

# Reimagining Economic Wellbeing and Justice: The Wasatiyya Framework in Islamic Economics

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## Abstract

This article explores the foundations and instruments of Islamic economics, with a focus on the *wasatiyya* (moderation) mindset. The concept of *Iqtiṣād*, which signifies balance and fairness, lies at the core of Islamic economic principles, as reflected in the Qurʾān and developed by scholars such as Al-Ghazālī, Ibn Khaldūn, and Bāqir Al-Ṣadr. Bāqir Al-Ṣadr positions Islamic economics as a middle path between capitalism and socialism, advocating an ethical system that promotes justice and sustainable growth. The study examines key financial instruments—*zakāt*, *waqf*, *kharāj*, *jizya*, and *sukūk*—which are designed to reduce poverty, promote wealth circulation, and ensure fair resource distribution. It also addresses challenges such as economic crises, regulatory failures, and societal greed, which threaten the sustainability of wellbeing. Through an analysis of primary Islamic texts and the works of major scholars, this article compares Islamic economic thought with capitalist and socialist models, highlighting its unique approach to wellbeing and justice. Modern scholarly contributions further enhance the discussion, providing insights into the practical applications of these principles today. Ultimately, the *wasatiyya* framework is shown to offer a balanced and resilient framework for addressing contemporary economic challenges, positioning Islamic economics as a viable alternative to conventional systems in the pursuit of human wellbeing and economic justice.

**Keywords:** Wasatiyya; Islamic wellbeing; Quranic economics; Ethical economy

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## Introduction

The Arabic term for economy, *al-iqtisād*, is linguistically multifaceted but primarily used to express a balanced approach to achieving goals. However, this terminology did not initially appear in early Islamic sciences as a specific term for economy. Instead, *al-iqtisād* was occasionally used in theological or legal discourse. For example, Al-Ghazālī titled his book on doctrine *al-Iqtisād fī al-I'tiqād*, referring to a "middle path" between extremes in doctrinal issues. Similarly, Ibn Rushd used *al-muqtaṣid* in his work *Bidāya al-Mujtahid wa Nihāya al-Muqtaṣid* to describe those who approach legal understanding with moderation rather than expertise. Even in the Qur'ān, the term *al-muqtaṣid* appears to describe a neutral stance between two extremes. It is not coincidental that the Arabic term for economy carries connotations of neutrality, stability, and moderation—traits central to managing an economy. Historically, the concept of economy originated in Hellenic philosophy as the discipline of household management aimed at achieving wellbeing (Baloglou, 2016). This management focused on avoiding excess in both spending and saving, as extremes in either direction were viewed as signs of ignorance.

The introduction of economic thought into Islamic discourse began in the 19th century (Islahi, 2015). Prior to that, economic issues were addressed within Islamic law under *fiqh al-mu'āmalah* (jurisprudence of transactions), with a normative-legal approach that distinguished legitimate from prohibited actions (Kuran, 1995). However, this legalistic framework did not engage deeply with broader economic questions such as how to achieve wellbeing at the personal, community, and state levels. Modern Islamic economists like Mahmoud el-Gamal and Hafas Furqani have sought to clarify the distinction between economics and finance (Haneef & Furqani, 2009). While Islamic finance deals primarily with transactions, contracts, and property issues in a technical sense, economics encompasses broader, less technical matters such as welfare, monetary and fiscal policies, distribution chains, and property principles. As such, *fiqh al-mu'āmalah* is largely concerned with financial matters rather than the broader scope of economic studies, reflecting its legal roots.

Despite these efforts, Islamic economics continues to search for a foundational conceptual framework, either as a scientific discipline or as a distinct school of economic thought. Timur Kuran has argued that Islamic economics often rebrands selected ideas from capitalist or socialist frameworks by applying Islamic terminology to principles already proposed by those systems (Kuran, 1995). This critique is compelling, as it reflects the reality of Islamic economics to some extent. However, the Iraqi thinker Muḥammad Bāqir al-Ṣadr developed his concept of

Islamic economics through a critical lens of both capitalism and socialism, advocating for a middle path between these opposing ideologies. Al-Ṣadr's notion of *tawassuṭ*—a balanced stance between economic ideologies—may represent the core principle of Islamic economics, as he outlined in his seminal work *Iqtisādunā*. This principle of balance can also be traced back to earlier scholars who, though not directly engaged with economics, contributed insights on related issues, such as Ibn Khaldūn and Al-Ghazālī.

