

Baqir al-Sadr on Capitalist Economy

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Capitalism is an economic system in which the production and distribution of goods and services are privately owned.¹ It is often called the “free enterprise system”, as in this system individuals are free to invest their capital. Sometimes it is also referred as “free market economy,” because in this system buyers and sellers are free to exchange goods and services.² According to Louks, “Capitalism is a system of economic organization featured by the private ownership and the use for private of manmade and nature made capital.”³

Capitalism in its industrial form first developed in England in the late nineteenth century.⁴ Thereafter it spread over to Europe, North America, Australia, New Zealand and South Africa. It along with colonial manifestations dominated the world during the nineteenth century. Presently it is one of the dominant economic systems of the world.

Under Capitalism, all farms, factories and other means of production are the property of individuals and firms. They are free to use them with a view to make profit, or not to use them, if it suits them. The desire for profit is the sole consideration with the property owners, in the use of their property. Besides free and unfettered use of their property, everybody is free to take up any line of production he likes and is free to enter into any contract with fellow citizens for his profit. In this way capitalism provides unlimited freedom of ownership, exploitation and consumption.

In a capitalist economy, what to produce, how to produce and for whom to produce, all these central problems of economics are settled by the free working of the forces of demand and supply.

Outstanding features of Capitalism

i. Right to have Private Property

The Most outstanding feature of Capitalism is the existence of private property and the system of inheritance. Everybody has a right to acquire private property, to keep it, and, after his death pass it to his heirs. The result of this system is that inequalities of wealth distribution are perpetuated. The rich people become richer and the poor people become poorer.

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In a capitalist economy, instruments for production are privately owned by individuals. They are managed by the owners of farms and factories, who carry on the business for their own personal profit and not for the benefit of the society. Generally the masses are exploited and do not get a fair return on their labour.

ii. Economic Freedom

A very important feature of the capitalist order of the society is economic freedom. This freedom implies three things;

- a. Freedom of enterprise
- b. Freedom of contract and
- c. Freedom to use one's property

In a capitalist system, everybody is free to take up any occupation that he likes, or start any business he wishes and enter into contracts or agreements with his fellow citizens, in a manner most profitable to him. Every citizen has the freedom to form any firm, anywhere he likes provided, and he has the requisite capital and ability.

iii. Freedom of Choice by the Consumers

Another important feature of capitalism is that in this system every consumer enjoys a freedom of choice of the commodities and services that he wishes to consume. One cannot be forced to consume any particular commodity or service in this system. The consumer is sovereign. Of course; his sovereignty is limited by his income and the availability of goods. Finally it is his likes and dislikes which determine the magnitude and pattern of production.

iv. Profit Motive

Another remarkable feature of Capitalism is that the profit motives of individuals govern business enterprise. It is the profit motive which motivates people to undertake any particular activity. To make profit is the primary motive of entrepreneurial activity and not love of society or social services. Those commodities and services are produced under this system, which are expected to yield maximum profit, hence, what to produce and how much to produce is determined by individual profit, rather than by social benefit. It is the profit motive which induces business men to make the optimum use of the factors of production. This profit motive is the mainspring of all economic activities under capitalism.

v. Class Conflict

Another feature of capitalist economic order is the class conflict. The society is divided into two major classes; one possesses the capital and means of production and the other does not possess them. The gap between the rich and the poor is on an increase and there seems to be no solution of the problem in this system.

vi. Uncoordinated Nature

A remarkable feature of this economic system is its uncoordinated nature. There is no conscious regulation or central direction of economic activities of the people in this system. Production is conducted as a result of the decisions of numerous isolated entrepreneurs. It is also influenced by a vast number of individual consumers who make their decisions without consulting one another.

vii. Role of Entrepreneur

A very distinguished feature of this economic order is the vital role which the entrepreneur plays under this system. The entire production machinery of the country is under his direction. It is he who hires the other factors of production and undertakes to pay them. He is the soul agent of the community in the matter of production. In fact, it is difficult to see, how the present system can work in his absence. He is the pivot round him revolves the entire system.

viii. Control with Risks

Another important feature of this system is that the control of business goes with risk. This is called as the Golden Rule of Capitalism.⁵ He, who risks his money, must also control the business.

ix. Competition and Cooperation

This is another characteristics feature of Capitalism. The producers compete with one another to get the consumers choice. They use different technique for this purpose. They may cut the price or improve the quality of the product or offer other concessions to the purchasers. Besides competition among the producer, there is also competition among the buyers to obtain the commodity. They bid against one another and offer high prices for this purpose. Similarly, there is competition among the workers for jobs.

