ABU YUSUF'S CONTRIBUTION TO THE THEORY OF PUBLIC FINANCE

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BY
SABANUDDIN AZMI

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DR. ABDUL AZIM ISLAMI
READER

DEPARTMENT OF ECONOMICS
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Sababuddin Azmi
Introduction
INTRODUCTION

I

The present study aims to explore and present the economic ideas of Abu Yusuf Yaqub b. Ibrahim an Arab Islamic intellectual, the eminent theologian and famous scholar of eighth century A.D. The study is an effort to highlight his economic thoughts regarding the then existing fiscal issues and to evaluate his contribution to the theory of Public Finance.

II

The subject matter and scope of Public Finance follows the development in state activities and corresponding economic philosophy. With the passage of time and policies of state, the scope of Public Finance expanded to cover more areas. The development of new political, economic and social ideologies, and accordingly formulation of fiscal and monetary policies to achieve desired socio-economic goals have made profound differences in the present as compared to past Public Finance problems.

III

Systematic study of Public Finance is said to be a fifteenth century phenomenon. The eminent economic
Historian Joseph Schumpeter (1883-1950 A.D.) in his famous book "History of Economic Analysis" states, "Public Finance first developed in the course of fifteenth century in the Italian city republics and in German free towns". He illustrates that the fiscal experts of sixteenth century such as Anon (d. 1580 A.D.), N. Froumenteal (d. 1581 A.D.), and Jean Combes (d. 585 A.D.) analysed the nature of taxation, its economic effects, the effects of public expenditure, the relative merits and demerits of direct and indirect taxation and so on.

Indeed, Schumpeter has traced the roots of modern Public Finance in the rising national state in Europe by the end of the middle ages. He is, therefore, of the view that before fifteenth century nothing significant was written in the area of Public Finance.

IV

Our study relates to a period much before the emergence of national states in West. Muslims, starting from the seventh century A.D., led the world in power, organization, education, sciences and extent of

2. Ibid., p. 99.
government. The Islamic state dealt with huge budget with large population. The fiscal system practised by Muslims was consistent and operational and it existed for several centuries. It was not only functional and efficient but worked within the value perspective of an Islamic society. The scholars of the period expressed practical wisdom and economic insight to bear on fiscal issues which were entirely new to them. They studied the fiscal problems in a systematic way and analysed the subject matter which we classify under the scope of Public Finance.

Public Finance is one of the major theme which has been widely discussed in classical Islamic writings. The revenue and expenditure of the early Islamic state, the mechanism of revenue collection, its disbursement, matter of land management and work for public utility were the main issues which were given much emphasis in these writings. Abu Yusuf (d.798 A.D.) Yahya b. Adam (d. 818 A.S.) Abu Ubaid (d. 838 A.D.) al Mawardi (d. 1058 A.D.) and Ibn Hazm (d.1064 A.D.) are some of the classical Muslim scholars who considerably contributed to the area of Public Finance. They not only responded to the fiscal issues but showed enormous economic
insights in solving these problems and highlighted the distinctive value based orientation of the mobilization of the resources of revenue and its disbursement in accordance with the objectives of Islamic Shariah.

Abu Yusuf stands first in the long list of these eminent Arab-Muslim intellectuals who did significantly contribute to the theory of Public Finance.

The present study is mainly based on his famous book entitled Kitab al Kharaj. The book is in fact a report on the state of the religious precept dealing with taxation problems with his recommendations and legal opinions. The main theme of the book lies in the area of Public Finance. He very intelligently analysed some of the major aspects relevant to Public Finance such as economic responsibilities of the state, mobilisation of sources of revenue, taxation, its administration, its principles, equity and justice in its collection, public expenditure, their role in the growth of the economy, utilization of idle resources for the development of the economy and so on.

Based on classical Arabic sources, the present study is an effort to find the early history of the
theory of Public Finance, a subject on which we have hardly any exclusive work in economic literature. The history of the evolution of economic thought shows how the individual thinkers responded to the problems of the past. The present study in this regard is, therefore, a history of an intellectual effort made in order to understand fiscal issues. It enables us to get a clear notion of the early stages of the theory of Public Finance.

In pursuit of our main task, it will be better for our purpose to have a knowledge of the period in which Abu Yusuf lived. Since environment and external events have clear impact on economic Ideas, it is therefore necessary to discuss the age in which Abu Yusuf lived. Thus, in first chapter we shall present a detailed study of the age of Abu Yusuf. The Socio-political and economic conditions, the fiscal and monetary system and the revenue and expenditure mechanism will also to be discussed in historical context.

Likewise, the second chapter intends to present a biography of Abu Yusuf with a brief listing of some of his scholarly contributions. The chapter also include an introduction of his book Kitab-al-Kharaj and its
comparison with the early works on same subject.

The third chapter discusses the Ideas of Abu Yusuf regarding the role of state in economic life. It is intended to analyse responsibilities of the state towards public welfare and development of the economy. In this chapter, the various functions of the state such as allocation, distribution and stabilization functions have been discussed to provide a Justification for Public Finance.

The fourth chapter deals with those sources of revenue from which state mobilizes its resources. The chapter also includes an analysis of ideas of Abu Yusuf regarding the utilization of public wealth (dead/unclaimed land, forest, water resources) for the general welfare and growth of the economy.

In fifth chapter we intend to present the ideas of Abu Yusuf on taxation. It concludes that he proposed a very systematic and efficient system of taxation and laid down certain principles which anticipated those introduced centuries later by economists as "canons of taxation".

The sixth and last chapter discusses Abu Yusuf's views on public expenditure. It shows that he views the
public expenditure as an efficient measure for the utilization of resources and the growth of the economy. There is also an effort to analyse the different economic aspects underlying his suggestions.

The dissertation concludes with a brief summary and evaluation of Abu Yusuf’s thoughts.

VI

Inspite of being a pioneer work, not only among Arab-Islamic writings but the whole discipline of Public Finance, it is surprising that Abu Yusuf’s Kitab-al-Kharaj missed the attention of researchers. To the best of our knowledge there is not a single work in English, dealing exclusively with the contribution of Abu Yusuf to the theory of Public Finance. The present dissertation is a modest effort to fill this vacuum. I hope this will pave the way for research in a number of similar works that follows Abu Yusuf’s Kitab-al-Kharaj in the later centuries, still awaiting attention of researchers.
Chapter - I

The Age of Abu Yusuf
The Age of Abu Yusuf

A- 1. Political condition

Abu Yusuf was born in declining period of Umayyad caliphate (40 A.H./661 A.D./132 A.H/750 A.D.)\(^1\). The Umayyad caliphate was established by its founder Muawiya b. Abu Sufiyan in 40 A.H./660 A.D. The Islamic caliphate within 100 years of the death of Prophet Muhammad (PBUH) extended from western Turkistan to the Atlantic ocean and to the Indus and confines of China in the east. In west ward its boundaries extended to the North Africa and Spain. The Umayyad’s caliphate reached the meridian of power and glory and lasted 90 years until it fell down in the hands of Abbasids in 750 A.D.

Abu Yusuf was a grown up man when Abbasid overthrew the century long Umayyad dynasty and won the power. The Abbasid caliphate was established under its leader Abu Abbas (750 - 754 A.D.)\(^2\) and lasted for more than five centuries (132 A.H./750 A.D. to 656 A.H./1258 A.D.) with all its power and glory. The Abbasid caliphate soon after its establishment reached its prime in the period of third caliph al - Mahdi (775-785 A.D.)\(^3\) and achieved its most brilliant period under his son Harun - al - Rashid (786-809 A.D.).\(^4\)

We will focus attention on first fifty years of the dynasty. This is the period which Abu Yusuf lived in. The period is marked by political stability, economic soundness
and intellectual richness. The second caliph al-Mansur (754 - 775 A.D.)\(^5\) (supposed to be the real founder of the dynasty) has very cleverly and tactfully suppressed the revolts in Syria, Persia and Central Asia. Putting down new emerging powers very intelligently, he pacified all internal unrests and succeeded in establishment of a strong caliphate\(^6\).

During the period frontiers of the state were almost protected except western side where war situation prevailed till Harun - Rashid in 782 A.D. led an expedition and forced the Byzantines to accept a humiliating treaty on payment of 90,000 dinars annually\(^7\). On the eastern front Abbasid troops launched several attacks on Indian frontier. They entered Kashmir in the period of al-Mansur. 'Sind province was also reduced during the period\(^8\). Thus by the end of the eighth century greater part of the Islamic empire was under the hold of Abbasid, with the exception of North Africa, where the Abbasid’s control didn’t extend much beyond Qayrawan and of Spain, where the Abbasid Caliphs never succeeded in gaining control\(^9\).

In foreign relations the Abbasid caliphate enjoyed friendly relations with Franks. Good relations between Frank ruler Charlemagne and Harun al-Rashid have been reported by the historians with the exchange of rich gifts\(^10\). Exchange of gifts and embassies between Abbasid and
Indian rulers has also been reported. However, the relations with hostile Byzantines and Umayyad Spain were never good.

As a whole, the eighth century witnessed the zenith of an empire which extended its boundaries from North Africa to the Indus and China in the east and from Atlantic ocean to the western Turkistan. The history of the seventh and eighth century of medieval world was in fact determined by the developments and inter relations of three political and cultural powers, Islam, Byzantium and Western Christendom. In which the first one was represented by the Abbasid Caliphs.

2. Administrative System

Abbasid developed a very elaborate system of administration. The hereditary principle of succession was being followed throughout Abbasid regime. The caliph stood the head of the empire. He used to delegate his civil authority to a wazir, his military power to a general (amir), revenue administration to an amil, and Judicial power to a Judge (Qadi) and kept himself the final arbiter of all governmental affairs. Although all powers were centralized in the hand of caliph in capital Baghdad, but decentralization was unavoidable consequence of such a for long domain with difficult means of inter communication. Governors of the provinces were given authority especially
in military, Judicial and financial affairs and in the maintenance of internal security\textsuperscript{14}.

Due to lack of means of communication a Qadi, Police officer, collector of revenue and post master were appointed by the state in every town\textsuperscript{15}.

In matter of civil administration the wazir presided over the various heads of the department of state. Due to complication in governmental machinery greater order was brought into the state affairs. Since finance constituted the main concern of the government the bureau of taxes (diwan al-Kharaj) remained the most important unit. Besides this, some most important governmental departments were, audit and account office (diwan al Dhaman), introduced by al Mahdi, a board of correspondence (diwan al-tawqi) which handled all official letters and political documents, a board for the inspection of grievances (diwan al nazar fi al Mazalim), a police department (diwan al Shurtah) and a postal department (diwan al- Barid)\textsuperscript{16}.

**Diwan al - Hisbah**

The institution of al - Hisbah was created under al - Mahdi\textsuperscript{17}. It was a fully developed institution in early days of Abbside caliphate. Its main objective was to ensure that state resources were properly managed according to rules of Shariah. It aimed to maintain the social and religious values. The officer in charge of the office was called
Muhtasib. He worked as overseer of market and morals. He had authority to prevent the monopoly of goods and hoarding. It was his duty to check that proper weight and measure were used in trade. His duty also included maintenance of essential public utilities.

3. Social Life

The period under study is considered to be the most brilliant period of the Abbasid Caliphate. The Muslims emerging from the primitive and simple life of the Arab peninsula contacted with foreign elements. Although theocratic nature of the state was maintained, but they affected by the elements with whom they came into contact. Political stability and sound economic condition helped people to enjoy higher living standard. At the top stood the members of the royal family who enjoyed massive luxurious living. The caliphal palace was constructed with many annexes for harem and special functionaries and it occupied the one third of the round city. Lavish spending on poets, singers, musicians and dancers was a common phenomenon of palatial life. Display of wealth and magnificence was a general practice on ceremonial occasions. Slaves and maidens were recruited for the caliphal Palace and the maidens were also used as singers and dancers.

The next to the royal family in high and luxurious living came the members of the Abbasid family, the wazirs,
officials and functionaries. They enjoyed a special status and luxurious living\textsuperscript{21}.

The lavish life style of the ruling class affected the general living standard in urban areas. The emergence of Baghdad as an emporium of trade and commerce and a centre of wealth and international significance changed the simple primitive social system of the Arabs which broke down and foreign elements entered in their life. In urban areas merchants, craftsmen and professional people played a leading part. Jews and Christians often held important financial, clerical and professional positions\textsuperscript{22}.

Apart from rich urban class we find an agriculturist class of the local people who constituted the bulk of the population. The non muslim citizens of the state were given the status of \textit{dhimmi}. They were liable to pay \textit{Jizyah} (a poll tax) in lieu of protection and other benefits they enjoyed and they were also exempted from military services\textsuperscript{23}.

At the bottom stood slaves. The slaves and maidan were recruited from all part of the empire. They sometime enjoyed a respectable place in the society\textsuperscript{24}. 

6
B. Economic life

1. Commerce

Trade (domestic & international) was highly flourished during the period. Muslim merchants of the period had trade relations with all major countries of the world. East ward they ventured as far as China in the period of al - Mansur. In westward they reached Morocco and Spain. They supplied western Europe with oriental goods, spices, foodstuffs, fine cloths, and papyrus. Egypt was the main supplier of the papyrus. All types of merchandise from India, Malaya, and Africa came into the market of Baghdad. The major cities like Baghdad, al - Basra, Siraf, Cairo, and Alexandra etc. developed into centres of active land and maritime export centres. The state provided facilities to traders and they had their own syndicate in each city which supervised commercial transaction and suppressed frauds.

2. Industry

The commerce depended on the transaction of goods produce during the period in various part of the caliphate.

The traders carried with them these goods within as well as outside empire. The cities of western Asia got specialized in manufacturing of silk, cotton and woolen materials. Looms of Persia and Iraq produced carpets and textile of high standard. The cities of Central Asia exported furs, amber, honey, falcons, and steel items.
Egypt exported food grains and linens. While Syria provided glass and metalware. Arab peninsula was famous in the production of brocade and weapon. Baghdad saw its own paper mill before the close of eighth century.

3. Agriculture

Agriculture got great impetus under the early Abbasid period. The major part of the population was engaged in agriculture farming was the chief source of the state income. Abbasid rulers took effective measures to promote the agriculture.

A network of canals from Tigiris and Euphrates helped in increasing the productivity of the land. On the other hand deserted farms and ruined villages in different parts of the empire were gradually rehabilitated and restored.