This study aims to explore the concept of *wasatiyya* (religious moderation) in economic studies, drawing from primary Islamic sources, namely the Qur'ān and Sunnah, as well as from the works of key scholars like Muḥammad Bāqir al-Ṣadr, Ibn Khaldūn, and Al-Ghazālī. These scholars were chosen for their diverse approaches: Al-Ghazālī from a legal-sufi perspective, Ibn Khaldūn from a socio-political perspective, and al-Ṣadr from his specific focus on Islamic economics. This study will examine the extent to which scriptural sources and non-legal scholars have grounded the concept of *wasatiyya* in economic and financial discourse. Moreover, it seeks to determine whether the idea of moderation can answer the overarching goals of economics and finance from an Islamic perspective. The paper will address these questions through three specific areas: the foundations of *wasatiyya* in the Qur'ān and Hadith, scholarly interpretations of moderation in economics (particularly from Al-Ghazālī, Ibn Khaldūn, and Bāqir al-Ṣadr), and the objectives of *wasatiyya* in economics, including potential instruments for achieving those goals.

## Methods

This study employs a qualitative research approach, drawing on primary Islamic sources such as the Qur'ān, Hadith, and the works of key scholars like Al-Ghazālī, Ibn Khaldūn, and Bāqir Al-Ṣadr. These sources are analyzed to reveal how Islamic economic principles, particularly *wasatiyya* (moderation), are embedded in Islamic teachings on wealth distribution, ethical conduct, and justice.

The research uses comparative analysis to highlight distinctions between Islamic economics, capitalism, and socialism. This helps demonstrate how Islamic economics, through *wasatiyya*, offers a balanced alternative, reconciling economic freedom with social justice. Bāqir Al-Ṣadr's critique of capitalist and socialist systems serves as a focal point for understanding Islamic economics' unique stance on wellbeing.

Secondary sources, including modern scholarly works on Islamic economics, provide context for how classical principles are applied to contemporary issues like

poverty alleviation and financial regulation. These sources complement the analysis by offering insights into the practical application of Islamic instruments like *zakāt* and *waqf*.

The theoretical framework of this study is rooted in the principle of *wasatiyya*, as articulated in both classical Islamic texts and modern interpretations. This framework emphasizes the balance between individual rights and collective responsibilities, a central theme in Islamic jurisprudence. By applying this principle to economic conduct, the study evaluates how Islamic economics can promote sustainable development and wellbeing for both individuals and society.

## Result and Discussions

### Defining Wasatiyya in Economics

*Wasatiyya* or moderation is a perspective, attitude and behaviour of taking a position in the middle, acting fairly not *tafriṭ* (extreme right) nor *ifrāṭ* (extreme left). *Wasatiyya* does not mean simplifying something in religion (*Tasāhul*) and getting rid of what is considered heavy (*Tanāzul*) (Al-Sallabi, 2016). It does not only apply in religious matters, as popularly campaigned by some contemporary scholars, but it also integrates into economic matters, and even the terminology of the economy in arabic, *Iqtiṣād*, itself shares the same semantical meaning as *wasatiyya*. *Al-Iqtiṣād* origins in *iqtaṣada* (to balance) which is a developed form of verb *qaṣāda* (intend or object). This Qur'ān and early Arabic literature, as it will be explained later, had been used this term for expressing a neutrality or moderative stance in anything, adequate to place *Iqtiṣād* at the same semantic field of *wasatiyya*.

One could approach the definition of *wasatiyya* in economics by realizing the balance of property management between personal and community interests in accordance with the demands of God, given that the supreme ownership belongs to God (Shihab, 2019). In other terminology, it is said that moderation in economics is that Islam provides individuals freedom to manage their property according to the limits set by Islamic law, which prevents harm to individuals, communities, and countries such as buying alcohol, drugs (Habakeneh, 1996). However, rooting the terminology *iqtiṣād* to the earliest account of economics definition is the most suitable method to comprehend the *wasatiyya* mind in Islamic economics. As Aristotle defined in his *Economics*, the economy is the household management to balance revenue and expenditure. This definition indicates that *wasatiyya* is rooted in economics as a study discipline and as a practical art.

