

# Prophetic Economic Model and Global Economic Systems: A Critical Assessment

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## Abstract

In recent times, debilitating economic crises had sought to cripple some of the developed nations of the world, especially across Europe and the United States. This has been in spite of the advancement in the frontiers of knowledge of economics from which evolved such basic systems as capitalism and socialism, with their various derivatives and manifestations, toward making not only individual life but corporate entities and governance as meaningful as they could possibly be. Against this background, the paper critically examines the principles and practice of the two broad contemporary economic systems vis-à-vis the economics enunciated by Prophet Muhammad. The paper concludes with the recommendation of the Prophetic model as the panacea for not only contemporary challenges but those which man has yet to envision.

**Keywords:** capitalism. socialism. economic systems. prophetic panacea

## 1. Introduction

Some western European nations have had to grapple, in recent time, with the effects of economic policies on their respective state economies, a development which had ditched their economies into the doldrums for quite a while, as they struggled for recovery, through measures adjudged incoherent (Wikipedia, 2014) and some bail out by the Breton wood institutions – the IMF and World Bank. The world's initial worry over the looming economic downturn was about the state of affairs of the economy of the United States (US), before similar crises became noticeable in Europe, beginning with Ireland, in 2007 (Wikipedia, 2014). The Wikipedia report had it that the recession spread across the G20 zone until the first quarter of 2009. This stems from the collapse of many US financial institutions, as instruments of capitalism and its entities which had, hitherto, been the hug of investment by the world. However, the Breton Woods institutions' – IMF and World Bank packages for the affected countries – as well as the US government intervention, i.e. in the form of government bail-outs, which engendered a flurry of legislative and financial support (English, (2014); Kiel, (2010)), especially for her ailing companies, brought some measure of relief across the troubled economies of the world, notwithstanding the series of protests against such capitalist welfare measures in the US (Shabazz, 2008) like the case was in Ireland in 2010, as reported by the country's Green Left Weekly (issue 864, 2010).

From the experience, it is quite obvious that there are some fundamental issues on the nature of the economic system of these nations. In other words, that the nations could experience such upheavals in spite of the supposed robust nature of their economies calls to question the dominant global policies of capitalism and socialism. This is predicated on the fact that developing nations, or third world countries, such as Nigeria, and a host of others across the world, have not only been heavily reliant on, or required the support of such institutions of the advanced democracies, over the years, but they have been practicing either the western economic idea of capitalism or the eastern version of socialism – the one symbolized by the US while Russia and China are the bastions of the other, notwithstanding the variant, communism, that has become quite dominant in the latter. This argument is not in the least suggestive of being oblivious of the fact that some states have been able to evolve a blend of the two seemingly extreme economic policies, through the formation of the non-align movement since the hay days of the cold war.

Today, the situation has not changed significantly as states continue to grope from one economic concept to another in attempt at addressing recurrent and emergent challenges posed by such adopted policies. This, therefore, forms the bases of this paper; given that the economic policies man had continually reinvented had been subject to systemic failure, however much the advocates project their gains. It suffices to say that the development of an economic policy, which could stand the test of time, is considered expedient. This paper's advocacy and recourse to the divine recommendation on the subject, as exemplified by the Prophet, therefore becomes an imperative. As a matter of fact, such is considered is a *sine qua non* since man's formulations have proven to be ineffective and so not fully established as capable of totally eradicating the challenges of the economies of the rapidly transforming nations across the globe.

This assumption rests on the premise that religion, especially Islam, stands, in itself, as the way of life recommended by God. As such, it is, in the words of Qutb;

A system of practical human life in all its aspects. This is a system that entails the ideological ideal – the convincing concept which expounds the nature of the universe and determines the

position of man in this universe as well as his ultimate objectives therein. It includes the doctrines and practical organizations which emanate from and depend upon this ideological ideal, and make of it a reality reflected upon the everyday life of human beings (p.7)

The doctrines, as further argued by Qutb, includes, but not limited to “ethical foundation and its sustaining power, the political system together with its form and characteristics, the social order and its bases and value, the economic doctrine with its philosophy and institutions ...” (p.7). By implication, such systems as man has evolved lacked this comprehensiveness hence, their often disjointed ideologies and constant reviews which have yet to ensure the desired result of man’s welfare on earth.