The capital province of Iraq known as al - Sawad was the most fertile crescent of the empire. It yielded the highest revenue in comparison of other provinces. The staple crops of al - Sawad were barley, wheat, rice, dates, cotton and flax. Besides, nuts, oranges, sugarcane were grown in large quantities in the fertile plains of the south.

Syria, Egypt and provinces of Central Asia also yielded a large amount of revenue to state treasury. In addition to the cultivation of food grains, fruits and vegetables, the
cultivation of flowers was promoted on large scale for commercial purposes. Perfumes and essences from flowers were exported as far as China eastward and al - Maghrib westward.

4. Mines
Sliver and lead mines were found in cities of Central Asia. Iron was mined in Lebanon and Bahrain. Marble and sulphur was found in Syria while Rubis and mercury were dug in central Asia.

C. Fiscal Administration
1. Fiscal Adjustment
As we shall see later, Abu Yusuf’s study regarding fiscal matters is related especially to the province of Sawad. It was the most fertile province of the large caliphate. The eleventh century A.D. Arab Scholar al Mawardi emphasized that its total area was 36,000,000 sq Jaribs, ( One jarib = 1366 sq. meters). This area was conquered during the caliphate of Umar ( 637 A.D.). The existing rules was to distribute the conquered land among the fighters. But Caliph Umar decided to leave the land undistributed in the hands of their occupiers and to charge kharaj on land. The land was to be considered the property of Muslim state and he gave it the status of Kharaj land. The charge was a type of rent imposed on the land. The residents were termed as dhimmis, the head tax charged was
Jizya and land tax was kharaj.

The province of Sawad was one of the 35 fiscal provinces of the caliphate. Under the system the revenue from each province was applied to meet the expenses of that province. If the expenses were less than the local income, the governor remitted the balance to the central treasury. On the contrary, if the income from province was insufficient to meet the expenses, the surplus from other provinces were remitted to balance the deficit. In one case we note that every year 100,000 dinars were remitted from revenue of Egypt to balance the deficit budget of province of Ifriqiya.

2. Public Revenue

The main sources of Public revenue in the period were, Zakat (a religious tax collected from wealthy Muslims) Kharaj (tax on land or land produce) Jizyah (Head tax collected from non Muslim living in Muslim territory) custom duties, war booty and levies on mines and treasure troves.

As stated earlier, the central treasury received only the surplus revenue from provinces remaining after meeting the expenses of that province. A detailed balance sheet of revenue from provinces, in cash and kind, shows that total revenue in a year remitted to central treasury from provinces after meeting local expenses, was 530, 312,000 dirhams in the period of Harun al Rashid. The balance sheet
presented by Jahshiyari a noted historian of 10th century A.D. is the most frequently quoted source. His balance sheet shows that annual income of the state in cash and kind was more than 400 million dirhams and 50 million dinars, approximately.

According to Rayes, a contemporary scholar, the weight of a dinar was 4.25 grams of gold. Thus value of a dinar at today's price was equal to 70 US dollars approximately. Using these figures we can sum up that total revenue during the reign of Harun al Rashid in a year would have been 2200 million US$ approximately. This was already a large empire.

3. Public Expenditure

(a) Development work

The Abbasid rulers in the period laid much emphasis on the developmental works. Substantial sums were extended for the reclamation of lands, excavation of canals, construction of dams, bridges and development of market and means of communication.

A network of canals form Tigris and Euphrates was prepared for the development of agriculture in Sawad province. We also find a network of roads connecting all major cities with the trade centres. Rest houses for the convenience of travellers were constructed at reasonable
intervals on the high-ways. Health centres were established throughout empire.

It is obvious that a substantial amount of public treasury was spent on these projects. Unfortunately their details were not preserved. However, some figures are available in this regard. Such as:

- The total expenses on the construction of Baghdad city was estimated about 4,833,000 dirhams.
- The expenses of postal administration in the province of Iraq alone amounted to 154,000 dinars in a year.
- The total expense on the construction of Zubaida canal, to provide drinking water to the residents of the Holy city of Makkah, was estimated about 1,500,000 dinars.

(b) Expenses on Defence Activities

A large proportion of state income was spent on military activities. Abbasid had a strong and well disciplined regular army. During one expedition, Harun al Rashid led an army of 135,000 trained soldiers and a large number of volunteers. This indicates existence of a large army in the period. Abu Jafar Mansur spent 63,000 dirhams on military activities while suppressing revolt in province of Ifriqiya. In 154 A.H. Harun al Rashid spent 194,450 dinars and 21,44,800 dirhams in a single expedition.

The average salary of the foot soldier was 960 dirham a year beside usual rations, allowances and share in booty.
The horsemen received double share. This gives an idea about the expenses of such a huge army.

(c) Expenses on Civil Administration

Besides military expenses, a large amount was spent on salaries of servicemen employed in civil, Judicial and administrative services. Here are some figures:

- The Chief provincial officer received 300 dirhams monthly.
- The Chief Judge of one province (Egypt) is reported to have drawn a salary of 4,000 dirhams per month.
- The salary of a clerk in court was 40 dirhams per month.
- Salary of an ordinary clerk was 10 dirhams monthly.
- The salary of a labourer employed in building of Baghdad was 10 dirhams monthly.

The above salary level was at a time when general price level was very low. In the following we note a few essential items and their prices, sold in the market of Baghdad at that time:

- Price of a sheep was one dirham
- 24 kg of date sold in one dirham
- 6.5 kg of oil sold in one dirham
- 3.5 kg of Ghee sold in one dirham.

The above figures, although insufficient to provide a
detail expenditure structure, they provide an outlook of the overall government activities.

D. Monetary System

1. Monetary units

There were various monetary units in the period. The most common being dinar which was equal to 4.25 grams of gold\(^{59}\). The other smaller unit was from silver known as dirham with one dirham equal to 2.975 grams of silver\(^{60}\). Dirham was commonly used and exchanged by 10:1 ratio with dinar\(^{61}\). This exchange was practiced since the period of Prophet (PBUH) and it fluctuated from time to time. During the early Abbasid period one dinar was exchanged with 22 dirhams\(^{62}\). Revenue from provinces were collected both in dirhams and dinars. The provinces which were previously under Byzantines like Egypt, Syria paid their revenue in dinars. However, provinces of Persian influence used dirhams in their transaction\(^{63}\). Thus in early Abbasid period both units were in transaction and we can say that monetary system of that period was "Bimetallism"\(^{64}\).

2. Price Trend

In early days of Abbasid caliphate a sharp increase in prices is reported by the historians. Tabri reports a rise in prices in Central Asian Province of Khurasan\(^{65}\). The rise in the prices of food grains caused pressure on government since it had to supply rations to the army. It meant that
this rise in price was the cause of political instability and unrest in early Abbasid period when the state was passing through early stages. A short supply of the commodity may be the other reason.

Abu Jafar al- Mansur was very much concerned about the price rise. He ordered the postal department to provide the information about prices from all parts of empire and also mention the reason behind it. He always insisted to check the rise of prices.66

The construction of Baghdad and its importance as a world centre of trade attracted the traders from all over the world. A decline in prices is reported after the construction of Baghdad. Another reason for normalization of prices was the fact that al- Mansur succeeded soon in pacifying all political unrests and stabilized the new emerging state. The political stability and healthy atmosphere for commercial activities boosted internal and external trade. Thus the second half of al Masur’s rule witnessed a better economic scene and a fall in prices. Jahshiari reports that prices fell down in period of al- Mansur.67 The decline in prices of food grains caused a monetary loss to treasury as land tax was collected in kind in fixed quantity. The trend of falling prices forced to change the existing tax system. We will discuss it later in our study.

15
Notes and References

1. For a short and concise history of the period one can refer to:


For detailed study following sources may be referred:


3. Ibid., VOL.6, p. 221.

4. Ibid., VOL.8, p. 862.

5. Ibid., Vol.4, p. 117.


10. Ibid., p. 298.

11. Ibid.


17. Ibid.
18. For the details one can refer to:

20. Ibid,
30 Husaini , op. cit., p.205.
34. Ibid, p. 348.


41. Ibid, pp.241, 43.

41. For details please see;


42. This balance sheet is presented by Jahshiyari in his book *al-wuzara wal kuttab*. The balance sheet contains the details of revenue remitted to central treasury after meeting local expenses. It shows that revenue were collected in cash and kind. In the case of cash, it was collected either in dinar or dirham. According to Jahshiyari:

The revenue collected in dinar was = 5,000,000 dinar
" " " dirham was = 404,780,000 dirhams

Assuming the exchange rate of 22 dirham to a dinar the revenue in dinar is equivalent to **125,532,000 dirham**.

Thus the total money plus the value of deliveries in kind amounted to : **530,312,000, dirhams**.


44. Total Revenue i.e. 530,312,000 dirham is equivalent to 25 million dinars approximately. If value of a dinar (4.25 grams of gold) is worth 70 US$ at today price then total revenue is estimated to have been US$ 2200 million.
49. Ibid., p. 215.
51. Ibid, p. 119.
52. Ibid, p. 158.
54. Husaini, op. cit., p. 185.
56. Ibid, pp. 78-79.
57. Ibid, p. 185.
59. Ibid, p. 337.
60. Ibid, p. 342.
63. Ibid, p. 346.
66. Ibid,
67. Ibid,
Chapter - II

Abu Yusuf: A Brief Biography
Abu Yusuf: A Brief Biography

Life

Yaqub b Ibrahim al Ansari al Kufi or more commonly known as Abu Yusuf was born in 113 A.H./731 A.D.¹ His family originated from Madinah. He was of pure Arab extraction. Abu Yusuf had a modest beginning. His enthusiasm to learn brought him in the circle of Abu Hanifah (d.767 A.D)², the great scholar, famous jurist and founder of Hanafi school of Jurisprudence. Abu Hanifah recognized his worth and helped him in so many ways. Abu Yusuf studied religious law and traditions in Kufah under Abu Hanifah and in Madinah under Malik b. Anas, Layth b. Sa’ad and others. The benefit of getting education and training at the hand of scholars of high degree, helped him to enhance the breadth and depth of his knowledge. He attained high commendable powers of observation and analysis and sharpness in thought and word. Soon he attained a distinguished place among his contemporary scholars. He was recognized as a great Jurist, thinker and theologian. His high degree of scholarship attracted the then Caliph Mahdi (d. 785 A.D) who appointed him Qadi (Judge) in capital Baghdad in 166 A.H. He retained the office under his two sons al- Hadi (d. 786 A.D) and Harun (d. 809 A.D). Caliph Harun al Rashid appointed him chief Justice (Qadi al- Oudat) of grand Abbasid caliphate, a title first time granted to any one in the Islamic History. Caliph Harun used to seek his advice on
administrative problems, on financial policies and other related matters. The caliph also used to consult him on appointments of other Judges in various part of caliphate. With active participation in public affairs and administration, he spoke with soundness of thought and richness of experience. Abu Yusuf held the office of the chief Justice until his death in 798 A.D..

Development of Islamic Sciences

The period of Abu Yusuf witnessed the most momentous intellectual awakening in the history of Islam. Foremost among the sciences developed in this period is the commentary (‘*tafsir*’) of the Holy Quran. Comprehension and exegency of the Holy Quran became the basis of intensive theological study. The Muslim scholarship paid due attention on the explanation of the verses of Holy Quran. Although the major considerable works came in later centuries, but there are some eminent scholars who got recognition by later experts on the subject. Among them Sufian Thawri (d.161 A.H.) Sufian b. Uyainah (d.198 A.H.) and Waki b. Jarrah (d. 197. A.H.) are most frequently quoted sources by later scholars.³

The period also witnessed the compilation of the Hadith of the Prophet (PBUH). The traditions of the Prophet (PBUH) were collected, compiled and fixed in written form. Although the most authentic sources of Hadith literature such as
Sahih Bukhari and Sahih Muslim were the outcome of later centuries but considerable works have been done in this field during the period. Among them the collection of Malik b. Anas (d. 794 A.D.) al Muatta is the most excellent work of high standard which got recognition by later scholars.4

Beside the sciences of Tafsir and Hadith, the period also witnessed the most momentous intellectual awakening in the history of Islam. The first biography of Prophet (PBUH) entitled Sirat Rasulullah by Ibn Ishaq was written in this period5. The books of philosophy, medicine, astronomy and literature from Persian, Greek, Syric and Sanskrit were translated into Arabic under state patronage which provided the foundation for the intellectual and scientific revolution of later centuries6.

The most significant development during this period is the emergence of the science of Jurisprudence. Muslim scholars responded to the problems related to the civil, criminal, political and financial matters which arose under the changing circumstances in conquered territories. A set of law related to these issues was formulated in the light of the verses of the Holy Quran and traditions of the Prophet (PBUH). The help of analogical reasoning (Qiyas) and consensus (Ijma) was sought where original sources i.e. Holy Quran and Traditions of the Prophet (PBUH) was not sufficient to cover the new challenges7. The most genius
scholar who did significantly contribute to the science of Jurisprudence is the famous Jurist Abu Hanifah. He strongly emphasized the principle of analogical deduction and insisted on the right of preferences (Istihsan). Among the other Jurists of the period are Malik b. Anas, the founder of Malikite school of fiqh and Muhammad b. Idris al-Shafai, the founder of Shafi’ite school of fiqh. During the period al Awzai (d. 158 A.H.), Ibn Laila (d. 148 A.H.), Zufar (d. 158 A.H.), Muhammad al-Shaibani (d. 189 A.H.) are some eminent names of the Jurists who achieved high degree of scholarship. Abu Yusuf was disciple of Abu Hanifah who based his work "Kitab al Kharaj" mainly on views of his teacher.

**His Major Works**

Abu Yusuf’s biographers report that he had considerable literary output to his credit. Ibn - e -Nadim reported fifteen works of Abu Yusuf but none is available except that of Kitab al Kharaj. We will discuss the nature of the work later on. His legal Ideas regarding issues relating rituals and worship (Ibadat), civil and legal obligations (Muamalat), and punishment, (Uqubat) can be found in all major books of Hanafi law. There is need to compile and edit his fighi ideas in separate volume.

Three other books ascribed to him are:-

1. "Kitab al- Athar" a collection of kufian traditions
that Abu Yusuf reported (Cairo: 1355 A.H.).

2. "Kitab Ikhtilaf Abi Hanifah wa Ibn Abi Laila", as is clear from the title, it is a comparison of the two authorities in Jurisprudence (Cairo: 1357 A.H.).