Before going further to deriving *wasatīyya* in economics, distinguishing between economy and finance is necessary to crystalize the further discussion, hence the reader would avoid confusion in understanding how islamic scholars approach economic issues. As the introduction has briefly stated on this problem, the economy as a studies deals with a more general questions of economic agent behaviour in household management from the state level to personal level. Some modern economist prefer to define economy as studying behaviour in production, consumption, distribution. This definition excludes the question of wellbeing and welfare, returning it to general philosophy, despite that question is critical as an axiology of economy. Whereas finance is a study on management technicality of economics activities, especially concerning the money, currency, capital asset, supply-demand, and circulation of goods. Hence, financial discourses is more analytical than economic discussion.

Among the examples of *wasatīyya* (moderation) integration in Islamic economics and finance is the balance between fulfilling social and spiritual needs. Human beings naturally have needs, and satisfying them is necessary to live in this world. However, to fulfill these needs, humans must work or engage in economic activities. In Islam, working is not a despicable act; rather, it is strongly encouraged as a means to meet daily needs. As a belief that embodies *rahmatan li al-‘ālamīn* (mercy to all worlds), Islam provides an equilibrium between working for social needs and preparing for the hereafter, as mentioned in the Qur’ān, Sūrah al-Qaṣaṣ (28:77). This verse illustrates a Muslim’s attitude in carrying out their life’s mission. While humans need to prepare provisions for eternal life, they also have worldly needs that must be met through economic activities.

A Muslim's moderate attitude toward economic activities is further emphasized in Sūrah al-Jumū’ah (62:9-10). These verses highlight the importance of balancing worldly pursuits with spiritual obligations. When the call to worship, such as Friday prayers, is announced, a Muslim engaged in business must immediately pause to fulfill their religious duty. However, after completing the prayer, they are encouraged to resume their worldly affairs. This demonstrates a balanced approach where economic activities and worship are harmonized, ensuring neither is neglected.

The fulfillment of both individual and community welfare is a central goal in human life, though perspectives on welfare may vary among individuals. In conventional economics, welfare is often synonymous with material wealth. However, in Islamic economics, welfare encompasses both worldly and hereafter

well-being. Despite this, humans sometimes experience a gap between their needs and available resources, leading to economic hardship. Islamic economics acknowledges this reality and grants individuals the freedom to fulfill their needs. However, this freedom is not based solely on personal desires but must align with ethical and moral principles.

A fundamental principle in Islamic economics is that wealth should not accumulate in the hands of a few but should circulate within society to promote collective welfare. This is emphasized in Sūrah al-Hashr (59:7), which teaches that wealth should be distributed fairly to prevent economic disparity. Additionally, Sūrah al-Furqān (25:67) advises against both extravagance and miserliness, advocating for a balanced approach in spending and charity. A Muslim is encouraged to provide for themselves and their family first and then extend their resources to support the broader community.

Islamic economics also upholds the concept of free and responsible economic activity. Humans are inherently free, endowed with reason and thought, allowing them to distinguish between good and bad, *maṣlaḥa* (benefit) and *mafsada* (harm). In *uṣūl al-fiqh*, economic activities are generally permissible unless explicitly prohibited by the Qur'ān or hadith. Islam grants individuals the freedom to be creative and proactive in economic pursuits, ensuring the well-being of the *ummah* (community). However, this freedom is not absolute; it is conditioned upon adherence to ethical and religious guidelines. Economic activities should not contradict divine prohibitions, and every decision made in fulfilling one's needs should align with Islamic values. This responsible freedom serves as a foundation for optimizing economic potential while maintaining moral integrity.

The concept of freedom in Islamic economics is different from freedom in the capitalist view, which defines freedom as absolute freedom. Therefore, the Islamic economy gives freedom to individuals and encourages individuals to work without neglecting the welfare and welfare of others. Bāqir Al-Ṣādr had delineated that the economic freedom in Islam is limited to aspects that stand as moderation between capitalist notion and socialism. Freedom in Islamic economics will always go hand in hand with accountability. Islam gives freedom and autonomy to every human being to carry out economic activities that will be accounted for before God in the hereafter (Zikwan, 2022).