On the one hand there is competition, on the other, there is cooperation among various groups of the people. The buyers compete with buyers and the sellers with sellers; the laborers compete in trade unions to fight against the capitalists. Similarly, the employers not only compete among themselves but, they also combine to form associations to safeguard their interests. Thus, under capitalism competition and cooperation go side by side.

x. Importance of Price System

Capitalist economy is governed by price system. It is the price mechanism, which facilitates the functioning of Capitalism. It is the price which equates the demand and supply of commodities and factors of production. If the supply is short, the price rises and the demand is cut to size of supply. If supply is large, the price comes down, so that the extra supply is taken off from the market. In fact, price is signal, which guides the producers as to what to produce and what not to produce. The higher price is also a warning to the consumers to cut down their consumption.

xi. Economic inequalities

An outstanding feature of capitalistic countries is the glaring inequalities of wealth and income. A few are very rich indulging in all sorts of luxuries, whereas the masses do not get even two square meals a day. What is more, painful is that the gulf between the rich and the poor is ever widening. The inequities arise from unearned incomes which are due to uneven distribution of wealth. Larger wealth yields higher income.

Sadr on Capitalist Economy and its Nature

Baqir al Sadr divides the capitalist economy into scientific aspect and doctrinal aspect in a similar way as he divides the Marxist economy into science and doctrine. In its scientific aspect according to Sadr, it tries to explain the course of economic life and its event in an objective way based upon stability and analysis.⁶

The capitalist doctrine is a social system towards which Capitalism calls and for its materialization it leads community.⁷ Sadr remarks that, at the emergence of the capitalist economy there were two notions pervading among the economists. First: The economic life proceeds in accordance with some natural laws, which dominate all economic entities of the society. Therefore, the job of economists is to discover those laws, in order to explain different economic Phenomena and events accruing in human lives.

Second: These natural laws constitute a guarantee for human happiness; provided they are enforced in a free environment and all the members of the society enjoy freedom of ownership, exploitation and consumption.⁸

The first notion, according to Sadr, lays down scientific foundation of the capitalist economy, while as the second one lays its doctrinal foundation.⁹ The economic thinkers of that time, states Sadr, believed that the two notions were closely linked to each other. Therefore, restricting individual's freedom and interference in his economic affairs by the state was regarded as a crime against the natural laws.¹⁰ However, this sort of thinking no more appears to be sound because the natural laws never fail in any circumstances. It is therefore, mistake to regard the capitalist freedoms as an expression of natural laws and consider their violation as a crime against them.¹¹

The natural laws, according to Sadr, work uninterrupted in all conditions irrespective of the degree of freedom enjoyed by individuals in the field of ownership, exploitation and consumption. Sometimes, it is however with the difference in the conditions and circumstances. This is possible in the same way as the natural laws differ in their effects and results with the difference in circumstances and conditions.¹² Therefore, according to Sadr unlike the Marxist doctrine, the capitalist economy is not the result of the science of economy set up by the capitalists, nor is its destiny linked with the extent of success in its scientific aspect in explaining the objective reality. The doctrine depends upon some moral and some practical values which must alone be regarded as the criterion for giving verdict in favour or against it.¹³ Besides this, Sadr also emphasizes that although the capitalist doctrine does not derive its justification and existence from the scientific laws in economics; however, the scientific laws in the capitalist economy are influenced by the capitalist doctrine.¹⁴