3. "Kitab al- Radd 'ala Siyar al Awzai" a reasoned refutation, with broad systemic developments of the opinion of the Syrian scholar al Awzai, on the law of war (Cairo: N.D.)

**Kitab al Kharaj**

This is the most important work of Abu Yusuf. He wrote this book when he was serving as chief justice in the reign of Caliph Harun. The introduction of the book shows that Abu Yusuf wrote this treatise in response to Caliph's queries on the state of religious precept dealing with taxation problems, state administration, criminal law and other related matters.

In the beginning of his opening address to Caliph Abu Yusuf clearly states the reason for writing of this book as he states:

"The commander of the faithful (Amir al Muminin) has asked me to prepare for him a comprehensive book to be used for the purpose of the collection of the legal taxes, the custom duties, the sadaqat levies, and poll taxes, a book for him to study and act upon, designed to avert oppression..."
from his subjects and serve their interest". He further states, "I have also been requested to explain to him, how he should act in matters at his discretion".

In last sentences of his address he explains the way of his writing: "I have worked hard for you and have spared no effort to give you and Muslims advice. I have also collected for you in this book, fine traditions concerning matters about which you have inquired".

These lines of opening letter clearly show the purpose of writing the book and its subject matter.

**Subject Matter**

*Kitab al Kharaj* is in fact a report on the state of religious precepts dealing with taxation problems, Public expenditure and other related issues with his recommendation and legal opinion. Meaning of *Kharaj* in Arabic literature is "a levy collected from the wealth of the people". In financial matter it is "a tax imposed on agricultural land or produce". This term is used in wider meaning by Abu Yusuf and other scholars who wrote under the same title. By it they mean "sources of state revenue in general with all available means". Abu Yusuf, Under the title, covers all aspects of state fiscal management and also covers administrative rules and criminal law.
The Book and its Translations

The book is first time published in 1302 A.H/1885 A.D from Cairo, Egypt. An updated edition of the book was later published by Matba‘h al Salfia, Cairo, Egypt. An updated edition with bibliography and index published from Darul Ma‘arifah, Beirut, Lebanon is now available. The book has been translated into many languages such as French, Italian Turkish, Russian, English and Urdu. Fagnan has translated the whole text in French. The translation was published from Paris in 1921 A.D. Brockelmann has mentioned that an Italian translation was published from Rome in 1906 A.D. The book was translated into the Russian language by A. Schymidt and it was published in 1945 A.D. A Turkish translation of the book is also reported. Prof. Muhammad Nejatullah Siddiqi has well translated the whole text into Urdu. It was published in 1966 A.D. It contains a detailed documented valuable introduction, footnotes and index.

Abu Yusuf’s Kitab al Kharaj has been well translated into English by A. Ben Shemesh and published in 1969 A.D. Ben Shemesh has rearranged texts and chapters and omitted details that do not fall within the scope of taxation like material dealing with history, criminal law and administration rules.
Approach of the Book

The approach of the book is pragmatic and it is more Judicial in nature. It is not simply a treatise on the fiscal system of Islam, rather it is an effort to establish a feasible fiscal system in the light of the Islamic law which can adjust to the changes of time and society. With his high power of observation and analysis, he had tried to prove from historical evidences that Islamic fiscal system was flexible and had quality to adjust to all societies and times. Since Abu Yusuf is a Jurist and religious lawyer he frequently supports his opinions with the verses of the Holy Quran, traditions of the Prophet (PBUH) and practices of pious Caliphs. This approach gave his ideas soundness and strength.

Other works on Kharaj

The issue of Kharaj (taxes in general) was among the issues that were widely discussed by Muslim Scholars. A number of works has been written on Kharaj and taxation policies. The occurrence of enormous fiscal issues in conquered territories have agitated the minds of jurists, philosophers and scholars each responding in their own way. A sum of twentyone works had been completed under this title but unfortunately most of these works had been destroyed in the course of time. Among those which survived the ravages of time, besides Abu Yusuf's Kitab al kharaj is one by yahya b. Adam al Qarashi (752 - 818 A.D). Kitab al
The next to Abu Yusuf is Yahya b. Adam’s work\textsuperscript{30}. He was contemporary of Abu Yusuf. Yahya b. Adam touched the same issues discussed by Abu Yusuf, but the latter had more analytical insight and ability to derive legal rules. Abu Yusuf’s work is more practical than Yahya b. Adam who’s work is academic in nature while Abu Yusuf is more Juristic in nature. Yahya b. Adam had emphasized more on the collection of the traditions of the Prophent (PBUH) on the relevant subject matter.

Qudamah b. Jafar is the author of the another book entitled "Kitab al Kharaj". He emphasized in his book on historical and geographical aspects and avoided legal issues. He had tried to prove that existing taxation system of his time is not against the law of Islam. The basic difference between him and Abu Yusuf is that the latter has also touched legal and functional aspects of different issues and he is more practical and analytical than Qudama b. Jafar who’s work is dominantly historical and geographical in nature\textsuperscript{31}.

Some other books dealing with taxation problems and state financial management have been also preserved. These books entitled Kitab al Amawal usually deal with same
subject matter which is the characteristic of above cited works entitled Kitab al Kharaj. Among them Abu Ubaid’s work is one of the earliest treatises on the fiscal principles and taxation in Islam. He had collected traditions of the Prophet (PBUH) on different fiscal issues like land adjustment, matter related to Jizyah, Kharaj and Ushr and other related matters. The book contains historical evidences on fiscal issues more than the book of Abu Yusuf. The book of Abu Ubaid is comprehensive and analytical in nature but it does not touch practical fiscal issues which is a distinguishing feature of Abu Yusuf’s book.

Another book under the title "Kitab al-Amwal" is written in that period. The book written by Humaid Ibn Zanjawaih (d. 867 A.D. ) is closely related to that of Abu Ubaid. As Ibn Zanjawaih was a disciple of Abu Ubaid, he has followed the descriptive method of his master and discussed almost all the topics in the same manner as discussed by Abu Ubaid. Although at some places he adds opinions not mentioned by his master, his book is a gloss on that of Abu Ubaid.

Abu Jafar Ahmad b. Nasr al Dawudi (d. 1012 A.D.) is author of another book entitled "Kitab al-Amwal". The book of Dawudi deals with financial and taxation policies according to the principles of Malikite fiqh. He has based his study on the classic text of Malikite school.
Commitment to the Malki’té point of view is the main significance of his book. Dawudi’s work is more significant in that it makes use of earlier, now lost, Malki’té and non Malki’té studies of the topic.

Thoughts of Economic Relevance

Abu Yusuf’s treatise on taxation problems is the first in Islam which covers economic issues. He wrote this book while he was serving as chief Justice of the grand Abbasid caliphate between 174 A.H. and 182 A.H. the year of his death. His ideas indicate that he was aware of different aspects of the fiscal management. Centuries before the systematic study of fiscal matters he spoke about "ability to pay of the tax payer", "convenience of taxpayers" and need for an efficient and honest tax administration. He stressed the need for developing socio-economic infrastructure and further he suggested how to meet developmental expenditure like building of bridges, digging of canals etc. In order to provide a just and efficient system he emphasized the need for a proportional tax system in place of existing fixed tax system. The new one, he observed, will persuade cultivators to bring more areas under cultivation. To prevent the harsh treatment of taxpayers by tax collectors he strongly opposed the tax farming practices. Further he stated the responsibilities of the rulers towards the need fulfilment of his people and their overall development. He also stressed the need for justice
and equity in taxation. He stated that ruler must regard public money as a trust and be accountable for its expenditure.

His major contribution lies in the field of Public Finance. There are also some reflections in his book on market and pricing, such as how prices are determined and what the effects of different kinds of taxes are.
Notes & References


   For a detailed biography one can refer to:


2. Zerekly, op. cit., Vol. 8, p. 36.


6. Ibid., pp. 299, 300.


9. Ibid.,


14. Ibid., p. 3.

15. Ibid., p. 6.


17. Ibid.
18. Ibid., P.9


20. Ibid.


22. Ibid., p. 93.

23. Ibid.

24. Siddiqui, op. cit.,

25. A. Ben. Shemesh, op. cit.,


29. Ibid., Vol., V p. 176.


Chapter - III

Role of the State in Economic Life
Role of the State in Economic Life

The Theory of Public Finance has always been closely related to the state's role in economic life and the socio-economic functions it has to perform. In conventional economic theory the role of state is rationalised on the ground that market mechanism alone can not perform all economic functions and the public policy is needed to guide, correct and supplement the private sector in certain respect. The public policy is however, guided by the political, cultural social and ideological nature of a state. While studying the ideas of Abu Yusuf regarding the role of state in economic life we should note that he had discussed the economic and social functions of the state in the light of the teaching of Islamic Shariah. State is viewed by Islam as an instrument for the realisation of the ultimate goals, both spiritual and material, of the Islamic society. It seeks to guarantee the social and economic justice to all its citizen. In accordance to the teaching of Holy Quran such as provision of ease and alleviation of hardship, generation of prosperity, nurturing a climate of love and affection, and ensuring freedom from moral corruption, hunger, fear and mental tensions, the Islamic state should reflect the characteristic of merciful blessing and cater to the welfare of all people.

Abu Yusuf in his study of state matters discussed at
length the economic responsibilities of the ruler towards the need fulfilment of the subject. He has also discussed how the ruler should work for the general prosperity of the people and development of the economy. He considered the state as a trust from Allah in the hand of ruler as he clearly stated. "Take care of what Allah has assigned to you and fulfil the obligations of rule entrusted to you".

Emphasizing the welfare aspect of the Islamic state he categorically stated:

"The ruler is responsible for the welfare of the people and must do every thing that he thinks good for them".

In his letter to caliph Harun al-Rashid he held that catering to the welfare of the people and relieving them of hardships is the basic objective of the Islamic state. He further stressed the need for such policies which could secure the well being of all its members and increase the general prosperity and welfare of the people. He stated:

"a book of manual for the caliph to study and act upon, designed to avert oppression from his subjects and preserve their interests".

GOALS OF THE STATE

Abu Yusuf’s discussion of the economic activities and responsibilities of the state is not found in any one place. It is scattered throughout his writings. Before going into
the details of his ideas regarding sources of revenue, heads of expenditure and public policies it would be better for our purpose to examine his views regarding role of state in economic life.

In his study Abu Yusuf has discussed at length the goals and functions of the state. He emphasized that ruler is obligated to protect the interest of his people and look after affairs of the nation. He is also responsible to work for the provision of social goods and development work for the overall growth of the economy. In a nutshell, the goals of the state as reflected in his writings are:

1. Fulfilment of the basic needs of the people
2. To Protect the religion and safeguard supremacy of the word of Allah
3. To facilitate establishment of an honest and Just system
4. Overall economic development, and
5. General welfare of the people

With respect to state affairs, Abu Yusuf observes that, it is moral code of behaviour of the state which affects the public policies. Public policies should be guided by the overall goals of Islamic living and well defined role of state in Islamic Society. This is in contrast to conventional theory in which the public policies are generally guided by
self interest of the policy makers and motivated by the political considerations.

**Functions of the State**

Abu Yusuf lived in a society and breathed the air of a civilization to which Islam was the way of life. All individual behaviour and state activities were guided by the rules of Shariah as prescribed by the Holy Quran, elaborated by Prophet (PBUH) and practiced by Pious Caliphs. According to him safeguarding the religion and supremacy of the word of Allah is the first and the most important function of the state. In this regard he state that "ruler should spend treasury funds in gratitudes to those who have achieved something beneficial to Islam or something which will strengthen Islam against its enemies."21

**Civil and Administrative Functions**

Meeting the subsistence needs of the people and safeguarding their interests.

Abu Yusuf is of the opinion that state is obliged to take care of all citizens of the state and to provide them with basic needs. In his opening address to the Caliph he states that he has composed a book "for him to act upon in collection of revenue, designed to avert oppression from his subject and safeguard their interest."22

The sadaqat revenue, he suggests, "must be spent in
providing basic necessities to the poor and destitute\textsuperscript{23}.

He also suggests that "all human beings even prisoners must be provided fooding, clothings and shelter\textsuperscript{24}.

\textbf{Defence}

Abu Yusuf observed that state must have enough economic power to attain and support military power to preserve the sovereignty and independence of the state. He pointed out that taxes collected from various sources should be spent as salaries to the troops and thus making the wars of Jihad possible and providing security against the recapture of their land and places by enemies\textsuperscript{25}.

\textbf{Justice and security}

According to Abu Yusuf maintenance of internal security, the protection of each member of the society against the injustice or oppression of every member of it (in more modern phrase the establishment of law and order) is the one of the major functions of the state\textsuperscript{26}. He places great emphasis on the implementation of Islamic legal code with firmness\textsuperscript{27}. He warns against oppression and injustice with the subject\textsuperscript{28}. He also advised the administrators to serve as Judges in dispute\textsuperscript{29}. Social Security An important function of the state according to Abu Yusuf is the provision of pensions and grants. These pensions will be given to those "who have done something beneficial to Islam or something which will strengthen Islam against its enemies
or anything which the ruler will consider good and beneficial for the Muslims"\textsuperscript{30}. The provision for a permanent source of income for the widows and children of soldiers is also suggested by him. He supported his opinion by the practices of Pious Caliph Umar in this regard\textsuperscript{31}.

**Provision of Civil Administration**

Provision of an honest and efficient administration is an important function of the state. Abu Yusuf is very much concerned with an efficient and honest administration.

He states that an efficient civil administration is required which works with firmness without tyranny and with leniency without weakness. He observed that "a Just and honest dealing without oppression has a beneficial effect on the growth of the state and it increases the income from taxes while oppression and dishonesty destroys it"\textsuperscript{32}.

In order to safeguard the interest of the taxpayers and increase the income of the state from land taxes without overcharging the taxpayers, he emphasized the need for the proper survey of the land\textsuperscript{33}. He strongly condemned the harsh treatment of tax payers by tax collectors and regarded it as a criminal activity\textsuperscript{34}. He further suggested to appoint honest and trustworthy administrators to different duties\textsuperscript{35}. 

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Provision of Social goods

Abu Yusuf matters emphasized that state should work for the provision of social goods that could increase the productivity and as a result income of the state. Since he was concerned with an agriculture base economy he suggested that "it is upon the ruler to clean ancient canals as well as excavate new one and construct dams in order to increase the productivity of land and income of the state." He is of the opinion that social goods will be provided publicly and made available free of direct charge. He thus suggests "all expenses occurring in provision of social goods like construction of walls and dams on the river bank to prevent flooding and other expenses should be borne by state." He emphasized that any malfunction will cause damage to agriculture and decrease the income from taxes. He thus observed that state should provide infrastructural facilities to the people in order to increase the productivity of the land and growth of the economy. In conventional theory of Public Finance "provision of social goods" is described as one of the important functions of the state.