### **Wasatiyya Economics in the Scriptural**

To dig the discussion into a sound argument, the Qur'anic root of economic must be elucidated. One of the Qur'anic verses that concerns economics are Sūrah An-Nisa, verse 5, which utters the status of wealth as the source of life. When the wealth is reduced in a society, their needs must also be deprived, leading to economics problem. If the budget and income of a country are low, it affects the per capita income thus leads to an increase in the impoverished population. In interpreting the verse, Al-Nasafi calls for wealth not to be carelessly given to people who cannot manage it properly, leading to misery and poverty. Wealth must be managed by people who are experts in the field of economics in order to create profits in commerce and prosperity for the owner of the property (Al-Nasafi, 1990).

In other verses of the Qur'an, the function of economic *wasatiyya* is that wealth must have a social function, and can be seen in the obligation of *zakāt*. Even the Qur'an in sūrah Adz-Dzariat verses 19 praises those who set a portion above the obligatory rate of *zakāt* to be given to the needy such as the poor. When a person does so, he will increase his social sensitivity and earn the love of Allāh and His Messenger (Ibn Ashur, 1980).

The nature of *wasatiyya* in economics can also be found in sūrah Al-Furqān verse 67, which instructs humans not to spend more than they can afford and not be stingy and miserly because the best thing is the middle (fair) (Al-Zuhayli, 2013). This passage has clearly revealed how the *tawassuṭ* stance in financial and economic activities, deeply root in the Islamic teachings. Despite the terminology the Qur'an employs is *qawama* which constitutes a firm standpoint, but the preceding *bayna dhālika* (between two sides) brings the meaning into *tawassuṭ*. This Qur'anic statement fits the ontology of household management by Aristotle to maintain stability between expenditure and revenue. A prophetic narration supports this idea as the Prophet (pbuh) said in a hadith narrated by Imam Ahmad that "a simple person is not poor". It is common knowledge that it is not good to be extravagant in goodness and do excessive good. Ḥasan Al-Baṣri said: "It is not permissible to spend in the cause of Allah with excess or extravagance" (Al-Zuhayli, 2013).

### **Economics Discourse in the Muslim Intellectual Heritage**

Household management issues did not fall under the field of philosophy in the early treaties of Islamic tradition. The jurist took this issue into legal perspective, given that the legislation concern was more popular in the early islamic tradition. Hence, the economic and financial issues sit under *fiqh al-mu'āmalah*. It covers the

behaviour between two or more people regarding their contracts, trading, ownership change, cooperation, and circulation of wealth. Given its legal tendency, *fiqh al-mu'āmalah* had never addressed the issue of crises, bankruptcy, or policy. Setting the minimum condition to prevent prohibited things from happening is the main objective of *fiqh al-mu'āmalah*.

The first scholar who inserted macroeconomic problems into *fiqh* was Abū Yūsuf, the disciple of Abū Ḥanīfa, by writing his main treaty *Kitāb al-kharāj*. Here, Abū Yūsuf systematised and developed the concept of land tax which played as a revenue source for the 'Abbāsīd Empire –and before it, the Umayyad—given that both capitals were naturally not resourceful and less expansion took place. Hence, the reliance on bounties and international trading decreased while the country still needed firm revenue. *kharāj* is the early taxation coined as a religious obligation since it does not only applies to *dhimmi's* property (Siddiqi & Ghazanfar, 2001).

This legal tendency in economics survived until the Ottoman Empire began applying policies on market activities to control the price and supplies. Ottoman deployed *hisba* as the market supervisor and created *naḥr* to limit the price ceiling. This policy indicates the beginning of general economics entrance into a practical realm in Islamic tradition (Saracoglu, 2016). Nevertheless, Abū Ḥāmid Al-Gazālī, Abū Ishāq Al-Shāṭibi and Ibn Khaldūn had previously addressed their concern on economic issues departing from a legal perspective. However, a systematic conception did not occur (Splengler, 1964). The theorisation of Islamic economics – even the terminology of *iqtiṣād* —occurred later in the opening of the 20<sup>th</sup> century through Bāqir Al-Ṣadr. He is one of the earliest scholars who vowed on Islamic economics as an alternative school for mainstream schools: capitalism and socialism.