## **2. Capitalism and Socialism as Global Economic Systems**

### ***2.1 Capitalism***

Quite a substantial amount of material is available on the subject of capitalism and socialism, as well as their variants. A close examination reveals a great deal on the subjective manner the issues are address. However, what there has not been much dispute about is the central argument of the subject, and that is the fact that they both seek to address issues of “economic equality and the role of government” (Diffen.com). Critically assessed, both systems have proven to be capable of tapping all resources, man and nature. This is done through a variety of institutions, means and strategies that experts kept constantly reforming in attempts at addressing the rapidly transforming society.

Capitalism is, by conception and practice embraces different ideologies; socially, politically and legally, among others (capitalism.org). As an economic system, it essentially relies on market to determine investment, production and distribution. In the context of this paper, however, the fundamental basis provided in the definition of Rand, in Capitalism.com, calls for examination: he states: “When I say “capitalism, “I mean a full, pure, uncontrolled, unregulated laissez-faire capitalism – with a separation of state and economics, in the same way and for the same reasons as the separation of state and church”. By implication, the system divorces religion and state from itself. In other words, one could say that it is basically characterized by economic activities propelled by individuals in exercise of self-freedom towards production for profit.

A good example of a capitalist state is the US. Indeed, it is considered the bastion of capitalism. Wikipedia reports that the private sector holds 86.4% of the economy (Wikipedia). Besides, many European nations have quite a lot in common with the US, while the entire world is currently said to be entrenched with the system (worldsocialism.org; capitalism.com). Other notable states with distinct capitalist economic programmes include, according to scholars, Hong Kong, for free-market economy, and Singapore, for State capitalism (Diffen.com).

The system is founded on the principle of ownership of means of production and distribution of goods by private individuals or shareholders and, or corporate bodies who also operate and engage on commerce for the purpose of generating profits. In this case, goods and services are produced to make profit which, more often than not, is reinvested for personal economic growth (worldsocialism.org). Major characteristic feature of capitalism is “the traders’ unconditional dependence upon the market.” It is considered a market-based economy as market forces determine, to a large extent, the indicators for production. By implication, the involvement of government role in terms of ownership of means of production either very limited or completely absent because emphasis is placed on private enterprises. This, essentially, is what is meant by free market economy. It could be contended that the attendant implication of this is what has been witnessed in recent times in Europe and US.

However, in spite of the pitfalls, as observed by experts, protagonists of capitalism, like Mises (2010), economic structures of private property have been “widely misunderstood”. He notes that:

In the fully industrialized parts of our globe, in the countries of Western and Central Europe and North America, the system of private enterprise not merely survives, but continually improves and expands the services it renders.

The propensity for material gains is quite undeniable in capitalism. However, scholars, however much they attempt to defend capitalism, often find the criticisms of the proponents of socialization resonating. Much as Thompson (1993), an advocate of capitalism tried to be sarcastic in this recall of such criticisms i.e. mainly that “capitalism is callous, dehumanizing, exploitative, alienating and ultimately enslaving”, among others, it is evident in most capitalist states, as there has been steady rise in the number of the super-rich at the expense of the general public. By way of illustration, Martin (2014) disclosed, in his ‘wealth report on the deepening social polarization, that the US whopping net worth of \$81.8 trillion declared by the US Federal Reserve

are monopolized by the narrow layer of ultra-wealthy individuals at the top of American society ... but under capitalism, a social order based on profit and the accumulation of vast private wealth, such an equal division of society’s resources is unthinkable. Instead, America in 2014 is a spectacle of ever-increasing riches at the top and steadily worsening conditions of life for the majority of the population.