Distribution Function

Abu Yusuf stressed that fair and Just distribution of the income from taxes is one of the major responsibilities of the ruler. In this regard he noted the saying of the
pious Caliph Umar as he states:

"Taxes are justified only if they are collected in a just legal way, and they are spent justly and legally. Caliph Umar expressed his firm commitment to this function as he said "I should spend the taxes collected, in a legal way, that I should increase the pensions and fortify settlements".  

Interestingly, Abu Yusuf’s ideas in this regard are similar to those of modern economists who consider the fair and just distribution of income as one of the major function of the state. They refer to it as "distribution function" of the state.

**Stabilization Function**

Abu Yusuf laid great emphasis on the achievement of high rate of economic growth and maintenance of a healthy treasury. As stated earlier, he was much concerned with the agricultural land. In this regard he suggested the Caliph "that all types of dead and uncultivated lands which do not belong to any one would be granted to some one who develops and cultivates them and pays the land tax applicable to them". "The grant of such type of land " he stated,"will cause the country to be developed and income from taxes to increase". As we have discussed, he suggested the excavation of canals and clearing of ancient water courses, if it could irrigate the uncultivated land and increase the
cultivators as well as the state income⁴⁴.

At another occasion he states that "Just and honest dealing and prevention of oppression have a beneficial effect on the growth of the state⁴⁵.

To sum up Abu Yusuf’s ideas in this regard, we can safely say that he considered the full employment of resources and public works for the development of the economy, as important function of the state. This function is referred as the "stabilization function of the state"⁴⁶.

The Welfare State

Abu Yusuf’s concept of the state is apt to be compared to what the modern economic theory called "welfare state". Modern writers on the subject have usually claimed that the concept of the welfare state is new phenomenon and a theme of modern politico-economic scenario⁴⁷. But a study of Abu Yusuf’s thoughts regarding the role of the state in economic life would reveal that he purposed a very comprehensive concept of the welfare. He strongly considered that state should play an active role in the economic life of the people. He stressed that the state was responsible for the social and economic justice for its citizen and welfare of its people. Without using the modern terminology of Public Finance he clearly spoke about the just and fair collection of duties and its disbursement for the general prosperity and
welfare of the people. He further suggested the ruler to adopt such policies which could increase the productivity of the economy and cause it to develop.

While discussing the role of state in Socio-economic Justice and development of the economy he always sought guidance from Islamic Shariah and placed his emphasis on the Islamic characteristics of the society. Thus he held the state responsible, in the light of Holy Quran and Sunnah of the Prophet (PBUH) and practices of Pious Caliphs for the general welfare of its people.
Notes & References


2. For the nature of Islamic Stat Please see:


4. Ibid. 7:58, 7:96.

5. Ibid. 19:97.

6. Ibid. 8:73, 30:41.


10. Ibid

11. Ibid. p. 3.

12. Ibid.

13. Ibid. pp. 61,64,94,110.

14. Ibid.

15. Ibid. pp. 27,60.


17. Ibid. pp. 61,86,109,110.

18. Ibid. pp. 61,110.


22. Ibid. p. 3.
23. Ibid. p. 81.
24. Ibid. p. 149.
25. Ibid. p. 27.
28. Ibid.
29. Ibid. p. 113.
30. Ibid. p. 60.
31. Ibid. p. 25.
32. Ibid. p. 111.
33. Ibid. p. 86.
34. Ibid. p. 108.
35. Ibid. p. 132.
37. Ibid. p. 110.
38. Ibid.
42. Abu Yusuf, op. cit., p. 59.
43. Ibid. p. 61.
44. Ibid. p. 109.
45. Ibid. p. 111.
47. Encyclopaedia Americana gives: ‘The term welfare state with its specific meaning of social and economic security of basic minimum came into widespread use only during and after World War II. Such general publicly sponsored programmes of social and economic welfare were first called "Welfare State" Programmes in Britain’.

Chapter - IV

Public Revenue - General Consideration
Like any other economic unit, a state always needs funds to finance its activities. In previous chapter, we have concluded that Abu Yusuf realized that the state has the ultimate responsibility of meeting the basic needs of all its citizens and it also stands for the general welfare of the society. In this chapter we will focus our attention on the ideas of Abu Yusuf regarding the mobilization of such economic resources which he considers necessary to enable the government to stand firm in performing these functions.

Abu Yusuf's conception of sources of Public revenue assumes on Islamic character of the state. Since Islam is a system of government as well as religion, it provided within its own fold the necessary means for its functioning. Following the principle of Islamic ideology Abu Yusuf recommends the imposition of such taxes which conform the principles of Islamic Shariah. In accordance to the verses of Holy Quran, Sunnah of the Prophet (PBUH) and practices of pious Caliphs he suggests the ruler to impose such taxes which can serve the interests of the subjects and cause the economy to develop.

Thus the sources of revenue, Abu Yusuf discusses, such as Zakah, Jizyah or poll tax, Ghanimah or war booty, Kharaj or land tax and Ushur or custom duties have precedent in Shariah. 
In order to increase the government revenue from taxes, he also suggests the ruler to make possible the utilization of dead and unclaimed land.

**Classification of land and revenue**

To facilitate a clear understanding of the nature of various taxes realized from different sources in the society, it is necessary to make a few preliminary considerations respecting the various categories of revenue. It would also be better for our purpose to investigate the status of different categories of land from which the revenue is to be realized.

In the study of Islamic fiscal system this classification is of much significance as it is derived from the basic sources of Islam. The revenue from different categories is treated separately and not to be mixed together and must be spent on specific heads in accordance to the principle of Islamic Shariah.

**Classification of land**

All cultivable lands under Muslim territory were subjected to some kind of taxation. The land tax was to be imposed on land (Kharaj) or produce (Ushr). Abu Yusuf had widely discussed the matter and made a distinction between the two types of land i.e. ushr and Kharaj land. He emphasized that revenue collected from these two types of lands should be treated separately and spent on their
specific heads. He thus clearly stated that:

"Revenue from sadaqat (Ushr being one of the components) should not be mixed with those of the Kharaj tax".

In classification of land into these two categories, Abu Yusuf followed the traditions of Prophet (PBUH) and practices of Caliph Umar. He emphasized that since Prophet himself imposed Ushr on the land of Arabian peninsula, no one had right to change its status. Likewise the status of Kharaj land fixed by Caliph Umar, also could not be changed by any one.

He classified the ushr land into following categories:
1. All lands (of Arab, non-Arab) whose owners have accepted Islam willingly.
   In this connection Abu Yusuf observes that all lands in Arabian Peninsula (Hijaz, Makhah, Madinah, Yaman) are Ushr lands and the owners are required to pay only ushr as it was practised in the period of prophet (PBUH).
2. Conquered land distributed among the fighters/army.
3. Barren or dead land of Arabian peninsula revived by a Muslim. (if irrigated by self built well or spring)
4. Land abandoned by enemies and which are in possession of Muslim. (Provided it is irrigated by self built well).
Defining Kharaj lands, Abu Yusuf further writes that all lands taken over from non-Arabs and left in possession of their previous owners are treated as kharaj land. Citing historical evidences Abu Yusuf states that Caliph Umar left the non-Arab lands in Sawad province in the hands of their owners who surrendered and accepted the peace treaty. Their lands were put in the kharaj category. Thus lands of Sawad, Iraq, Basra, Khurasan, Syria, Egypt, North Africa are kharaj lands. All these lands were conquered by force or came under peace treaty. Thereupon they were left in the hands of their previous owners and kharaj revenue was collected from them.

Since status of the land is fixed, if a Muslim revives a dead land from the category of Kharaj land he would have to pay Kharaj tax on land and not Ushr levy. Similar is the case if a Muslim buys a Kharaj land. It is interesting to note that according to Shafi’ite fiqh in this case he would have to pay both Ushr and Kharaj tax simultaneously. Abu Yusuf is against it. In his opinion, in this case only Kharaj tax will be charged. Citing a tradition of the Prophet (PBUH) he argued that in one land Ushr and Kharaj will not be charged at a time. Here it appears that Abu Yusuf is against the imposition of both levies at a time because it will cause burden to the taxpayers, thus he avoids duplication.
In case, if a revived land from Ushr category is irrigated by a well or a canal from Kharaj land, there will be an impost of Kharaj tax rather than Ushr tax. Abu Yusuf opines that the system of irrigation is to be taken into consideration in this regard. Thus if the cultivator irrigates the crop by self built well or canal from Ushr category, he would have to pay Ushr levy.

Classification of revenue

As noted above classification of the revenue assumes the Islamic character of state. In accordance to the guidance of the Holy Quran Abu Yusuf has clearly classified the sources of revenue in three distinct categories. They are:

1. The Sadaqat revenue or Zakat revenue.
2. booty revenue (Ganimah).
3. fa’y revenue.

1. Sadaqat revenue are collected from the wealth and property of Muslim, as a compulsory duty with certain conditions. It is collected from bullion, mercandise, cattle, land produce of Ushr land and treasure troves. Abu Yusuf emphasized that custom duties realized from the Muslims are also considered as Sadqat revenue. He further recommended that the one fifth collected from the minerals is also added in this category.

2. The fa’y revenue is that revenue which is taken from
the infidels spontaneously without fighting. Abu Yusuf stated that the revenue from Kharaj land is also to be considered as fa’y revenue\textsuperscript{19}. The other sources are, Jizyah and custom duties collected from the dhimmi and harbi traders\textsuperscript{20}.

The third category of revenue is ghanimah or war booty taken by force from enemies. It consists of:

1. One fifth of the booty revenue which is taken by the state\textsuperscript{21}.
2. The one fifth share of state from the treasure troves and extraction from the sea\textsuperscript{22}.

**Miscellaneous sources**

Beside these main sources, there are some miscellaneous sources of revenue for the government which may be of little significance as taken separately but have considerable importance as whole. Although Abu Yusuf did not pay any attention to these sources in his book *Kitab al Kharaj*, we need them to enumerate have in order to complete the list. They are:

1. The estate of deceased person and
2. The blood price of murdered person who left no lawful heirs.
3. Property lost and found (*Lugta*)

Most of the writers on revenue of Islamic state put them under the category of fa’y as they are also to be used...
for general welfare purposes. Following is the detailed account of main sources of income as given by Abu Yusuf.

Zakah or Ushr

The first and almost the most important source of public revenue is zakat. The zakah is a special levy on some specific assets and incomes with certain conditions. It is a religious duty so it is imposed on wealth of Muslims only provided they possess minimum limit "nisab". It is levied on bullion, money and merchandise, agricultural produce, cattles, and mines.

Citing traditions of Prophet and practices of pious caliph Abu Yusuf holds that minimum limit for bullion and trade articles is 20 mithqal of gold or 200 dirhams of silver or its equivalent in cash (85 grams of gold, 590 grams of silver in the present weight).

A flate rate of 2.5% of total amount is the rate of Zakah on these items.

The Zakah rate of agriculture produce is related to the system of irrigation. Abu Yusuf states: That full ushr i.e. 10% of total produce for yields from naturally irrigated lands and half ushr i.e 5% from artificially irrigated lands. Abu Yusuf is of the opinion that "the
levy on agricultural produce is to be imposed on yields which are preservable and not on perishable crops, as melons, cucumbers, pumkins, vegetables and similar yields\(^{26}\). Abu Yusuf says that Zakah/Ushr will be collected only if the produce reaches five wasaq. \((695 \text{ kg. mark approximately})^{27}\).

However, his teacher Abu Hanifah is of the opinion that there is no exemption limit and nothing will be exempted from agriculture produce.\(^{28}\) But Abu Yusuf, Mawardi and others maintain that nothing is levied on less than five wasqs\(^{29}\).

Although Abu Hanifah based his views on a tradition of the Prophet (PBUH) but consensus of the Jurists is against his view. Favouring an exemption limit for agriculture produce, a contemporary scholar Yusuf al Qardhawi, argues that levying Ushr tax on small quantity of crop will be against the interest of marginal farmers. Since it is a Zakah duty it must be imposed on well to do farmers\(^ {30}\). It appears that Abu Yusuf favoured the exemption limit in order to give relief to small farmers.

In case of almonds, nuts, walnuts, peanuts and similar fruits, Abu Yusuf is of opinion that 10% will be levied on them if they grow on ushr land\(^ {31}\). \textit{Jizyah}

\textit{Jizyah} was a head tax or poll tax imposed on non-
Muslims as a flat rate. This was a tax specifically enjoined by the Holy Quran. Abu Yusuf has discussed the nature and significance of Jizya tax. He observed that this levy was to be imposed on non-Muslim male (excluding children, women, old age person and handicapped) living in a Muslim territory in lieu of the protection they were granted. They were also exempted from military services and were free to retain their religion.

This tax, therefore, corresponds for non-Muslims to the Zakah, that is payable only by Muslims. Non-Muslims, by paying such a tax, acquire a special status within the Muslim state. Abu Yusuf clarifies that after the payment of Jizyah there is no other tax on the wealth or income of a non-Muslim except Kharaj, the tax in land. However, he is to pay custom duties on trade articles as per rules.

The Jizyah tax is levied on a per capita basis and its rate varied in accordance with ability to pay. The amount to be paid, however, was a subject of discussion among the Jurists. Since no specific rate is mentioned in Quran and Sunnah of Prophet (PBUH) the Jurists differed on its rate. All sources agree that it can only be levied on those who have a sufficiency and are able to pay.

In fixing the rate of Jizyah Malkite and Shafiate were of the opinion that there is no fixed rate of Jizyah tax and it would be determined by the authorities in accordance
However, Abu Hanifah and Abu Yusuf as such, followed the practice of Caliph Umar in determination of rate of Jizyah. In this connection Abu Yusuf concluded that the handicapped, blind and old aged person will be charged if they could bear it. However Abu Hanifah and others are of the opinion that these people will be exempted from paying the Jizyah tax. Here Abu Yusuf favoured the imposition of Jizyah tax on wealthy disabled, because they are capable to pay it.

The different rates of Jizyah are as follows: "48 dirhams on the wealthy, 24 dirhams on the middle class and 12 dirhams on the peasants and manual worker annually".  