The Islamic economics and finance issue peaked at the establishment of the Islamic Development Bank in the 70s. For Timur Kuran, this establishment is likely a continuation of Islamism and Islamization spirit rather than a serious attempt to provide a real alternative to failing communism and rising modern capitalism (Kuran, 2010). In this era, the main economic concern was the ownership and production of the distribution chain. Thus scholars such as Bāqir Al-Ṣadr and Mahmūd Ṭaleqāni wrote on those issues. Moreover, some attempts to revive Islamic economic instruments such as *zakāt* and *waqf* started in this era too (Gaudiosi, 1998).



### Muslim Intellectual's Theses on Economics

As previously mentioned, some Muslim scholars placed their idea on the economic issue with a non-legal approach. In this paper, they are worth a specific discussion to properly construct the *wasatiyya* mindset in Islamic economics. However, only three selected scholars will be explored here Al-Gazālī for his opinion on the monetary idea; Ibn Khaldūn for his division of labour and supply and demand theory; and Bāqir Al-Ṣadr for systematisation of Islamic economics as a school.

Abū Hamid Al-Gazālī could be considered the first scholar who questioned the ontology of money. This question is crucial since money has two functions determined by a problematic feature (Splengler, 1964). Whether money has intrinsic value, it can stand as wealth or money only an authorised tool for trading activity (Firdaus et al., 2020). Historically, money is made from gold (*dīnār*) and silver (*dirhām*) in coin form, and the value of money is defined by the rate of gold or silver to other materials such as copper (Freidberg & Freidberg, 2009). The coin itself would not be valid unless authorised by the regulator. Otherwise, the coin is not useable despite containing gold. The Qur'ānic story of *Aṣḥāb al-Kahf* supports even this idea.

Al-Gazālī argued that money has no intrinsic value because of its sole function as a medium of exchange even though he did not reject the gold content of money. Hence the notion of currency emanated from Al-Gazālī's explanation which distinguished between wealth and exchange instruments (Al-Gazali, 2008). This view is supported by the Shāfi'ites view on the *zakāt* of gold and silver. The majority's argument refutes that ownership of money, with a similar valuation to 83 grams of gold, justifies the obligation to pay *zakāt*.

The second example of an economic thesis comes from Ibn Khaldūn, who could have influenced Adam Smith to propose the theory of the capital chain, according to some modern experts. The economy in *Muqaddimah* of Ibn Khaldūn does not lie in a specific chapter. Instead, it spread thoroughly in many topics. However, those theses can be summarised under concise utterance, borrowing some modern economic terms: division of labour in which Ibn Khaldūn argues that cooperative working increases the satisfaction of the supply requirement; hence a particular product should be divided according to the specialised job; the production rate increase stimulate the growth and development hence stabilises the supply-demand, this condition affects the price of goods and prevent economic crisis; the taxation cut must follow the economic growth thus people reduce the spending, this condition is the gate into economic wellbeing (Ibn Khaldun, 2015).

Lastly, Bāqir Al-Ṣadr, a modern Iraqi thinker, systematised the economy under the term *Iqtisād* in his treaty *Iqtisādunā*. Al-Ṣadr began his theory construction by imposing critics to the most adhered economic thought, socialism/ communism and capitalism (Al-Sadr, 1981). His critique then becomes the realm on which he builds his Islamic economics. Those points are ownership, freedom, and social justice. For capitalists and socialists, ownership must lean toward privatisation or state control. Economic freedom either being at the radical level or ultimately restricted. Also concerning society, the capitalist defines that state welfare ensures justice, and the socialist believes that homogenising wellbeing is the solution. Bāqir Al-Ṣadr rebuilt the thought on this by uttering the moderate stance between capitalism and socialism that Islam advocates all ownership types (private, public, state), limits freedom based on ethical consideration, and centralises social justice as the welfare indicators (Al-Sadr, 1981).