In order to explain it, Sadr classifies scientific laws of economics into two groups, natural laws; which are similar to other scientific laws discovered by the natural sciences and do not show any link with the human will like the general of limitation¹⁵ and the law of increasing produce.¹⁶ Second type of laws have link with the will of man like the law of supply and demand¹⁷ and the iron law of wages.¹⁸ Man's will, remarks Sadr, is determined and conditioned in accordance with his ideas and understanding as well as the doctrinal ideology prevailing in the society in which he lives, therefore, these second type of laws can change from society to society because, societies differ from one another in respect of factors which determine their impulses of character and practical values in life. He observes that the laws in the capitalist economy are of second type in nature. They are influenced by all the factors that interfere in man's will and his tendencies. For instance; the iron law of wages, according to which, when the wages of the workers increase, their supply also increases due to the improvement in their living standard, but when the situation is contrary, the wages falling down to the natural level, this results into wide spread misery and disease, consequently decreases their number and the wages increase.¹⁹

So far as the first type of laws is concerned; Sadr states that they are universal in nature, applicable in all societies and all times to come.²⁰ Based upon this view Sadr concludes that the scientific laws in the capitalist economy are scientific only in the framework of a particular doctrine and not general laws that might be applicable in every society and at every place like the scientific laws of natural sciences.²¹

Sadr on General Framework of the Capitalist Doctrine

The capitalist economy, according to Sadr, is based upon three elements. These are freedom of ownership, freedom of exploitation and freedom of consumption.²² This freedom is granted to every individual in the capitalistic economic system equally, without any limitation or restriction and to all of them equally. Thus, every individual has the full freedom to pursue any approach and to take up any path for acquiring, enlarging and multiplying his wealth in accordance with his personal interests and benefits.²³

Apparently there is a huge difference between the capitalist doctrine and the Marxist doctrine. The former acknowledges the private property and provides unlimited freedom to the individual while as the latter abolishes the private property and sacrifices the individual for the sake of the society. However, according to Sadr, it is wrong to make a distinction between the two doctrines on the basis of their attention towards the individual and the society and regard the capitalist doctrine as an individual doctrine and the Marxist doctrine as a collective doctrine. He argues that, both the doctrines are individualistic in nature. Because, both of them rest on individual views and depend upon personal views and ego. The Capitalism ensures fortunate individual's ego by providing him an unlimited freedom of ownership, exploitation and consumption and the Marxism focuses upon the unfortunate individuals. It prepares them against the exploitation of rich people and provides them a hope for a better future.²⁴

According to Sadr, the doctrine which deserves the title of the collective doctrine is one which should depend on powers other than the ego and personal impulses. Such a doctrine cultivates in every individual a deep consciousness of responsibility towards the society and its interests. Such a doctrine makes incumbent upon an individual to forgo some of the fruits of his work, efforts and some private wealth for the sake of the society. Indeed, such a doctrine safeguards rights of individuals and ensures their welfare. All these characteristic features, according to Sadr, are present in Islamic economic doctrine.²⁵

Sadr on Capitalist Freedom

The cornerstone of the capitalist doctrine is the freedom of man in the economic field in its various branches such as ownership, exploitation and consumption. Capitalism according to Sadr provides three reasons for such an unlimited freedom.

First: Freedom is an instrument to ensure good and welfare demanded by the society.

Second: Freedom causes growth of production.

Third: Freedom is the real expression of human dignity.²⁶

Freedom Ensures Good and Welfare of the Society:

Capitalism believes that, in a free society, man struggles for the materialization of his personal interests which in the long run, leads to the promotion of general interests. Personal interest, which is a strong incentive and the real goal of an individual in his work and activity, is the best insurance of the general social welfare. Personal interests always motivate the individual to think of ways to increase and improve production, while decreasing its cost and expenses. This fulfils the interest, of society, while at the same time it is also considered proper for the individual. Therefore, according to capitalism, individual is the basis on which the social system must be established.²⁷ Capitalism does not consider it necessary to inculcate moral and spiritual values among the people. According to it, every human being even he who does not know anything about these values proceeds in accordance with his own interests, when freedom is granted to him. Consequently, the social interests are materialized.²⁸

Sadr argues that the capitalist freedom devoid of moral and spiritual values has shown dangerous consequences during the past history and is likely to show the same in the future. He remarks that, one cannot underestimate the crimes and cruelties brought by its (Capitalism's) unbridled freedom and the emergence of moral and spiritual bankruptcy as a result of its neutrality towards these values.²⁹