These rates were fixed by Caliph Umar and Abu Yusuf favoured it because these rates were according to economic conditions of the different categories of non-muslims in that days.

Abu Yusuf is of the opinion that the required amount is not to be paid only in money but it may be paid in kind such as cattle, goods and similar property which is accepted according to its value. He directed the authorities to be lenient to the Jizyah payers and not to charge from poors and disabled.
Abu Yusuf therefore, suggested the imposition of Jizyah tax in cash instead of crops in a period when monetary transaction was not very common. This refers that he was in favour of taking the convenience of tax payers into consideration.

3. War booty (Ghanimah)

Ghanimah or war booty was the property obtained after victory over infidels during a war. This source was second to zakat in early days of Islam. The volume of this source declined as expansion of Muslim state slowed down. Following the Quranic injection (8:41) Abu Yusuf hold that a fifth of war booty i.e. movable properties captured by Muslims from pagans is to be taken out by state and remaining four fifths are divided among the soldiers who captured it.41

4. Kharaj

Kharaj was the most important source of revenue in terms of its share in total revenue of the state. The word Kharaj means "the revenue derived from a piece of land".42 Technically it denote the tax imposed on land.43 The Kharaj is levied on Kharaj land as explained earlier. It is of two kind;

a. fixed Kharaj on the land, at so much of produce or money per unit of area.

b. Proportional kharaj, consists in a proportion of the produce of the land like one third, one fourth, or one
fifth of the crop.  

The fixed Kahraj is levied on land irrespective of its cultivation, provided it can be cultivated. The proportional Kharaj, on the contrary, is levied only when a crop has been raised.

The rate of Kharaj is subject to change according to the tax bearing capacity of land. In this connection kind of crop, quality of land and system of irrigation is to be taken into consideration.

According to Abu Yusuf the tax rate may be reduced if the land cannot stand it. He accept the tax rate of Caliph Umar as the ceiling regarding imposition of Kharaj. His colleague, Mohammad b. al Hasan is of the view that higher rates may be assessed, since the rates are determined on the basis of the tax bearing capacity of land.

Taxes on mines, treasure troves and extraction from sea

Abu Yusuf has emphasized that a fifth is taken from any excavated mineral as gold, silver, copper, iron and lead as state levey and remaining four fifth will be left to its excavator. He is of the opinion that the one fifth share of taxes on mines is treated as the income from Sadaqat. In his opinion treasure troves of gold, silver, diamonds and other precious metals are also liable to the fifth. Abu Yusuf observed that four fifth of it will be left to the
finder and one fifth will be taken by state treasury as income from the spoils of war (ganimah). Abu Yusuf emphasized that its finder will be considered as a soldier who captures spoils. If some one find a treasure trove in his own habitation no tax is levied according to Abu Hanifah. However, Abu Yusuf and his colleague Mohammad b. al - Hasan argue that the one fifth is to be levied as state share.

Similar is the case in the extraction from sea. Any amount of pearls or amber taken out of the sea will be liable to taxation at a rate of 20%. In this regard, Abu Hanifah is of the opinion that nothing will be charged but Abu Yusuf favours the imposition of a levy in accordance to the practice of Caliph Umar.

Custom duties

The taxation on goods at the frontpost or on passing a fixed boundaryline has been practised almost since the beginning of inter regional and international trade. During middle ages , in Europe, the collection of tolls was performed by the lords who asserted their right to charge dues on goods in passage, basing their claim on the services that they rendered by keeping the roads, bridges, and waterways in fit condition and by protecting the traders against violence.
In Pre-Islamic days, the Arabs and the neighbouring Byzantine and Sasanid trade caravans were accustomed to sell their commodities in one another territory. It was customary for the market chiefs to impose a duty at the rate of 10% on the goods brought for trading by foreign traders in their territory.  

In Islam, Caliph Umar was first to introduce the system of commercial levy and its imposition at octori posts or certain points of traffic of goods. He sent instruction to Abu Musa al Ash'ari, the governor of Kufah province, to collect custom duties from harbi traders on being reported that the Muslim traders were subjected to the levy of tenth in the harb territories. He stated: "You also collect from them as they collect from Muslim traders". The second Caliph instructed his officials to collect 10% of that mercantile goods from harbi traders to reciprocate and to balance the same rate collected from Muslim traders in harbland. Muslim traders and dhimmi traders would have to pay 2.1/2% and 5% respectively. The Muslim traders would have to discharge their Zakah obligation and dhimmis paid according to the terms settled with them earlier.

From various traditions we are informed that the Prophet (PBUH) condemned the collection of custom duties from mercantile goods in severest terms. However, Caliph Umar introduced the custom duties, collected initially from Harbi
traders and later on extended to dhimmi and Muslim traders. The decision of Caliph Umar was not challenged from any quarter. This means that Caliph Umar action was not against the teaching of the Prophet (PBUH). Abu Ubaid observed that the Prophet (PUBH) has condemned the pre Islamic tribal practices of collecting trade duties from traders and thus causing extreme inconvenience to them. While Caliph Umar decided the imposition of custom duties on trade article at octori posts when he observed the increasing trade activities within the muslim territory and particularly between the Muslim and harb lands.

Initially custom duties were collected from harbi traders coming to Muslim land. The Muslim and dhimmi traders were not required to pay any levy at octori posts. However, with the increased trade activities (internal and external) Caliph Umar felt the necessity of appointing Ushur collectors. Abu Ubaid reported that Zyad b. Hudayar was the first person to be appointed as administrator of ushur (custom duties) during his caliphate.

In fact imposition of commercial levy is against the interest of the both traders and consumers. To compensate this, the trades naturally may increase the prices of their commodities the burden of which would ultimately be borne by the consumer. This may also affect the supply of essential items especially the food grains. Caliph Umar realised it
and took adequate care to ensure free inflow of essential commodities to the market. He fixed 5% levy for some essential commodities like olive and wheat, instead of 10% charged from the traders of other commodities. This was done to help increase the import of essential commodities to Medinah. It appears that there was a great flexibility in the commercial impost depending on the nature of the commodity and the requirement of the economy.

The custom duty was one of the major source of revenue during the period under study. Abu Yusuf has discussed the issue at length. According to him custom duties are to be levied only on articles which are brought for the trade, and not for self consumption.

He stressed on the minimum limit i.e. nisab as the tax base for the imposition of custom duties. He also proposed different rate for different categories of traders. While advising the Caliph he says:

"Collect from the Muslim traders a quarter of one tenth (i.e. 2 1/2%), from goods of dhimmi traders five percent, and from those of the Harbi traders 10 percent of all goods, whose value is not less than 200 dirhams". Thus he clarified that if the value of the goods is less than 200 dirhams (nisab of silver) nothing would be charged from them. This exemption limit was applicable to Harbi and dhimmi traders also.
Abu Yusuf holds that no Muslim trader at octori posts shall be asked to pay more than the rate prescribed for them on account of Zakah. The rate of 2 1/2% collected from them was to keep it in conformity with the rate of Zakah. Thus if he passes through the octori post with animals or food grains which is not for trade and he has already discharged the obligation of zakah due to him, he will be exempted from any additional imposts. Abu Yusuf explains this position in the following words:

"When a Muslim passes the octori post with sheep, cows and camels and declares under oath that these are not his pasturing animals he will be spared. Similar is the rule if he passes with any kind of food grain, and declares it to be his own harvest. In such situations no duties will be imposed. Duties on Muslim traders will be imposed on such commodities as has been brought for the trade". In this connection he further states that vegetables, grapes or other fruits brought as merchandise are taxable as other goods provided their value exceeds 200 dirhams.

Thus the Muslim traders, have to pay at octori posts Zakah at the rate of 2 1/2% of their commodities for which they had not paid zakat earlier.

In case of dhimmi trader the impost of 5% as levy at octori posts is in accordance with the terms of overall
settlement with them (as Jizyah and kharaj). Abu Yusuf emphasized that a dhimmi trader would have to pay 5% of their merchandise in lieu of the protection they are granted in trade at octori post although they claim that they had paid kharaj (land tax) on that amount.

In the case of harbi trader Abu Yusuf justified it on the ground that Caliph Umar had instructed to collect from the harbi traders 10% of their trade articles because in their territories the Muslims had to pay the similar rate. It seems that Abu Yusuf is of the opinion that this charge is also against the facilities extended to them in Muslim territory. Thus according to him a harbi trader had to pay the custom duties again if he returns to his territory and comes back second time within a period of one year. This is not the case for Muslim and dhimmi traders who are required to pay only once a year. In the matter of collection of custom duties Abu Yusuf laid emphasis on the principle of honesty and justice. He stated that Caliph Umar had introduced this duty and its collection is legal and justified as long as collected fairly and justly.

He stressed the need for the protection of the interest of traders avoiding any misdeeds done to them. He stated:

"The collection of custom duties should be entrusted to honest officials with clear instructions forbidding them to collect from traders more than what is due."
He is of the opinion that this impost is liable on wealthy traders only once a year, on articles which are transported for trade. Thus according to him marginal traders of any category (Muslim, dhimmi, harbi), who have trade articles worth less than 200 dirhams are exempted from this duty. Even if a trader passes through the post several times but each time with goods of smaller value, even if such goods added together would amount to 1000 dirhams, he will be exempted. Thus he is not in favour of adding together small quantities for the purpose of custom duties.

His suggestions in this connection regarding imposing the duty once a year and exemption of marginal traders reveal that he wants the commerce to flourish in the country. Thus he warns against any injustice to the traders.

Abu Yusuf emphasized that duties collected from the traders will be treated separately. The duty collected from the Muslim traders is of the nature of Zakah and will be spent on specific heads. Similarly, what is collected from dhimmi and harbi traders is considered as fa’y revenue or kharaj and is to be spent on general welfare. We will discuss it later.
Revenue from Public Property

Beside these main sources of revenue the state has always utilized the public resources in order to increase the productivity of the economy and income from the taxes. The utilization of public resources can increase the productivity of land and as a result income from taxes will increase, the economy will develop and general prosperity will prevail.

Abu Yusuf has strongly emphasized that the state must help in utilization of unused land in order to bring more area under cultivation. He also realized that public wealth such as, river, forest, big canals, roads are free to all. Every one can use it for its own benefit. He is of the opinion that use of Public resources without any restriction will develop an environment for the economic activities and thus increase the revenue from the taxes.

Utilization of Public land

Abu Yusuf has focused his attention on utilization of dead land. He stressed on the revival of dead and unclaimed land in order to increase the general prosperity of the people and the productivity of the economy.79

According to Abu Yusuf Public lands which do not belong to anyone fall into following categories:

1. All cultivable lands of Arabian Peninsula and Iraq
which do not belong to any body, either by appropriation or inheritance. 80

2. Lands of Persian kings and those of their families who were killed in war or had fled, which were not in the possession of any one. 81

3. Lands which have fallen into the hands of the state either by means of war or taken over by a peace treaty where no sign of cultivation or building belonging to someone is found. This type of lands is considered as dead land if they do not belong to any one and not in anyone's possession, and not village common lands or grazing ground. 82

Island emerging from Tigris or Euphartes, land reclaimed form the sea, or from the desert or brushwood provided that no one previously have any right in them. 83

According to Abu Yusuf state is the owner of these type of lands. He cites the tradition of Caliph Umar who converted these types of lands into state land. 84 On more than one place he suggested the ruler to grant it to someone as iqta who might develop and cultivate it. This illustrates his opinion that the land will be state property and will be granted to someone who develops it.

Abu Yusuf says that development of such type of lands is necessary to increase the general prosperity of the people and hence the growth of the economy. He states:
"The granting of such types of lands (Iqta) which are not owned by anyone and are uncultivated, to some one who develops and cultivate it, will cause the country to be developed and income from taxes to increase." Thus Abu Yusuf considers it the prerogative of ruler to grant these unclaimed, waste and dead land as concession (Iqta) to some one who develop and cultivate it and pay the kharaj tax if it is kharaj land and ushr tax for ushr land.

In the case of dead land Abu Yusuf observed that anyone who revives it, becomes its owner. By revival he means, ploughing, sowing and irrigating the land. He further states that the person who develops such type of land would pay the land tax applicable to it and work for its development.

However, Abu Yusuf clarified that when a person gets possession of such type of land by state or becomes its owner by reviving it, he gets only a title to the development of that land. If he fails to develop the land within a specific time period, his claim over that piece of land becomes null and void. Abu Yusuf supports his stand by the saying of the Prophet (PBUH) that "a claimant loses any right to the enclosed area of the dead land (Mawat) after three years; he has no more rights to it than others.

It becomes obvious from above discussion that revival
and development of dead and unclaimed types of land are encouraged in Islam to increase the general prosperity of the people and the growth of the economy. In this connection, Abu Yusuf laid great emphasis on the principle of "No harm to other". Thus he stressed the need for the permission from authorities if revival of dead land inflicts harm to anyone. In case there is a conflict between two person on the revival of same plot of land, then Abu Yusuf considers it necessary to get permission in advance from the authorities thus averting the dispute. In normal case Abu Yusuf is of the opinion that he who revives the land becomes its owner. In the case of revival of islands in big rivers, he clearly states, "If revival of these islands causes damages to near by owners or it causes obstacles to boats passing through the river then even authorities have no right to grant it to anyone to be developed".

Here Abu Yusuf spoke against the negative externalities of private dealings. He observed that these activities will adversely affect the productivity of land and as a result income from the taxes will be reduced. Thus he stressed on the protection of private property from the damages of the neighbourers.

**Forests, Meadows, Pastures,**

In accordance to the traditions of the Prophet (PBUH) and practices of Pious Caliphs, Abu Yusuf stressed that
natural resources such as firewood, meadows and pastures will be freely available to all. In this regard he cites a tradition of the Prophet (PBUH) in which Prophet clearly states: "Don’t stop anyone from fire, woods and water".95

Abu Yusuf emphasized that forests which are not owned by anyone may be used by everybody for picking up firewood.96 Similarly, inhabitants of a village have no right to prevent free use of water and grass, for drinking and grazing purposes from meadows privately owned by them.97 Likewise, fruits growing on mountains, meadows, valleys and hills or trees not planted by anyone and honey found on hills are free for all.98 Abu Yusuf is of the opinion that these goods are "Public good" and therefore may be used for the general benefit without any discrimination.