### **The Wellbeing and Instruments in the Endeavour**

The previous two chapters dealt with the definition and root of the *wasatīyya* idea in the Qur'ān and Hadith and the development of this idea through the Islamic intellectual heritage. Summing up the previous idea in a brief utterance, it can be said that the Qur'ān and Hadith indicated a balanced position in household management at all levels and assured a just circulation of wealth. Then the Muslim thinkers emphasized equity and justice in the economic chain of production, distribution, supply and demand without underestimating the necessity of economic growth at the macro and micro levels.

The remaining question to be tackled is what is the goal of economics in *wasatīyya* mind? Followed by the problem of what instruments enable this goal to be achievable. Again, wellbeing or welfare is always the main goal of the economy; however, if one insists that the Islamic economy is a distinct idea from capitalism, socialism or other schools, hence the main concern is whether the answer ends in resemblance with capitalism or socialist's notion on wellbeing or peculiarity of Islamic wellbeing. The following section centralizes on defining wellbeing and the instrument to achieve it by referring to some modern Islamic economics arguments and analysing scholarly works discussed previously.

In the classic economics discourse, there was a problem surrounding the notion of welfare or wellbeing, whether the collective welfare is more prioritized than individual wellbeing or otherwise. Aristotle's economy divides the economy into four types: Royal, Sartrap or Governorate, Political, and Personal (Baloglou, 2016).

This division discriminates the micro and macroeconomics in the modern sense, where the macro level constitutes collective economics, while the micro represents personal economics. For Aristotle, the art of household management is not identical to the art of getting wealth, given that the former is the so-called economy and the latter is part of politics (Crespo, 2006). Hence, his definition of welfare peculiarly depends on the micro or macro context despite the implicit Aristotle's idea of welfare. Withholding the expenditure to surpass the income is the critical principle of Aristotle's economy (Baloglou, 2016). Hence his notion of wellbeing is balancing between expenditure and revenue.

Meanwhile, Adam Smith, whom capitalism associated with, insisted that societal satisfaction with basic needs is more important than high income and wealth (Skousen, 2007). Hence the state should ensure the residents enable to fulfil their basic needs; this idea is known as social welfare. Capitalist welfare centralizes on hierarchical order where the responsibility to satisfy people's basic needs is in the state's hands via policy legislation. Modern western economists developed this idea, separating it into several schools based on their application and interpretation. Likewise, socialism and its branches, such as communism, criticise the concept of welfare or wellbeing, claiming that welfare is an elite concept to control people (Marx et al., 2022). Although they emphasise the centralization in ensuring the basic needs satisfaction (Skousen, 2007). The critical difference lies in their view of the property, as socialist thought underrates private property, which is the main idea of capitalism (Boettke & Heilbroner, 2024). The view on property affects economic activity and finance and determiness the meaning of welfare itself. Accepting the privatization of ownership constitutes the possibility of personal growth and removing the state's responsibility for personal economic failure. Whereas the rejection of privatization prevents personal growth, the failure at the micro level is avoidable.

As Bāqir Al-Şadr endorsed in his *Iqtisādunā* that Islamic economics as a school plays a moderate (*tawassuṭ*) stance between capitalism and socialism, the islamic wellbeing concept must be peculiar than both (Al-Sadr, 1981). However, it does not preclude Islamic economics from adopting some specific yet universal idea from capitalism and socialism. Some claims that Ibn Khaldūn's thought influenced Adam Smith also must be considered crucial (Ead & Eid, 2014). Again, it does not implicate that Smith built his philosophy from Islamic tradition. Islamic wellbeing is constructible by integrating Al-Şadr, Ibn Khaldūn, and Al-Gazālī thought.

Those scholars share a common idea –apparently universal— that the central idea of economy is satisfaction and sustainability, meaning that a person or a state reaches welfare if they can satisfy their primary needs and sustain that ability for a long time. However, each of them defines satisfaction differently. Al-Ṣadr spotlighted a just distribution chain as a key factor in realizing economic satisfaction (Al-Sadr, 1981). Meanwhile, Ibn Khaldūn focused on growth with a lower retribution obligation as the welfare standard (Ibn Khaldun, 2015). Al-Gazālī, on the other hand, saw satisfaction in the mentality rather than physical standard, given his tendency to a Sufistic mind (Al-Gazali, 1971).

