

A Proposed Syllabus for the Course of:
Public Finance (Public Economics)
with Special Reference to
Islamic Perspective

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FOREWORD

Modern Economics, like other social sciences, evolved in isolation from morality and religion. No wonder its introduction into the world of Islam was also indifferent to Islamic thought, which, during the last few centuries was stagnant anyway. As a result what we not teach in our universities carries many alien ideas regarding man and society not to mention some trends openly in violation of Islamic teachings. Nevertheless social sciences in general and Economics in particular have valuable insights to offer which no one can afford to ignore. There is much that is acceptable and useful and deserves being communicated to our younger generations. However there is a need to introduce relevant Islamic concepts and precepts as well as to identify unacceptable trends, before these subjects are taught.

It has been the vocation of this Centre to redesign Courses in Economics with the above purpose in mind. I am glad to introduce a course on Public Finance in Islamic Perspective which also incorporates appropriate reading material. Thanks are due the syllabus Committee of the Centre which prepared this outline. The Centre would welcome any suggestions in this regard from the scholars and teachers who may find the following pages useful for their work.

May Allah help us all in discharging our duties.

Dr. Mohamed A. Elgari
Director

PUBLIC FINANCE FROM AN ISLAMIC PERSPECTIVE (BACHELOR'S LEVEL)

1. Introduction

The Importance of the Topic in the Contemporary Economics, Islamic *Shari'ah* and Islamic Culture:

- * Definition of Public Finance.
- * The Public Economy.
- * The Private Economy.
- * Public needs.
- * Private needs.
- * The contributions of Muslim scholars such as: Abu Yousuf, Al Jouwaini, Al-Ghazali, Al-Mawardi, Ibn Taymiya, Ibn Khaldoun.

2. The Role of the State in the Contemporary Islamic Economy

2.1 Objectives:

- Abolition of poverty.
- Minimization of income and wealth differences among citizens.
- Comprehensive development.
- Environmental protection
- Enhancement of social climate for production and investment

2.2 Notes:

- Priorities among objectives
- Possibility of contradiction among objectives.

2.3 Contemporary perception of public goods and the functions of the Islamic State.

- 2.4 Islamic State policies: Islamic education, organisation, public information, the third sector, endowments (*waqfs*)
- 2.5 Public choice and its relationship to public fiscal decision making (the *Shu'ra*, the public interest).

3. Public Expenditures

- 3.1 Factors affecting the level of public expenditure:
 - * State capability to raise public funds.
 - * The actual performance of economic activities.
 - * Cost-Benefit Analysis: maximum revenue at least cost.
 - * Maintaining relative stability of the value of money (controlling inflationary and deflationary tendencies).
 - * Expenditure rationalization: moderation against overspending and wasteful expenditure.
- 3.2 Growth of public expenditure: nominal and real growth.
- 3.3 Classification of public expenditure.
- 3.4 The economic effects of public expenditure.

4. Public Revenues (state financial resources)

- 4.1 Revenues from state properties: *Al-Kharaj*, *Al-Rikaz*.
- 4.2 Booty and Spoils.
- 4.3 *Al-Zakat*.
- 4.4 Taxes:
 - a) The permissibility of imposing taxes other than the *Zakat*:
 - * The illegal imposition of taxes.
 - * The Islamic foundation of tax imposition.
 - b) The *Shari'ah* limitations on tax imposition.
 - c) The tax base, taxable base, minimum taxable base.

- d) The tax base:
 - Head-tax versus property/income taxes.
 - Direct versus indirect taxes.
 - The Islamic permissibility of indirect taxation.
 - The taxing of goods and services according to Shari'ah.
 - Property and income taxation.
 - The Islamic permissibility of taxing inheritance.
 - e) Proportional and progressive taxation: economic advantages and disadvantages;
 - f) Evaluating Islamic permissibility of progressive taxation.
 - g) Double taxation of the same source.
 - h) Tax evasion and avoidance.
- 4.5 The economic impact of taxation:
- * Tax burden.
 - * Tax incidence on labor supply and risk-taking.
- 4.6 Fees as a source of public revenues:
- * Custom duties.
 - * User fees.
- 4.7 Internal public debt:
- * Expediting taxes and other duties.
 - * Treasury bills.
 - * Usury and gambling: prize for investment bonds.
- 4.8 External public debt:
- 4.9 The economic effects of public debt.
- 4.10 Cross-sectional and inter-generational distribution and incidence of public debt.

4.11 Monetary issue.

- * Budget deficit financing via monetary expansion (inflationary pressure).
- * Advantages and disadvantages of monetary issue.
- * The permissibility of seigniorage.

4.12 Profits from national lotteries:

- * The Islamic view on raising public funds through national lotteries.

5. The National Budget

Briefly present an actual national budget of a Muslim state; highlight the logic beneath classification, categorization, appropriation and administrative procedures of preparation.

6. Bait Al-Mal

- * The various kinds of Bait Al-Mal.
- * Reserves of Bait Al-Mal (Public Savings).

7. Fiscal control

- * *Al-hisbah*.
- * Grievances.

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- * Abu Yousuf.
- * Yahya Bin A'dam.
- * Ibn Rajab.
- * Al-Ma'wardi.
- * Abu ya'laa