However, in case of privately owned forest by a person or inhabitants of a village, the wood cutting without owners consent is prohibited. In any case the private interest must be protected.99 Abu Yusuf is of the opinion that this concession of using pastures and grazing grounds is granted to provide shrub for milk producing animals.100 In case, anyone misuses this concession and destroy grazing grounds, then the authorities have the right to reserve and protect an area and not to allow any one to cut wood from that protected area.101 Citing a tradition of the Prophet (PBUH), Abu Yusuf illustrates that Prophet has declared an area of
12 miles around Madinah as reserved for the protection of shrub growing there. Abu Yusuf opines that restrictions was intended for the prevention of the cutting of the shrubs for wood, thus destroying it as a grazing area for milk producing livestock which is more important to the inhabitants than woods.\textsuperscript{102}

**Water Resources**

In case of water Abu Yusuf stressed that all Muslims are partners in big rivers. They are free to use the water of rivers for themselves and their cattles for drinking and irrigating their fields and orchards with out any restriction.\textsuperscript{103}

He further opines that there is no bar to anyone to open new canals for private use provided it does not result in any damage to other. In case these new canals cause damages to adjacent buildings and crops the authorities must fill these canals.\textsuperscript{104} In this connection Abu Yusuf spoke about the "negative externalities" of public goods, which should be avoided in any case. Similar is the case of water mills which are allowed for all in big rivers unless they do not obstruct the passage of ships. In this case, they must by removed by authorities.\textsuperscript{105}

In matter of water of privately owned canals, springs and wells, Abu Yusuf decrease that no owner of spring, well or watercourse has the right to prevent anyone from using
the water for drinking purposes for himself or his cattles. Nor has he right to sell water for drinking purposes. However, he has the right to prevent someone for irrigation purposes.

In case, the water is in excess of the needs of the owner, Abu Yusuf is of the opinion that the owner is obligated to give away the surplus to those who can benefit from it. He quotes a saying of Prophet (PBUH) in which Prophet stated: "After using the water for yours needs, allow it to flow to your neighbours, starting from nearest one.

Abu Yusuf’s ideas regarding excess water reflect his concern for the welfare of the society. Preventing people from using surplus water will lead to a pure loss for the society.

Abu Yusuf’s ideas regarding public wealth reveals that his main emphasis is on the general prosperity of the people. In his opinion the general partnership of all citizens in certain kinds of public wealth (Forest, water, grass) will increase the general prosperity of the people and help increase the productivity of the economy. Thus, he opines that private enclosures or reserved spaces are prohibited except around a well. Thus no one has right to preserve a space for his private use of an unowned land.
and derive others from its benefit.\textsuperscript{110} The enclosure of a space is prohibited by the saying of the Prophet (PBUH): "There is no enclosure except of Allah and his Prophet". It is obvious that enclosure of lands by individuals contradicts the principle of collective or social ownership of these free natural resources. The prohibition of private preserves strengthen the ties of brotherhood and partnership.

Abu Yusuf's ideas in this regard reveal that natural resources must be accessible and free to all. They cannot be confined to particular persons. This provision is a part of Islamic states' effort to ensure availability of minimum necessary means of living for its citizens.

**Extra Shariah Taxes**

Abu Yusuf's discussion of Public revenue is based on the Shariah sources of Public revenue.

These sources of revenue are those which were being practised from the early days of Islam. Most of these sources e.g. Sadaqat and Ghanimah, had their legality from the Holy Quran. Jizyah was also a levy specifically enjoined by the Quran. Its details were applied by Caliph Umar. Kharaj levy was also initiated by him. The custom duties were also first time introduced by him. Abu Yusuf in his study focused on these conventional sources. His ideas revolve around the theory that revenue is collected
independent of expenditure and it is the available revenue which determines the level of expenditure - a role valid only for private individual finance. A state cannot adopt it unless it is in extreme affluence. A developing state must mobilise resources according to its developing needs and plans.

Of the sources of state revenue, enumerated by Abu Yusuf, the most important is Zakat, but its scope of expenditure is limited. The income from ghanimah is uncertain. The third source of revenue i.e. fa’y, which included polls taxes, taxes on land, may generally not prove to be sufficient at all times for government expenditure. The question arises whether the state may impose new taxes and demand more money from public over and above Zakah. The issue has been controversial one. One group of thinkers suggest that it is permissible while other believes that there is no Justification of extra Shariah taxes. The scholars who favoured the imposition of extra Shariah taxes justified that the Islamic Shariah permits the special financial imposts and demand for the voluntary contribution or public borrowing in case these specific sources from the public are insufficient to meet the state expenses. There is precedent of the Prophet who asked for financial help in some occasions and repaid the debt when there was enough fund in treasury. Muslims also donated generously to
finance the war expenses at the time of the Prophet (PBUH). Later scholars clearly justified the imposition of extra taxes besides the sources mentioned by Abu Yusuf. Ibn Hazm, an eleventh century A.D. scholar has justified the levying of financial contributions on well to do inhabitants in order to meet the needs of the poor and needy provided the ordinary sources are insufficient to meet these charges. Mawardi has also emphasized the imposition of extra-tax provided that there is no available funds in the Public treasury. Abu Yusuf lived in a period of extreme economic prosperity in which the state treasury had enough resources to meet the requirement of the economy and question of extra-shariah taxes did not arise. Perhaps this is the reason why he did not speak about the imposition of additional taxes.
Notes and References


2. Ibid., p. 61.

3. Abu Yusuf op. cit., p. 69.

4. Ibid. p. 80.

5. Ibid., p. 86.

6. Ibid., p. 69.


9. Ibid., p.66.


11. Ibid., p.573.

12. Ibid., p. 570.


15. Ibid., pp. 18, 23.

16. Ibid., p. 23.

17. Ibid., p. 134.

18. Ibid., p. 21.

19. Ibid., p. 23.

20. Ibid., p. 134.

21. Ibid., p. 18.

22. Ibid., p. 21.

25. Ibid.
26. Ibid., p. 51.
27. Ibid.
32. The Holy Quran (9:29).
34. Ibid. p. 123.
39. Ibid.
40. Ibid., p. 123.
41. Ibid., p. 18.
43. Ibid.
45. Mawardi. op. cit., p. 189.
47. Ibid.
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52. al Marginani op. cit., Vol. 2 p. 179.
53. Ibid.
54. Ibid. p. 181.
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57. Ibid. p. 552.
60. Abu Yusuf, op. cit., p. 524.
61. Ibid.
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64. Ibid., p. 528.
65. Ibid., p. 531.
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68. Ibid.
69. Ibid.
70. Ibid., p. 134.
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74. Ibid., p. 133.
75. Ibid., p. 132.
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82. Ibid. p. 63.
83. Ibid. pp. 91, 92.
84. Ibid. p. 58.
85. Ibid. pp. 61, 65.
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87. Ibid. p. 64.
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90. Ibid.
91. Ibid. p. 64.
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96. Ibid. pp. 103, 104.
97. Ibid. p. 102.
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99. Ibid. p. 103.
100. Ibid. p. 104.
101. Ibid.
102. Ibid.
103. Ibid. p. 97.
104. Ibid. p. 94.
105. Ibid. p. 98.
106. Ibid.
107. Ibid. p. 96.
108. Ibid.
109. Ibid. p. 100.
110. Ibid. p. 105.
Chapter - V

Theory of Taxation
Kharaj or Land Taxation

Abu Yusuf's major contribution regarding fiscal issues is his thorough analysis of Kharaj system, hence the title of his work *Risalah fi-al Kharaj* (a treatise on land taxation). He fully examined the question of taxation on land and land produce. This requires us to devote a full chapter to discuss his views on the subject.

As we have discussed earlier, Abu Yusuf lived in a period when the maintenance of conquered territories and the associated difficulties were the prime concerns of the ruler. Abu Yusuf's ideas reflect his response to the then current issues and fiscal matters regarding land taxation. The land taxation is the oldest and most widely employed form of compulsory contribution. In ancient, medieval and modern times, in backward and in progressive societies, we meet with something in the shape of taxation on land as one of the primary source of revenue. With the variation in methods and in nature of impost, the existence of some form of public charge has been universal. The Physiocrats developed the concept that land is the only resource which produces a "net product" and they recommended a single tax on land as the sole source of tax financing. However, the consideration of land taxation has almost become inappropriate to the modern economic thinkers. This is due to the relatively low and sharply declining share of taxes.
on landed properties. In the United States, for example, general property taxes accounted for only 1.5 percent of tax revenues in 1982 as compared with 71.9 percent in 1890³.

Before going into the details of Abu Yusuf’s ideas regarding land taxation, it will be better for our purpose to examine the various methods of tax collection adopted by various states in medieval ages. At the time of the conquest of the Roman and Sasanid territories by Muslims the method of collection of the land tax was a fixed tax on land⁴. However in later periods, another form of land tax in proportion to the produce was adopted by some states⁵. For example one fourth in India, one fifth, in Egypt or more frequently, one tenth of the yield was claimed⁶. Under the Roman Empire, land in some provinces was divided into various classes according to fertility and the rate was adjusted accordingly⁷. It is obvious that different methods of collection of land tax was adopted in various stages of socio-economic evolution.

Soon after overthrowing the Roman and Sasanid governments, the new regime retained the usages of tax collection they found in conquered territories. Caliph Umar thus preferred to adopt the collection system prevalent in Sasanid regime. It was a tax on land at a fixed rate⁸. This system of collection known as Misahah was also in practice at the time under study⁹. Abu Yusuf quite
intelligently studied the whole system and realized its shortcomings. He observed that said system was feasible and efficient at the time of Caliph Umar. He was quite satisfied by the reports of his two officers who surveyed the area and taxed each Jarib of practically cultivated or cultivable but neglected lands, in cash or in kind\textsuperscript{10}. In their report to the Caliph they said that they had charged the land a rate which it could bear\textsuperscript{11}. Abu Yusuf reiterates that had this method not been feasible or it caused damage to tax payers, the caliph must have replaced it with another one\textsuperscript{12}. It seems that he had accepted this method in view of securing a guaranteed annual income for the state treasury and to check the tax evasion by the peasants at the pretext of lower production\textsuperscript{13}.

The different rates of taxes were as follows:

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<td>Sugarcane</td>
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<tr>
<td></td>
<td>Wheat</td>
</tr>
<tr>
<td></td>
<td>Barley</td>
</tr>
</tbody>
</table>

These taxes were fixed and levied in cash or a certain quantity of yield\textsuperscript{14}.

(One Jarib = 1366 Sq. meter)
Abu Yusuf's appraisal of the Misahah system

From the time of al - Mansur the request for the removal of the fixed tax system was made from certain quarters. And it was Caliph Harun al Rashid who strongly felt the need for restructuring of the taxation system. Abu Yusuf working on his request, studied the whole fiscal structure and advised him to introduce a new system. He observed that misahah system had become inefficient and non-feasible at his time. He stated "I have thoroughly studied the taxation system used in al - Sawad and the ways and means for the collection of taxes. I have also enquired the opinion of the experts. They think that the system which was introduced by Caliph Umar is incapable to continue at present."

He pointed out that at the time when misahah was introduced, major part of the land was cultivable, and only a very negligible part was not. Cultivated areas together with the small uncultivated parts were classified as one category for the sake of convenience and certainty.

On the other hand, Abu Yusuf found that at his time there were areas which were not cultivated for a period of hundred years. Revival of these barren lands was beyond the capacity of the peasants. In that situation a tax composed of a fixed measure of crops or a fixed amount of cash would be beyond the capacity of the tax-payers and it would be
The second and principal argument of Abu Yusuf against the system lies in the decreasing trends in the prices of foodgrains and other products. As stated earlier, the prices began to fall in the period of al-Mansor after 160 A.H.\(^1^9\). This trend of falling prices worried the tax-payers as the authorities willing to charge the required amount in cash instead of kind. As quoted, in the last days of al-Mansur, people asked the authorities to change the fixed tax system i.e. misahah\(^2^0\).

Abu Yusuf fully realized the effects of the changing prices on the tax-payers as well as the government income if the taxes were assessed in fixed amount either in cash or kind. He observed:

"If the grain prices are low, an impost of taxes in cash (in place of fixed quantity of grains) would exceed the power of the peasants. On the other hand a fixed quantity of crop in kind will leave the government with deficit since treasury will receive a low income and therefore affecting the government expenses"\(^2^1\).

The above argument refers that Abu Yusuf realized that if the prices of the grain were low and authorities collected the fixed quantity of grain (in kind) imposed earlier, the treasury would be in loss in monetary terms.
Because it will get low yield by selling that fixed quantity of grain at a lower price. Since government had to pay for its expenses mostly in cash thus this will affect the government income from taxes. To overcome this situation, if the authorities forced the peasants to pay the fixed amount in cash, the latter have to pay more quantity of grain causing extra burden to them. Therefore they will suffer in monetary terms. And in earlier situation the authorities will not be satisfied with the collection of taxes in fixed cash since it will decrease the state income.

In oppose to this, he observed, if the prices of foodgrains rise, the authorities will not be happy to charge the taxes in fixed cash amount and leave them to gain from surplus of crops. This shows that if the prices of foodgrains rise, the tax-payers will be on receiving end by paying the fixed taxed amount in cash. Because in this situation they would have to pay little quantity of grain for cash payment. To overcome this situation if they charge fixed quantity of grain the tax payers will suffer in monetary terms.

Thus imposition of taxes in fixed manner, either in cash or fixed quantity of grain, has its serious implications on government and tax-payers as such. Abu Yusuf concluded the whole matter with the remarks that "a rate of tax composed of a fixed measure of crops or a fixed
amount of dirhams had its defects for the treasury as for the tax payers.”

It should be noted here that Abu Yusuf is not concerned with the determination of the prices. He is talking about the effects of the changing prices on the government income as well as the tax-payers. He does not speak about the factors behind the falling prices although his arguments reveal that there was such a situation. Referring back to his first point that there was an increase in the uncultivated areas, one can claim that in this situation a short supply would have raised the prices up contrary to what is complained by Abu Yusuf. It seems that better irrigation facilities, development of infra structure (like dams, canals) in agriculture sector might have increased the productivity despite decrease in the area under cultivation. Further, political stability and better communication and transportation facilities might have resulted into excess supply of food grains in the market pushing the prices down. In such type of situation low productivity in a particular region might not have affected the prices because excess supply from other part would naturally push the prices down. It seems that Abu Yusuf is talking about this type of situation as he stated.

"Low prices are not caused by surplus of crops nor high prices by scarcity of them. Some time there is a surplus of
crops and prices are high and some time there may be a scarcity and prices are low”.