The absolute freedom became a weapon in the hands of the powerful to suck the blood of the weak. As a result of this freedom human dignity was spoiled to such an extent that man himself became a commodity and was subjected to the law of supply and demand. Oppression, tyranny, greed and exploitation were the expression of such as unbridled freedom. Even the situation became so much worse, that there was no harm for the workers to perish and die of starvation as long as the capitalist economy provided them a ray of hope and an aperture of light. It was the hope of the iron law which states, "wait a bit until starvation and misery make a large number of you fall down (die) so that your number decreases whereby supply equaled demand resulting in the rise of your wages and the consequent improvement in your condition."³⁰

As a result of this freedom the sentiments of goodness and doing well to others disappeared and the tendencies of selfishness and greed emerged. Instead of cooperation and solidarity, the struggle for existence became the trend of the society. Due to this freedom, there stated a mad race among the European counties to subjugate peaceful humanity and to exploit it towards the service of the capitalists.³¹

In this way, Sadr concludes, that humanity suffered terribly at the hands of Capitalism due to its unrestricted freedom moral, emptiness and spiritual

vacuum. Sadr believes that it is not possible to materialize the public interests without inculcating in man the moral and spiritual values.

Freedom Causes growth of Production

The second reason in favour of the freedom is that it causes growth of production. Capitalism believes that Economic freedom opens the field of free competition in different projects of production. The owner of the project improves his project in order to excel others. One of the important means to achieve that excellence is to bring about technical improvements in the project. In this way new inventions take place and the society is benefited as a whole.

According to Sadr, this statement is based upon two mistakes, one in understanding the results of the capitalist freedom and another in assessing the value of the production.³² So far as the first mistake is concerned, Sadr argues that, project units in the capitalist society are not similar, operating with equal degree of competence, but are different in terms of size and competence. Such a nature of these projects leads to violent struggle in which the strong projects crush the weak ones and finally results into monopolization.³³ So far as the second mistake of the notion is concerned. Sadr argues that, manifold increase in the production level is not the guarantee of welfare and happiness of the society. It is not the increase in production but, its proper distribution, which constitutes the entire impression of general social welfare.³⁴

Freedom is the Real Expression of Human Dignity

The third reason in favour of freedom, put forth by the capitalists is that, freedom is the real expression of human dignity. Man loses his dignity when he loses his freedom. According to Sadr, the capitalists use the concept of freedom in a wrong way. Sadr classifies freedom into two kinds; Natural freedom and social freedom. The natural freedom is bestowed by nature while as the social freedom is granted by the social system in which a person lives. The natural freedom according to him is rightly the essential element of human dignity; however, it has no doctrinal character. It is a boon bestowed upon man by God and not a gift provided by any doctrine. As for the freedom, which carries doctrinal character, is the social freedom which an individual gets from the society.³⁵

This social freedom is again divided by Sadr into two forms; one, essential social freedom and the other formal social freedom. The essential social freedom is a power which an individual earns from the society to do a certain work and the society provides the individual all the means and conditions required for it. Further, it does not let anyone to monopolize it and an individual is free to purchase it. Then according to Sadr, he enjoys the essential social freedom.³⁶

The formal social freedom according to Sadr means that, the society allows an individual within the scope of his possibilities and opportunities to

adopt any method to purchase a certain commodity. On the basis of this freedom an individual is free to purchase anything, if he possesses the means to purchase it. A person enjoying this freedom is free to buy a pen or a big company. Thus, formal freedom is a means of strength in an individual to reach higher levels, although it does not offer any guarantee of success to him.³⁷

According to Sadr, it is the formal freedom which is provided by capitalism, so far as the essential social freedom is concerned Capitalism, expresses its inability to provide it. It is because; the essential social freedom and the formal social freedom are contradictory to each other. Capitalism therefore, adopts a negative attitude towards the essential social freedom and considers it as the capability to benefit from the freedom and not the freedom itself. Sadr regards this negative attitude of Capitalism towards the essential social freedom as an inevitable result of its positive attitude towards the essential social freedom.³⁸

According to Sadr, it is not possible for any economic doctrine, to provide both the freedoms simultaneously because, the essential social freedom demands curb and pressurization on the formal social freedom. It is this curb which provides an assurance of better living to the economically backward classes. There are three ways, according to Sadr, to justify this curb.

