rather than just instinctive pleasure. Islamic teachings encourage spending on the welfare of the poor and underprivileged members of the society repeatedly. Islamic teachings encourage people to spend surplus income and wealth to the welfare causes in a Muslim society. Thus, Islamic social framework has virtues of cooperation, solidarity and a vibrant social safety net.

At the institutional level, Islamic institution of Zakat redistributes wealth and income in the society from the rich to the poor. Zakat on wealth checks both income as well as wealth inequality. By disallowing fixed return on money capital, Islam solves the problem of income and wealth inequality by encouraging the money capital to flow in the real sectors of the economy. Thus, it encourages investments in the physical sector of the economy which directly leads to increase in employment and production. Other than Zakat, the institution of Waqf encourages perpetual charity so that it becomes a sustainable and long term source of benefit for the society. On the other hand, Islamic inheritance laws ensure that wealth circulates from
generations to generations widely among the various relatives of the deceased. In this way, wealth concentration is checked in each household unit in each generation.

Interest based monetary system filters capital availability by providing it mainly to the capitalists who already possess the capital. Hence, it benefits the capitalists rather than enterprising people who have skills and determination to work and engage in productive enterprise. Increased income inequality, poverty and below full employment use of real resources results from artificially making capital scarce. Islam disregards privilege to money capital in the form of interest. It links the payoff paid to the factors of production with the outcome of the productive enterprise or productive use of real assets in a real economic activity. Resultantly, the capital circulates in the economy and gets invested rather than remaining idle since idle money capital deserves no compensation in the Islamic economic framework.

The institution of Zakat levies a special tax on cash, cash equivalents and capital in excess of need that makes sure that the money circulates and is used in the productive activities. Tax on cash and capital will force the people to invest their money in productive uses. With the prohibition of interest, this money will only go into business, either with the start of one’s own business or equity participation through Mudarabah, Musharakah and joint stock companies. Thus, Islamic teachings and institutions have substantial potential to solve the problem of poverty and income inequality within the market by influencing market dynamics as well as through the vibrant social sector institutions.