_muqasamah_ System of taxation

From the preceding section it is clear that to Abu Yusuf, the fixed system of tax collection was inefficient and unjust and had its defects for both tax payers and government. Thus he suggested the ruler to introduce a proportional tax system on agricultural produce. He stated:

"In my view the best system of taxation for generating more revenue for the treasury and most adequate one to prevent injustice to the tax-payers by the supervisors and tax collectors is the one known as proportional agriculture tax- _muqasamah_. This system will alleviate injustice to the tax payers and benefit the treasury". In this regard he recommended the following tax rates on different categories of agricultural produce.

- 40% of the produce from the crops naturally irrigated
- 30% of the produce form the crops artificially irrigated.
  (From fields producing wheat, Barley)
- 1/3 of the produce of Palm trees, wine yards, vegetable and orchard.
- 1/4 of the produce from summer crops.

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He suggests two methods of collection. Either the due tax, collected in kind, or the whole produce may be sold and the amount is to be divided proportionally between the tax payers and authorities.  

According to Abu Yusuf the proportional tax system is more efficient and convenient for both, tax payers as well as for the government. In the light of his discussion, it is obvious that the system is immune to the price fluctuations. In this system, the fluctuation in prices will neither harms the government revenue nor will it reduces the peasants' income.

In this new system, tax will be assessed on the total produce irrespective of the total area of land possesed, while under the previous one the tax was levied on the cultivable land in ones occupation whether physically cultivated or not. This was a relief to the peasants who couldn’t cultivate land in unavoidable circumstances. Moreover it persuaded the peasant to utilize the barren and dead land and to get an extra proportional share under the new system.

Abu Yusuf further stressed that under the new system income of the state from taxes would increase. This is possible in proportional tax system only if the total productivity of the country increases. Abu Yusuf is optimistic that this will happen in new circumstances. So
he strongly recommended the excavation of new canals, cleaning of ancient ones and provision for other works in order to provide better facilities to the peasants. In a fixed system an increase in the productivity would not benefit the treasury while a low productivity will harm the taxpayers. Thus the proportional tax system is convenient for both i.e. government and the tax payers.

While summing up Abu Yusuf’s ideas in this regard we can say that he favoured the income rather than the property/land as tax base. This issue has always been a major topic of discussion among conventional economists. They controvert on the issue as which one is more efficient and feasible tax base (income vs. capital value in property taxation). Favouring the income as tax base, Plank observed "from a theoretical stand point income seems to provide a more current and adequate test of tax paying ability involved in the ownership of property than capital values". The others argued that this approach would restrict the base by exemption of non economic property thus causing the receipt to decline substantially. However, Plank favoured the income as tax base on the ground that it should tend to eliminate tax delinquency arising during recession or depression periods.

The study of Abu Yusuf’s ideas in this regard reveals that he was well aware of the merits and demerits of both
bases and as a result he chose the crops as tax base.

**Tax farming (Qabalah system of tax collection)**

In the matter of collection of taxes Abu Yusuf placed emphasis that administration and perception of taxation was to be done by a state agent. He recommends that all taxes will be fixed by central authority and no tax administrator is entitled to change the tax rate and status of taxable land. However, in the same period tax farming was being practised in some quarters. The system known as Qabalah was practised usually in remote districts where tax administration was difficult. Under the system a notable guaranteed in advance the sum of revenue which the area was obligated to pay the exchequer. The guarantor was entitled to reimburse the required sum later from the inhabitants. He thus acted as a guarantor for debt of the locality in question. The procedure constitute the contract of Qabalah.

This system of tax - farming (Qabalah) was practised in some parts of the caliphate at the time of Abu Yusuf. He strongly condemned this practice and advised the ruler not to grant lands on auction or guarantee to a noble of the area for a given amount of revenue to be collected from the inhabitants of that area. He points out that the person who is in guarantee usually collects more than what is due. He usually harms the tax payers and forces them to pay more
than what they are obligated to pay. "These practices", he observed, "cause damage to the tax payers and reduce the income of the state". His observation in this regard is based on his theory that it is possible to obtain a large revenue through the direct collection.

The type of Qabalah, Abu Yusuf approves, is one in which tax-payers themselves desire to accept some one as their tax farmer. He is of the opinion that this type of situation is acceptable if the ruler realizes that this method will benefit the tax-payers and help in the growth of the economy.

**Tax Administration**

In his study of fiscal administration Abu Yusuf exhibits an insight into the practical experience of tax administration and its effects. He clearly speaks about the proper delegation of authority in tax administration, survey and assessment of the taxable property, quality of tax administration and protection of tax-payers from unnecessary harassment by tax officials.

In order to raise revenue and also protect the interest of the tax-payers, he strongly recommends the need for the proper surveying of the land and assessment of taxable property. He argued that Caliph Umar ordered the survey of al-Sawad land because he thought that an exact survey
would benefit the tax-payers and increase the income of the treasury without charging the tax-payers more than what they could bear".

He further emphasized that the tax collectors should be just, honest reliable and lenient to the tax payers. In this connection he stressed the need for the protection of the tax payers from the ill treatment of the officials. He clearly stated.

"The collection of custom duties should be entrusted to honest and God fearing officials with clear instruction not to wrong the subject by collecting from them more than what is due. He further suggested that central authorities must supervise the tax-collectors and check their conduct. Addressing the Caliph he said.

"You should appoint a trustworthy and honest man to supervise the collection of sadaqat in the country and instruct him to chose reliable and honest assistants for the collection of sadaqat."

In the matter of tax administration Abu Yusuf further focussed his attention towards the proper valuation of taxable property. Thus he is of the opinion that the taxbase should be defined and clear and nothing should be charged on the basis of haphazard guess and conjecture. He states, "Nothing should be taken on the basis of a guess,
there should be a just valuation of the property which should be based on a just appraisal, neither overcharging the taxpayers non damaging the government"47.

In this connection he further argued that while fixing the tax rate, the authorities must avoid mixing up between barren and cultivated land. He also emphasized that revenue from different sources must be treated separately and not to be mixed together48.

In collection of custom duties, he recommended that nothing should be charged if value of the taxable property is less than the minimum limit i.e. equivalent of 200 dirhams and that no trader should be charged more than once a year and nothing should be charged from articles which are not for trade49.

In fixing of tax rate and defining tax base Abu Yusuf emphasized that it should be done by central authorities only. He stated:

"No Kharaj administrator is entitled to exempt someone from paying part of his kharaj without having general authority to do so, and no one has right to change the status of kharaj or ushur lands"50.

He further recommended that tax collectors should not delay in the collection of taxes on agriculture produce. The thrashing of crops should not be delayed because the
delay might cause damage to the crops affecting the income of the state and tax-payers and retarding the development of agriculture. In this connection, he further emphasized that no tax-payers should be held responsible for any deficiency found in the quantity of his grain. The collector is entitled only to collect the share-tax from the grains found on the thrashing floor. He thus placed emphasis on the convenience of tax-payers in collection of taxes.

While discussing the quality of tax administration Abu Yusuf had strongly condemned the oppression of tax-payers by tax-collectors. He had discussed at length the malpractices and ill treatment of the tax-payers by authorities and charging them more than they are obligated to pay or overburdening them with undue expenses.

"These practices, he observed, apart from being criminal, cause harm and damage to the tax-payers and reduce the income from the taxes.

Here Abu Yusuf placed emphasis on the effects of bad treatment of tax-payers and high rate of taxation on the total revenue and growth of the economy. From his discussion we can envisage his viewpoint that land taxation will increase only if more and more areas will bring under cultivation with proper increase in the productivity of the..."
land. Abu Yusuf is of the opinion that if the tax payers were treated badly and over charged they will lose interest in the cultivation and productivity will decline and as a result growth of the economy will be affected. He stated: "Just and honest dealings and prevention of oppression have a beneficial effect on the growth of the state while oppression destroy it".  

The fourteenth’s century famous Muslim scholar Ibn Khaldun expressed similar views. Describing the effects of high taxes he wrote:

"Eventually, the taxes will weigh heavily upon the subjects and overburden them. As a result the interest of the subjects in economic activities disappears, since when they compare expenditure and taxes with their income and gain and see the little profit they make, they lose all hope. Many of them refrain from all the activity. The result is that the total tax revenue goes down."  

The views expressed by Abu Yusuf and Ibn Khaldun as such, got appearance in the writing of twentieth century supply side economist Arthur Laffer. He argued that "Increases in tax rates beyond some level will decrease rather than increase tax revenue".  

Abu Yusuf, without using modern terminology, has a clear view that high tax rate and ill treatment of tax
payers will adversely affect the revenue receipt and growth of the economy.

Abu Yusuf's ideas, suggestions and recommendation in the matter of tax—administration reveal that he had practical insight in the fiscal matters. He clearly spoke about the quality of tax administration and need for a fixed and defined tax rate and tax base. Maintenance of healthy treasury and protection of the interest of the tax payers are the vital issues of discussion in his study. In his opinion the basic objectives of tax administration are both the preservation of public interest and growth of the economy.

Abu Yusuf's ideas are some thing similar to what is now referred to as the Maxims of Adam Smith. Adam Smith emphasized that "The tax which each individual is bound to pay ought to be certain and not arbitrary. The time of payment, the manner of payment, the quantity to be paid, ought all to be clear. He further stated that "every tax ought to be levied at the time and in the manner in which it is most likely to be convenient for the contributor to pay it. Dr. Smith's maxims came about ten centuries after Abu Yusuf. The latter can be considered as the forerunner of Adam Smith regarding the 'cannons of taxation'. It remains to be investigated historically whether Adam Smith was aware of the contribution of Abu Yusuf.
General consideration on Taxation

In the preceding pages we have discussed at length the ideas of Abu Yusuf regarding land taxation. By now one can realize that Abu Yusuf was very pragmatic in his approach. He dealt successfully with the problems he faced and brought freshness of thought and practical wisdom to bear on issues that were entirely new to him. It is obvious that a tax structure is a part of the economic organization of a society and therefore fits in its overall economic philosophy. Abu Yusuf’s ideas regarding fiscal issues are based on Islamic principles of equity and Justice. In this connection he has frequently quoted the verses of the Holy Quran, traditions of the Prophet (PBUH) and practices of pious Caliphs especially Caliph Umar.

His basic concerns are the maintenance of a healthy treasury and the protection of the public interest. He is against any injustice done to the tax payers. In this regard, he has placed great emphasis on the distributive Justice of taxation policy. His main focus on public interest and distributive Justice makes him distinct from conventional economists who paid much emphasis on allocative effects of taxation.

The basic underlying principles of a good tax policy as suggested by Abu Yusuf could be summarized in following points.
- Quality of tax administration, honest and just dealing of tax payers and fair distribution of income.

In his support Abu Yusuf quotes the saying of Caliph Umar. The Caliph said:

"Taxes are justified only if collected in a just legal way and nothing unjust and illegal should associate to them and they are spent justly and legally."  

- Defining tax base and tax rate

As we have discussed Abu Yusuf clearly emphasized that the tax base and tax rate must be defined and clear. He thus stressed the need for the proper surveying of land and avoiding mixing up between barren and cultivable lands. He is also against the charging on the basis of guess and conjecture. In this connection he recommended that poll tax (Jizyah) would be collected only from the well to do inhabitants. Poor, and handicapped, old age person, women and children would be exempted from this tax. Likewise, in collection of custom duties, he recommended that nothing would be charged form the items which are not for trade or whose value was less than 200 dirhams.

- Flexibility in imposition of the taxes

Abu Yusuf is of the opinion that authorities could revise the tax rate and tax base in order to suit the
changing circumstances. He stated:

"Caliph Umar’s practice to impose different rates on different circumstances proves that authorities have the right to increase or reduce the taxes, subject to the fertility of land and people’s ability to pay".72

Principle of economy in tax administration and convenience to tax payers.

Abu Yusuf recommended that unnecessary trouble to the tax payers should be avoided and the cost of collection should be the minimum possible.73

In several places he emphasized that authorities should care the convenience of tax payers while collecting the tax.74 He suggested that while taking the state share, the valuation should be based on a just appraisal, neither overcharging the tax payers nor damaging the authorities. As noted earlier that what is due should be taken in kind, but if convenient for both sides the yield may be sold and its prices should be divided proportionally between the tax payer and authorities.75 In the matter of tax administration he warns that tax collectors should not stay in a village for a prolonged visit at the cost of villagers, thus over burdening them with undue expenses.76

Approach to the tax equity.

Abu Yusuf discussed at length that tax rate should be
according to the ability of the land and the authorities have the right to impose on each land the tax it could bear. The tax payers should be charged according to their ability to pay. Abu Yusuf strengthen his view by the practice of Caliph Umar who ordered the survey of the land of al sawad. The reason was that he thought that a general survey would benefit the tax payers and increase the income of treasury without charging the tax payers more than what they could bear. According to him, had Caliph Umar not been satisfied by the reports, he could have reduced the tax rate. It was consideration of convenience and ability to pay that he exempted palm trees growing in the areas, cultivated otherwise.

While discussing the ability to pay approach Abu Yusuf is concerned with the convenience of tax payers and revenue side of the taxation. He is not concerned with the expenditure side of the fiscal policy. In the conventional theory, also, the ability to pay principle leaves the expenditure side of public sector dangling. The tax problem is viewed by itself independent of expenditure determination. Thus Abu Yusuf's ideas in this connection are close to the what is presented by conventional economist.

In financing of Public services he followed a "general benefit principle". The theory of benefit principle adopted
by classical conventional economists had its appearance in the theory of Abu Yusuf. The benefit principle states that each tax payer would be taxed in line with his or her demand for public services. Application of general benefit tax is feasible only where the consumption is rival and benefit is internalized.

Abu Yusuf is of the opinion that state is obliged to provide infrastructure to the peasants in order to increase the productivity of the agricultural land (excavation of new canals, construction of dams, cleaning of ancient canals). The expenses occurring on these works are borne by the state treasury. But he is of the opinion that owners of a private canal from Tigris or Euphrates must participate proportionally in expenses of digging and cleaning of the canal. Thus people directly benefiting from a privately owned canal have to bear the expenses occurring on these works. Because these are privately owned and owners has the right to prevent others from taking water for irrigation purposes. This reflects that in meeting of the developmental expenses Abu Yusuf had clearly in mind the benefit principle of tax equity.

