

The Islamic Economic System the only Savior from the Upheavals of Capitalist Economy

News:

Kenya's Treasury Secretary Ukur Yatani presented his Sh2.7 trillion Budget for the year starting July 1, outlining the spending plans, including the taxation measures to finance the proposals. The budget includes a stimulus package to jumpstart an economy ravaged by the Covid-19 pandemic. The budget was themed 'stimulating the economy to safeguard livelihoods, jobs, businesses and industrial recovery.

Comment:

The Great Depression of 1930s was one of the most severe economic depression that led to the fall of interest rate, high unemployment rate, social unrest and revolutions that gave rise to Nazi Germany and eventually the World War 2. Joseph Schumpeter commented on the measures take to curb the Great Depression, **'This leads us to believe that recovery is sound only if it does come of itself. For any revival which is merely due to artificial stimulus leaves part of the work of depression undone and adds to undigested remnants of maladjustment, new maladjustment of its own which has to be liquidated in turn, thus threatening business with another (worse) crisis ahead.'**

The world has not recovered from the 2008 recession and now the Covid-19 pandemic that has dragged the economic crisis into deeper oceans. The irony is the same policies and measures (inflationary and deflationary) in stimulating as well as liquidating the economy were the same measures implemented in the Great Depression that failed to revive the economy. Apparently, Capitalism is bankrupt of strong measures and crystal ideas to revive the economy.

From its bases, Capitalism is solely the root cause of disastrous economic crises facing the world then and now. Its inability to save the economy from repetitive crises and downfall is open to all. Looking upon a capitalist view point on economic problem as that of unlimited human needs and scarcity of resources, thus the solution advocated for is through production of goods and services. This is a fundamental error of the system that has resulted into impoverishing the society and circulating wealth within a handful of individuals.

With regards to financial system, Capitalism has further failed by institutionalizing interest based monetary system leading into huge credit bubbles and burdens as well as rising the ceiling debt. The system is based on bottom- up approach leaving many in abject poverty. Reading the annual budgets, lowering of interest rates, coming up with stimulus packages and printing of money are but the part of the problem and not the solution.

The Islamic economic system is unique both in understanding the economic problem and the management of the financial sector. Unlike Capitalism, Islam views the economic problem as that of the distribution of wealth which entails distinguishing the economic science and economic system. Allah (swt) says, ﴿كَيْ لَا يَكُونَ دُولَةً بَيْنَ الْأَغْنِيَاءِ مِنْكُمْ﴾ **"So that it will not be a perpetual distribution among the rich from among you."** [Al-Hashr: 7]. This means Islam primarily addresses the distribution of the wealth thus leading the satisfactions of the basic human needs and gives incentives on society to be inventive and productive to further satisfying luxurious needs.

With regards to the financial aspect, Islam prohibits the interest based finance both at individual and institutional levels. By doing so, the society becomes more active in carrying out economic activities barring her from lethargy and financial uncertainties. To realize this divine system in the rhythm of life, fully implemented is by the re-establishment of the Khilafah State (Caliphate) based upon the methodology of the Prophethood. Since it is the only state mandated to practically implement Islam.

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