1. It is justified as a historical need, as believed by Marxism in the light of historical materialism.
2. The pressurization derives its justification from the belief in a higher authority, which possesses the right to organize the entire humanity, like religion.
3. The limitation and curb emerges as a result of one's conscience: which enjoins upon the man the moral values and definite limits. However, Capitalism neither believes in the historical materialism, nor it exhibits any relation with religion or conscience.³⁹

Based upon the above view, Sadr argues, that there are only two ways open before capitalism. Either the wealthy people are allowed to work as they want and are provided the formal social freedom; hence, sacrifice the interests of economically backward people for their sake or to provide the assurance of better life to the economically weaker people, so that the wealthy people are not allowed to act according to their free will. This however, would mean violation of the principle of the formal social freedom.

Thus, Sadr concludes that the concept of freedom before capitalism is incomplete. With regard to the conception of freedom, Sadr argues that it is not the social freedom but the natural freedom, which is the real expression of human dignity.⁴⁰

Reference and Notes

- ¹ *The New International Websites Comparative Dictionary of English Language* (Deluxe Encyclopedic Edition, Trident press International) 2003 Edition, p.148.
- ² P.688
- ³ K.K. Dewett, *Modern Economic Theories*, S.Chand and Company 2003, p.589.
- ⁴ David-L-Skills, *International Encyclopedia of Social Sciences*, (Macmillan Company and the free Press)1968-Vol.1.p.294.
- ⁵ Ibid; 590.
- ⁶ Baqir al-Sadr, *Iqtisaduna*, Tr. English *Our Economics*, (WOFIS) World Organization for Islamic Services.
- ⁷ Ibid;
- ⁸ Ibid, p.9.
- ⁹ Ibid.
- ¹⁰ Ibid. p.10.
- ¹¹ Ibid.
- ¹² Ibid.
- ¹³ Ibid. 11.
- ¹⁴ Ibid.p.14.
- ¹⁵ According to this law; every production which depends on the land and on the raw materials; its content is limited according to the limited amount of land and its raw materials, *Iqtisaduna*, op.cit.p.15.
- ¹⁶ According to this law, every increase in the production compensates the producer in a greater measure proportionately with his additional expenditure until the increase reaches a special degree in which case its (increase) is subject to a contrary law, that is, the law of contradictory yield which says that the increase in the yield starts diminishing at certain degree (stage) *Iqtisaduna*, op.cit, p.15.
- ¹⁷ According to this law when demand for a commodity increases while it is not possible to increase supply, the price of the commodity is bound to rise, *Iqtisaduna*, op.cit; p.15.
- ¹⁸ According to this law when the wages of the worker increases their supply also increases due to the improvement in their living standard, but when the situation is contrary, the wages falling down to the natural level, this results into wide spread misery and disease, consequently, decreases their number and the wages increase. *Iqtisaduna*, op.cit, p.15.
- ¹⁹ Baqir al Sadr *Iqtisaduna*, op.cit. p.15.
- ²⁰ Ibid. p.15.
- ²¹ Ibid. p.21.
- ²² Ibid. p.6.
- ²³ Baqir-al-sadr, *Falafatuna*, Foundation, Tr. English *Our Philosophy* by Shams C. inti, (Muhammad Trust of Great Britain & Northern Ireland) p.19.
- ²⁴ Baqir al Sadr *Iqtisaduna*, op.cit, p. 6.
- ²⁵ Ibid. p.8.
- ²⁶ Ibid. p.24.
- ²⁷ Baqir-al-sadr, *Falafatuna*, op.cit, part.1, chap.1 p. 17.
- ²⁸ Baqir al Sadr *Iqtisaduna*, (*Our Economics*) op.cit, p.26.
- ²⁹ Ibid. p.27.
- ³⁰ Ibid. p.29.
- ³¹ Ibid.
- ³² Ibid. p.31.

³³ Ibid.

³⁴ Ibid. p. 32.

³⁵ Ibid. p.34.

³⁶ Ibid. p. 37.

³⁷ Ibid. p. 37.

³⁸ Ibid. p. 42.

³⁹ Ibid. p.46.

⁴⁰ Ibid. p. 42.