According to Bāqir Al-Ṣadr, justice in distribution relates to two kinds of distribution. Pre-production distribution and post-production distribution. Just distribution must apply before the production process is conducted, meaning that all pre-production factors ownership such as land, water, materials, tools, and workforce have to be retained instead of the acquisition process, either by private or state, which could lead to monopoly. The owner of those factors and the producer share their right over the result of the production process, and each is entitled to profit based on the agreement. This type of distribution intercepts the inability of people to fulfil their basic needs because all sides will gain revenue (Al-Sadr, 1981). Compared to the capitalist style, which gives privilege to the capital holder, or socialism, the revenue should be deposited to the state before being circulated for the people.

As the proponent of economic growth, Ibn Khaldūn does not place welfare at the state level only. It is true that the government, according to Ibn Khaldūn, must guarantee the ability of the citizen to purchase their needs, and the citizens are subjected to taxes and retribution. However, Ibn Khaldūn theorized that state welfare is indicated by the decrease in the tax rate, which means that the citizen will lower their expenditure while maintaining the ability to purchase their need (Ibn Khaldun, 2015). Hence, for Ibn Khaldūn, the satisfaction does not lie in the high personal income or state revenue; instead, the capability to fulfil needs with lower obligatory retribution resembles the capitalist thought. Ibn Khaldūn's idea inspires Arthur Laffer to propose Laffer Curve, which contains the same idea on taxation theory.

Al-Gazālī centralizes his wellbeing concept on ethical, economic conduct. By ethical here, Al-Gazālī takes a Classical Greek definition of ethics which is the state of the soul that can follow good acts without thinking. Moreover, Al-Gazālī insists that the good act must accord with the *Ṣūfī-Sharī'a* principles. Hence, ethical economic

conduct here means the mentality to follow the *Sharī'a* rules and frugal life (Al-Daghistani, 2021). To put into a more discernible perspective, if a man's primary need is affordable by a certain amount of salary, then his mind should accept the satisfaction of that rate and exceed earnings must be circulated to others to assist their needs. It seems coercive, but since Al-Gazālī's idea is that ethics is a natural state of the soul, this mentality is probable. It must be noted that Al-Gazālī delineates this idea in *Naṣīha Al-Mulk*, a book that is a considerably political thesis of Al-Gazālī. He addresses this notion with emphasis on a king, assuming that if the monarch followed that economic life, the citizen would grab the same path (Al-Daghistani, 2021). The expected condition seems to not support economic growth, unlike Ibn Khaldūn, given that Al-Gazālī's idea could lead to economic stagnancy but prevention from greediness.

The proposals of Al-Gazālī, Ibn Khaldūn, and Bāqir Al-Ṣadr enable two potential conclusions. Firstly, Islamic wellbeing, rather than a firm concept, is an accommodative notion for several ideas. Islamic wellbeing then could be carried into more specific branches depending on the emphasis of the proponents, like Islamic growth wellbeing by Ibn Khaldūn or Islamic Frugal wellbeing by Al-Gazālī. The second possible conclusion stands on the constructive ground between them, the ethics and justice in economic conduct, without underestimating the growth. However, this second conclusion cannot be "Islamic" unless the idea roots in the Islamic primary sources, i.e., the Qur'ān and Hadith. In fact, the Qur'ān –also Hadith— does not provide a definitive statement on how wellbeing should be comprehended. As the previous chapter illustrated, the Qur'ān provides casuistic or analogies examples from which the notion is built. Nonetheless, the growing ethical, just economics notion is supported by the Qur'ān and Hadith although indefinite.

### **Instruments to Wellbeing Endeavour**

Given that wellbeing is a goal to be achieved in the economy. A question arises on how the endeavour to reach it with the consideration of all challenges surrounding wellbeing. This question concerns the problem of the economic instrument not only to actualize the wellbeing, but tackle some economic and financial issues. As explained in the introduction of this article, Islamic tradition has done a great job of elucidating the technicality of economy and finance. Hence, speaking about Islamic economics and finance instruments is quite an easier project than establishing the definition of wellbeing. However, it is still tricky to approach some possible Islamic instruments from an empirical perspective. Moreover, Islamic

economics and finance have yet to answer handling the crises, a key question that historically prevails or defeats an economic thought of a country.