Also, a recent television documentary by Al-Jazeera, Empire, in examination of the Rise of the

Oligarchs, indicates the growing awareness in contemporary American society of the overawing influence of the super-rich, who constitute just about 1% of the population of the US, on government. Critics of the development view government as an enthronement of what many see as an oligopoly – a government by the oligarchy (Al-Jazeera.com; Diffen.com; wsws.com) and the “new aristocracy”, as referred to in respect of Britain (jdeanicite.typepad.com). Indeed, these reports pinpoint an aversion to the dominance of the life of the populace by this class of people, which is a consequence of capitalism.

Notwithstanding the institutionalization of class distinction by the capitalist economy, its proponents are wont to argue that the state control of resources, as a common feature of socialism, had continually engendered inefficiency. The exception to the rule had always been in states where repression, which are more often ensured through “coercive power of the state” (Thompson, 1993), is institutionalized. The situation in China and Russia are ready references. The argument is that free market economies confer a measure of freedom on individuals. Furthermore, while they do not discountenance the fact of the difficulty in eradicating inequality in economic opportunities (Thompson, 1993), as inspired by nature and nurtured by the system, they posit that justice is full-proof (Rand, in capitalism.org; Thompson, 1993) as individuals obtain their benefits for their investment while government and the labour get their loyalty and wages in compensation respectively.

However, it has been observed, when developed countries are critically examined, that elements of socialism can be found, quite obvious, in the states that are predominantly considered capitalist, including the US. This is evident in such state policies as social security and health insurance, among others, which capitalist advocates themselves acknowledge (Thompson, 1993; diffen.com) in what is termed by some as “mixed economy”. This being the case, it goes without saying that, in spite of the claims of the proponents of capitalism and the seeming adoption of its elements even in supposed socialist states like China, Cuba and Russia (worldsocialism.org), it is quite deficient in addressing the rapidly changing needs of man.

## 2.2 Socialism

Ideally socialism has its philosophy hinged on “each according to his ability, to each according to his contribution. Emphasis on profit being distributed among the society or workforce to complement individual wages” (Diffen.com). The system entails the ownership of means of production by the state (public enterprises) to allow for individuals to have access “for self-actualization”. This is expected to be ensured because large scale industries make returns for the benefit of state, society as it were. Furthermore, government takes responsibility for the reduction of inequality by constant interventions in the market forces. This is brought to bear through such other measures as free or highly subsidized social services e.g. education, health care, social security for the elderly and higher taxes for the rich. What this means is the fact that the system, ideally seeks to confront inequalities especially in economic opportunities, which it views as unacceptable (worldsocialism.org; wsws.com).

Thus, in an ideal socialist state, planning, whether centralized or decentralized, is seriously ensured by government to determine investment and production, and the economic production regulated and adjusted to meet societal needs, what experts call, in other words, “production for use” as opposed to “production for profit” in capitalism (diffen.com; wsws.com; mises.org). To make this a reality for the desired economic growth, means of production are more often than not owned by government and, or cooperatives, while individuals are compensated based on their respective contributions. By implication, the basic principles of the socialist system are principally on the idea of justice and equality as well as community. However, scholars (Thompson, 1993) have posited that socialist idea of equality of opportunities provides that no one be disadvantaged by equality in distribution of social benefits; however it does not address the concerns of great inequalities that arise from the benefits one obtains after indulgence in high risk ventures while others refused to explore such options (Mises, 2010). By and large, benefits of this system can be seen in the effort at giving people a sense of collectivity – instilling a ‘we-feeling’ as opposed to the possessive individualism inherent in capitalism. Thus it seeks to diminish the institutionalization of class structure in society.

