

BOOK REVIEW

## 7th Century Madina Economics: The First Economic System of the Mankind

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REVIEWED BY

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**KAUJIE Classification:** A0, F1, R2, S1

**JEL Classification:** B10, L11, Y3, Z12

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### INTRODUCTION

The author has presented an erudite account of socioeconomics of Islam's 7th Century Madina Economics. Munir's in depth researched work is not only a meticulous thesis for the students and scholars of the subject of economics, it is an easy to understand treatise for a common reader. In this work, the author has explicated how the complexities of capitalism's economic system were simplified by the Prophet of Islam, with consistent clarity, revolutionary sophistication, and methodological thoughtfulness.

Since every chapter of the book is consentingly and meticulously sequenced, it is not easy to extract from few chapters the Qur'ānic woke on the issue of economics projected by the wisdom and business experience of the Prophet who was an expert and successful trader before being pronounced as Messenger of Allah. Moreover, The author's comparative references and appreciation of Madina Economics with pre-Islamic trading systems and modern ideologies of capitalism, and communism, invite the reader to read the book from page one to the last one. Therefore, sifting through the pages of the whole book, the reader will find the uniqueness of the Madina Economics, that almost all the building blocks of Islamic economic system were completed in the life time of the Prophet (PBUH) of Islam. Following Islamic victories during the period of the Caliphs, this economic system went beyond Arabia and remained in force for centuries.

Starting from its interest free financing under '*Salam*'-an Islamic mode of getting advance payment against future delivery largely meant for the agricultural production, profit was tied with market sentiment. The system was in response to Qur'ān's words that prosperity lies in trading goods and services and not in lending money to each other under interest.

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Regarding transaction between buyer and seller, Islam binds the sellers to mention merits and demerits of the good/service to the buyer before the sale. Here Islamic economics, gives a concept of "Seller be Aware" as against the modern concept of "Buyer be Aware" in traditional capitalism. It is only in Islam that honest trader has been declared as highly respected person of the society-above martyrs and highly pious persons.

The main public revenue earning in Islamic economics is from *zakāh*, a tax on one's surplus wealth. *Zakāh* was levied as a tax of 2.5% on total wealth and not on income of the current year. The 14th century Muslim philosopher of history, political science, and economics, Ibn Khaldun has said that higher the income tax rate, less tax revenue will be collected. One of the best features of Muslim economy was agriculture, which the Arabs knew the skillful use of irrigation, which they learned from living where water was scarce. Thus, the tax on agriculture called "Ushr"-a 5 percent for irrigated lands or 10 percent for non-irrigated lands levy on agriculture produce-was the big source of revenue of Madina economics. When a sizable revenue amount of money reaches state-exchequer, there was no need of tax on trade or business transaction. However, *zakāh* was levied on wealth acquired from manufacturing of goods, and wealth acquired by trading and general business.

Munir Ahmed, in chapter thirteen of his book says, since the economic system of the West has created almost insoluble problems for humanity, we can benefit from the model of Madina Economic by implementing it in Pakistan by the steps, such as:

Strengthening role of Islamic banks.

Induction of New players/modes of Islamic Trade.

Coordination between *Madrasa* and Business School.

Division of Work among Strategic Partners of Madina Economics.

**Reviewer's Word:** Author is silent on "Land Reform," a very important factor of Madina Economy during the life time of the Prophet and its further modifications by the Rightly Guided Caliphs, when the fertile lands of Egypt, Syria, and Iraq became a part of Muslim world. The next edition of the book may include such discussions as to how the most important sector of any economy could play role in enhancing shared growth in countries like Pakistan.

The author is also silent about the taxation system of industrial complexes or units, labourer's rights, and macro-micro economic issues faced after the Industrial Revolutions and today's cutting-edge technological IT Revolution. Most of the Madina Economics relates to trading business and finance. Moreover, monetary investments and loans without an equity were subject to people's honesty, moral and ethical virtues of the early Muslims. The world today-including Islamic states-is dependent upon the Western industrial, commercial and banking systems. Knowledge, technology, ethics and morality is western that almost ninety-nine percent of the books consulted and quoted by Munir Ahmed are by the western authors. However, the author is justified to state that some aspects of Madina Economics can be helpful in fixing the ailing Capitalism of modern time.

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