The Islamic tradition proposed some financial and economic instruments to combat poverty, grow public funds, circulate wealth, distribute goods, and balance supply and demand. Those instruments are *zakāt*, *waqf*, *kharāj*, *jizya*, *mint*, *sukūk*, *ḍariba*. Initially, these instruments were not institutionalized before the establishment of *Bayt al-Māl wa al-Tamwīl* (Sakai, 2008). 'Ali Khān classifies *zakāt*, *infāq*, and *waqf* as altruistic instruments of Islamic economics by which Muslims help each other (Khan, 2018).

Whereas *kharāj* (land/property tax), *jizya* (protection tax), *sukūk* (cheque or obligation), *ḍariba* (general taxes), *ḥisba* (market supervisor) and *mint* (monetary institution), they are the macroeconomics instruments employed by the highest authority. The banking system was not adopted into Islamic tradition until the modern era. Even Islamic banking today yet still a developing concept compared to conventional ones. However, the main idea of banking to circulate wealth is grounded in the Islamic tradition (Masyita, 2015).

The altruistic instruments assist in retaining the personal and public economy, given that *zakāt* will ensure the satisfaction of impoverished people to afford their needs and *waqf* sustain the public facilities such as education or dwelling options (Peri, 1992). On the other hand, *kharāj*, *jizya*, and *ḍariba* enable the state to reach welfare and grow the economical rate. *Ḥisba* and *mint*, constantly employed by the Ottoman Empire and the modern state, are tools to control and balance the economy from recession and inflation (Saracoglu, 2016). These instruments can bring a state, society, and person to wellbeing, although the sustainability of that wellbeing is debatable.

As well as other notions of wellbeing, the so-called Islamic wellbeing is challenged by many deconstructing factors which somehow could dialectically reform the notion or deem it as unreachable. Dian Masyita describes some factors: regulators, mass media, derivative financial products, greedy society, and misplaced reliance on risk management model (Masyita, 2015).

The most vulnerable factors leading to the failure are regulators and greedy society. If the government's policy, in this regard, stands as the regulator, does not cope with the social circumstance and economic rules, the state economy would likely collapse or enter a severe recession. This recession affects the personnel or household, at least in their ability to afford their basic need. However, this kind of

collapse is preventable if the society embraces ethical economic conduct or avoids greediness, supported by Al-Gazālī's frugal mentality and Ibn Khaldūn's solidarity idea. Again, Islamic wellbeing is always an ideal notion or even considerably utopian. However, the ideal notion should prevail despite the pragmatic condition to ensure the revival capability of the society as Malek Bennabi's addition to Ibn Khaldūn circulation theory, when he proposes the return to badawa period after the decline (Bennabi, 2017).

## Conclusion

Islamic economics is fundamentally rooted in the *wasatiyya* (moderation) mindset, as reflected in the term *Iqtisād*, which emphasizes balance and fairness. The Qur'an underscores moderation as essential in human behavior and economic activities. Scholars like Al-Ghazālī, Ibn Khaldūn, and Bāqir Al-Ṣadr built on this foundation, approaching economic issues without being constrained by legal frameworks. Bāqir Al-Ṣadr, in particular, proposed Islamic economics as an alternative to both capitalism and socialism, arguing that these systems fail to achieve true wellbeing for society.

Islamic economic instruments—such as *zakāt*, *waqf*, *kharāj*, and *sukūk*—are designed to alleviate poverty, ensure the fair distribution of wealth, and promote economic growth. However, challenges such as economic crises, societal greed, and ineffective regulation continue to threaten the realization of long-term wellbeing. Despite these obstacles, Islamic economics offers a framework grounded in ethical conduct, justice, and the fair distribution of resources, which balances personal and societal welfare.

While Islamic wellbeing may sometimes appear idealistic, it remains a guiding principle that is adaptable to changing circumstances, ensuring societal resilience and recovery. By integrating the *wasatiyya* mindset of moderation and balance, Islamic economics provides a distinct and sustainable alternative to conventional systems, promoting a holistic approach to human wellbeing and economic justice.

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