As a consequence of the strictly capitalist and socialist oriented economies, the rise of oligarchs has more negative implications than can be envisioned. There is, in such states, policies in place to settle the investment of the super-rich who have been involved in the political enthronement of regimes as such, monopolies are created and capitalists are able to maintain their monopoly because they keep political power in check through the maintenance of policies in consonance with the whims and caprices of a few of the people. Even proponents of socialism, like Russell G.R., International Secretary of Social Party of Great Britain, also aver that such is a reality/possibility in any economic system that oligarchs may choose to be interested in. He further argues that they have had to understand and maintain same exploitative principle of power grab and power retention: A closer look at power manipulation by the ruling class in today’s Russia and the People’s Republic of China would attest to the fact so conclusively made, on the exploitative tendencies of the global economic systems, by the renown economists (Mises, 2010).

## **3. The Prophetic Economic Model Compared with Global Economic Systems**

Prophetic economic model presupposes the economic system introduced by Islam through the Prophet

Muhammad (peace be upon him (PBUH)). Islam involves a wide range of concepts and practices, “in all phases and activities of life, in matters, material as well as spiritual” (Hamidullah, 1989: 5). It also includes political, social and economic aspects of life, among others (Qutb, 1971; Qutb, 1978).

These ideas and system had their basic sub-divisions. In the context of the subject, the economic system Islam enunciated is embedded in the provisions of the source documents; which imply that all the systems came since the advent of the religion. The teachings of Islam with regard to its economic system involve some obligatory and supererogatory deed. They include, but are not limited to, inheritance, wills, public goods, state expenditure, zakah, sadaqah, gharar (interdiction of chance – of the presence of any element of uncertainty e.g. insurance, lending money etc) (Wikipedia, 2014). In medieval times, Muslims, given their leadership as world power, established a number of financial institutions; hawala (agency), waqf (endowment/trust) (Wikipedia, 2014; Hamidullah, 1989: 5). Given a careful assessment of the system, what could be said to be elements of capitalism and socialism were quite noticeable. In this regard, it could be recalled that individuals did own and operate businesses bearing in mind the protection of communal interest – what is good for the community – or otherwise “individual economic freedom and the need to serve the common good” (Wikipedia, 2014). It could be contended that the philosophy of the economic system of Islam presupposes that wealth is devolved and not concentrated in the hands of a handful of men. This could be deduced from a combination of provisions of the Qur’an: For instance;

What Allah has bestowed on His Messenger (and taken away) from the people of the townships – belongs to Allah – to his Messenger, and his kindred and orphans, the needy and the wayfarer, in order that it may not (merely) make a circuit between the wealthy among you ... (Q. 59:7)

Also, the manner of expenditure, clearly referred to in this instance, is further buttressed in Qur’an 9: 60, which spelt the directive principles of expenditure of state resources, for dispensing for the benefit of the less privileged. Thus, this sought to stimulate the state which was heavily reliant on agriculture and cattle rearing, given the fertile nature of the Medinah area, and the commercial activities (Abdul, 1975). Also the spiritual angle to the issue of economics provided by the religion, through exhortations by the Qur’anic and Prophetic traditions, served to put a check on man’s insatiable quest for excessive accumulation of wealth and its effect on his morality and ultimate spiritual degradation.

Nothing in the preceding discussion forecloses the acquisition of wealth by man. However, such acquisition need be lawful and in conformity with the injunction of Allah. Man is constantly enjoined to be conscious of God as the source of his wealth, Whose directives on its devolution need be heeded. This is the underlying theoretical principle establishing the good life. In this context, the Qur’an (28: 77) says: “But seek with the (wealth) which Allah has bestowed on thee, the Home of the Hereafter, nor forget thy portion in this world but do good as Allah has been good to thee, and seek not (occasion for) mischief in the land: For Allah loves not those who do mischief.”

Also, there has been no basis for question of inequality in resource opportunity, which is a source of controversy and crisis in global economic systems of the contemporary world. Mises argument on the impossibility of the eradication of the “unequal distribution of wealth” cannot be discountenanced. Given the Islamic provision, one could say that this principle is acceptable. The Qur’an itself had disclosed this since time immemorial when it states that ‘*men are not equal*’ some are degrees higher (in every respect). This may have informed the practice of mixed economy and a welfare state ideology which Islam emphasized through the period of its reign as the dominant force in world politics, particularly after the fall of Roman and Persia empires. This is because Islam recognizes the fact that inequality is quite a natural phenomenon, and so men cannot be equal in several respects. Again the Qur’an says: “let him whom We have granted means (in abundance) spend as such; And whosoever has (his means restricted) should spend thereof”.

Furthermore, the power of monopoly in commerce in the hands of a few is a phenomenon that Islam has strong aversion to. Also, this should not be understood as an opposition to individual’s possession of means of production but rather, an opposition to the concentration of the resources of a nation in the hands of a few. In other words, the power of government to cater for her citizenry concentrated in the hands of individuals thus placing government at the mercy of such individuals is abhorrent to Islam (Qur’an 59: 7).

In further comparative assessment, the cautious civil liberties Islam confers on individuals through the checks and balances on his spirituality amidst his affluence, is quite unrivalled. While capitalist systems sought to give unfettered freedom to individuals, a situation that has engendered corruption in the acquisition of material wealth and decadence in morality and creation of spiritual vacuum, socialist systems have been proven to be prone to gross infringement on civil liberties, beyond economic regulations. Although, the intendment of such dictatorial and exploitative policies may be morally compelling, it could be argued that the broader effect on morale and psyche of the society which it seeks to protect cannot be overlooked. This is against the backdrop of the repression of religious worship by the state through the imposed secularism in governance (Diffen.com; Mises.org)



The alternative offered by Islam is such that cannot be compared. By way of illustration, Al-Bukhari, in his *Kitabun-Nikah* (Chapter on Marriage), reported the issue of the woman that complained to the Prophet that she was given in marriage without her consent comes to mind; she enquired as to whether she has got her rights to object and the Prophet responded in the affirmative. Also, a woman rose to challenge Umar ibn Khattab (R.A.) when he was trying to set a limit to the cost of *Sadaq* (dowry) at Jum'ah service, on the premise that the Prophet did not do such a thing and the *Khalifah* (Caliph) simply retracted the policy.

The inefficiency of state-run system due to deliberate mismanagement, it has been argued (Thompson, 1993; Mises.org), do often led to system failure occasioned by bankruptcy in socialist economies, without the repressive laws, since no much energy is infused as a result of the seeming equality being pursued. This, they posit, informed the built-in incentives to shirk responsibility. Whereas, in capitalism incentive is to work harder because the harder you work the more you get dividends towards the development of self or reinvestment. The latter does have acceptance in Islam, as indulgence in idleness is quite antithetical and so unacceptable (Hamidullah, 1989).

Socialism relies heavily on self-sacrifice towards the eradication of the inequality of opportunities. Also, to Thompson the belief in the moral efficacy of both capitalism and socialism would seem to place the latter at a better position, theoretically, at least, but in practice, the former is said to have translated morality into reality given the inherent provision of one person's gain as another's; although in proportionate terms each according to his investment. Again there is no infringement on the right to choose and organize oneself that is common-place in socialism.

#### 4. Conclusion

The paper essentially gave an overview of the global economic systems, capitalism and socialism, discussing such critical issues as the impact of the systems on man, his immediate community and governance. In so doing, no pretention was made on its avoidance of such issues as the institutions of the systems and their modus operandi. However, the comparative assessment with the Prophetic model provided further insight into the deficiency and pitfalls these contrivances, in the name of economic models, by man. While it is admitted, however, that they do hold certain benefits for man, according to their proponents, it is worthy to note that such supposed benefits are not only limited but ambivalent in their effects: as evident in the overawing class distinction, the inextricable exploitation of the larger populace and neo-colonialism, among others. Indeed, this much was admitted, one way or another, by the submissions of the renowned economists reviewed hence, the recommendation of the Prophetic economic model as the panacea for all the challenges of man till end-time, given its having emanated from the Creator of the universe and all therein, Whose knowledge encompasses the yet-unimaginable by man.

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