A study of the fiscal structure of the economy in which Abu Yusuf lived reveals that he faced an economy which had enough resources to meet the government expenses. The taxes collected were independent of expenditure and the
expenditure was determined keeping in view the position of treasury. The sources of revenue were, more or less, same as introduced by Caliph Umar. Although Islamic Shariah permits imposition of extra taxes if the specific shariah sources do not generate sufficient revenue for public purposes, we note that Abu Yusuf did not feel need for introduction of new taxes. His main focus was the quality of tax administration and need for the equity and justice in tax collection and its disbursement.
As we have pointed out in chapter 1, the word Kharaj, literally means land taxes but generally the works entitled Kitab al Kharaj do not confine to the land tax. The word has been used as comprehensive term to cover all types of revenue. Another possible reason for choosing the word Kharaj is that the land tax at that time was major and the most important source of income.


6. Ibid. 427.

7. Ibid.


10. Ibid. p.84.

11. Ibid.

12. Ibid. p. 85.


17. Ibid 48.
18. Ibid.
19. See Price Trend in Chapter I
22. Ibid.
23. Ibid., p. 49.
24. Ibid.
25. Ibid.
27. Ibid., p. 50
29. Ibid.
30. Ibid P. 42
33. Ibid.
35. Ibid.
36. Ibid.
40. Ibid., p. 86.
41. Ibid., pp. 106, 132.
42. Ibid., p. 105.
43. Ibid., p. 96.
44. Ibid., p. 132
45. Ibid.
46. Ibid., p. 80.
47. Ibid., p. 50.
48. Ibid., p. 86.
49. Ibid., pp. 133, 134.
50. Ibid., pp. 107, 108.
51. Ibid., p. 108.
52. Ibid., p. 105.
53. Ibid.,
54. Ibid.,
55. Ibid.,
59. Ibid., p. 18.
60. Ibid., pp. 18-19.
62. Ibid., p. 25.
63. Ibid., pp. 49-50.
64. Ibid., p. 105.
65. Ibid., pp. 25, 27, 37, 118.
66. Ibid., pp. 80, 132.
67. Ibid., p. 125, 133, 134.
68. Ibid., p. 117.
69. Ibid., p. 86.
70. Ibid., pp. 122-123.
71. Ibid., pp. 133-134.
72. Ibid., p. 85.
73. Ibid., pp. 49, 50, 108.
74. Ibid., pp. 85, 106, 108.
75. Ibid., p. 50.
76. Ibid., p. 107.
77. Ibid., pp. 84, 86.
78. Ibid.
79. Ibid.
81. Ibid., p. 229.
82. Ibid., p. 230.
Chapter - VI

Theory of Public Expenditure
Public Expenditure

The rationale of Public expenditure is the provision of public goods and performance of fiscal functions in order to achieve specific economic and social goals. The expenditure side of Public Finance was paid little attention by modern economists until recently. As Dalton observed: "English economists as a body have had surprisingly little to say concerning the Public expenditure".\(^1\)

In oppose to this Abu Yusuf paid considerable attention to the public expenditure. He strongly recommends the ruler to spend state fund for the improvement of the quality of social life and adopt such measures which can stabilize the economy and as a result welfare of the people. He stated: "The ruler is responsible for the welfare of the subjects and must do every thing that he thinks good for them in the eyes of Allah".\(^2\) He advised that state funds should be spent for the general welfare in a just and legal way. According to him "Taxes are Justified only if they are collected in a just and legal way and they are spent Justly and legally".\(^3\).

Abu Yusuf’s account of Public Expenditure

The areas of Public expenditure suggested by Abu Yusuf are broad and flexible. A study of his ideas regarding state activities reveals that he was very much concerned with the general prosperity of the subject, development of

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the economy and establishment of an honest and efficient administration. He spoke on the provision of social security to the people, administration of Justice and maintenance of internal and external security. Besides, he suggested the ruler to meet the basic need of the poorer section of the society and to undertake the public works in order to increase the productivity of the economy.

**Heads of expenditure**

As stated above, Abu Yusuf emphasized the need for the establishment of Justice and provision for an efficient and honest administration. The vast caliphate, in which Abu Yusuf lived, required a huge administrative machinery. It appears that substantial sums were employed to meet these expenses.

The most important head of Public expenditure according to Abu Yusuf is the expenses on defence activities. He assigned much significance to the expenditure on army, maintenance of internal and external security and safeguarding the Muslim state. He says:

"The ruler is entitled to spend treasury funds on something which will strengthen Islam against its enemies and he is to spend on the salaries of the troops to keep them ready for the Jihad"\(^4\).

He thus suggested the ruler that state fund is to be
spent on salaries of the troops and pensions and gratitude to the war-widows and their children. A sizeable portion of Public expenditure is to be directed to this end.

Besides the expenses on civil administration and defence, the other heads of expenditure as described by Abu Yusuf are:

1. Maintenance of Justice and provision for education.
2. Care for the poor and needy people.
3. Infrastructure, Public utilities and works for development of the economy.

Criteria for Public Expenditure

As we have discussed, the revenue from all sources, according to Abu Yusuf, is to be divided into three categories. (a) revenue from war booty (Ghanimah) (b) revenue from Kharaj lands, Poll taxes (Jizya) and custom duties from non-Muslims (fai revenue), (c) Sadaqat revenue (Collected from Muslims only). Abu Yusuf is of the view that certain areas of Public expenditure are to be directly linked with the sources of revenue. According to him, public revenue will not be spent indiscriminately on the above mentioned heads. It should be divided into three categories and must be spent on specific heads accordingly. He stated: "The money collected from sadaqut should not be mixed with those of Kharaj tax."
In the light of the verses of Holy Quran he argues that revenue from sadaqat source will be spent on the specific heads as guided in it\textsuperscript{10}.

However, revenue collected from other sources including \textit{Jizyah} and \textit{kharaj} is to be used for the general welfare of the society. The income from these sources is to be spent on pensions, development work, salaries of servicemen, on administrative staff and maintenance of internal and external security.

The revenues from these two sources are meant for the different requirements of the economy. While the former is specific for relief of have-nots, the latter is for general welfare.

**Expenditure of Ghanimah**

\textit{Ghanimah} or moveable property captured in war would be divided into five parts. Four parts for those who participated in the battle and remaining one fifth for the state.

In accordance to the verses of Holy Quran Abu Yusuf directed the ruler to distribute the state share of the spoils of the war among orphans, poors and the wayfarers\textsuperscript{12}.

This means that Au Yusuf observed that revenue from the war booty is to be distributed for the poor and needy People of Muslim community.
Expenditure of Sadaqat Revenue

The beneficiaries of sadaqat revenue are explicitly mentioned in the Holy Quran. Abu Yusuf enumerates them: (1) the poor (2) the needy (3) those who are engaged in collection and management of zakat (4) those whose hearts are to be reconciled (5) to free the captives (6) the debtors (7) for the cause of Allah (8) for the wayfarers.

He has given a brief description of these heads. According to him if beneficiary of any one category is not available the revenue will be distributed among other categories of beneficiaries. The revenue will be spent:

I For the help of poor and needy
II Relief of debtors to pay their debts
III For the travellers who lack means to help them reach their destination
IV To help slaves/bondsman to secure freedom.

Abu Yusuf further suggests that the share of "expenditure in the way of Allah" is to be used for the improvement of the Public roads. According to him it is not obligatory to spend sadaqat revenue on all the eight heads equally. They given in respect of their need and importance. He says:

"The authorities are free to distribute the income at their discretion and even they are free to give all the
incomes to one category from those eight prescribed by Allah\(^\text{16}\).

**Expenditure of fa’y revenue**

The third category of Public revenue i.e. fa’y revenue, is to be used for the benefit of the whole community\(^\text{17}\). Expenses occurring on all functioning of the state, Public works and developmental activities for the general welfare of the people will be met from this source. In brief revenue from Sadaqat and Ghanimah will be spent on their respective specific heads, while other economic and social activities will be financed through fai revenue.

**Expenditure on Developmental Works**

Provision of developmental works such as construction of roads, bridges, canals and improved Public facilities are regarded by Abu Yusuf as responsibility of the state\(^\text{18}\). According to him these work will be provided publicly by state treasury in order to increase the general prosperity and to provide a suitable atmosphere for the growth of the economy\(^\text{19}\).

As Abu Yusuf was talking about an agriculture based economy, he discussed at length the provision of such public works which could increase the productivity of the land. He advocates the development of agriculture, the main occupation of that time with a view to increase the income from Kharaj so that sufficient fund is available for the
growth of the economy.

In order to increase the productivity of the agricultural land he suggested the ruler to extend irrigation facilities to the farmers. In this connection, he recommended that authorities must clean ancient canals, excavate new ones, construct dams, and upkeep the walls of the river bank. To him, it is in the public interest that they should be well maintained as any malfunction will cause damage to agriculture and decrease the income from taxation. He further stated that "these measures will increase the productivity of the economy and increase the income from the taxes".

Beside these developmental works, Abu Yusuf advised that state fund is to be extended for the cleaning the shore of the river and removing the sand and alluvium from the river bank. According to him, authorities are also responsible for cleaning of and clearing of the great rivers and for the repairing of the embarkments whenever it appears necessary. He further directed the officials to remove any dangerous obstruction in river which can damage the passing boats.

In provision of public facilities Abu Yusuf imparts much significance to the protection of individual interest. He categorically stated:
"The authorities must cancel any canal whose damage is greater than its benefit. Thus if the newly dug canals cause damage to adjacent buildings they should be demolished or filled in and ground level".25

Decision Rule in Provision of Public Works

Abu Yusuf set up the criteria for choice of the projects. He placed great emphasis on the need for the proper survey of the project and work for it accordingly. For example, in the matter of the excavation of canals he suggested:

"If people from a locality come and ask for the cleaning and repairing of ancient canals and water courses, which if cleared and repaired could irrigate the uncultivated areas and increase the cultivator’s as well as the government income, then the matter should be investigated properly by the experts and if they agree, the project may be acted upon".26

How to meet developmental Expenditure

Provisions of Public works and infrastructure for development involve high initial cost and individual can not afford to finance it. Abu Yusuf, therefore, assign them to state to provide them.

In the matter of the provision of Public works, he categorically says that entire expenses occurring on the
provision of social goods should be met out of the state treasury\(^27\). In his opinion if cleaning of ancient canals increases the cultivator's income and contributes to a considerable growth of state revenue, then all expenses must be borne by the treasury without charging anything from tax payers\(^28\). However, he puts a distinction between private and public works. He thus clearly pointed out that state treasury will bear all expenses on works which are for general prosperity like cleaning of big rivers, excavation of main canals, construction of dams and walls on the rivers bank to prevent flooding\(^29\). He stated:

"These works are in the public interest and they should be kept in order as any malfunction will cause damage to agriculture and decrease income from the taxes"\(^30\).

On the other hand, he suggested, the expenses occurring on the maintenance of main canals should be borne by treasury and those directly benefiting by such facilities\(^31\).

In the case of special canals irrigating individual fields, orchards and gardens, the state will charge the owner all expenses occurring on the excavation and maintenance of these privately owned canals\(^32\).

In case the canal is privately owned by a group of cultivators, Abu Yusuf suggests that authorities should carry the maintenance work and those benefiting from it must
proportionally share the expenses occurring on it. He states:

"The whole canal is cleared first and then the expenses should be divided by the owners in proportion to their share in the canal."\(^{33}\)

It is interesting to note that Abu Yusuf's ideas regarding the provision of social goods got its appearance in the conventional theory of Public Finance. The conventional economists elaborate that social goods are provided by the state and financed through the budgetary policy due to non-excludibility and non-rival consumption\(^{34}\). However where benefit is internalized, consumption is of rival nature and exclusion is possible the expenses will be financed by direct charging\(^{35}\).

In the foregoing study we have observed that Abu Yusuf has clearly suggested that expenses occurring on the maintenance of big rivers or work of general benefit which are of general nature, would be borne by state treasury\(^{36}\). Since all people are partner in the big river, exclusion is not possible and benefit is externalized. Thus no one will be directly charged. In the case of privately owned canals, where benefit is internalized and exclusion is possible and feasible, the expenses will be borne by those who are directly benefiting from such facility\(^{37}\).
Significance of his Ideas

Abu Yusuf’s discussion of public expenditure is regarded to the functions that the state is expected to perform. His emphasis on welfare nature of the state and development of the economy makes his views broad and systematic.

It is surprising that taken into account the entire body of literature on Public Finance, only a small part of it will be found to deal with Public expenditure. The fiscal experts surprisingly paid little attention to the expenditure side of public policy\(^3^8\).

From historical standpoint, the expenditure pattern of Greek and Roman civilization can hardly be said to have been systematic\(^3^9\). However, Craf in Italy in 14th century and Bodin in France in 16th century wrote considerably on Public expenditure. But they paid little attention to such public expenditure that might result into direct benefit to the people\(^4^0\).

Contrary to this, Abu Yusuf presented a very clear and systematic theory of Public expenditure. He placed much emphasis upon such expenses of the state which resulted in a general welfare and direct benefit to the public. His ideas make him distinguished from fiscal experts of classical period in west, who focussed their study upon the mobilization of resources and paid little attention to the expenditure side of public policy.
Notes and References


3. Ibid. p. 17.

4. Ibid. pp. 27, 117.

5. Ibid. p. 25.

6. Ibid. p. 118.

7. Ibid. p. 81.

8. Ibid. pp. 94, 95.

9. Ibid. p. 80.

10. Ibid.

11. Ibid.

12. The Holy Quran. 8:41.

'The remaining fifth belongs to Allah, and to the messenger, and to the Kinsman (who has need) and orphans and the needy and the way farers'.


Sadaqat are for the poor, and the needy, and those who collected them, and those whose hearts are to be reconciled, and to free the captives, and to the debtors, and for the cause of Allah, and for the way farers; a duty imposed by Allah.


15. Ibid.

16. Ibid.

17. Ibid. p. 80.

18. Ibid. pp. 109, 110.

19. Ibid. p. 110.
20. Ibid.
21. Ibid.
23. Ibid.
24. Ibid. p. 94.
25. Ibid.
27. Ibid. p. 110.
28. Ibid.
29. Ibid.
30. Ibid.
31. Ibid.
32. Ibid.
33. Ibid. pp. 94, 95.
35. Ibid.
37. Ibid. p. 94.
39. Ibid. p. 20.
40. Ibid. p. 19.
Conclusion
CONCLUSION

In preceding pages we have tried to discuss the ideas of Abu Yusuf regarding fiscal issues and financial administration of the state as discernible from a rather survey and rigorous analysis of his book Kitab-al-Kharaj.

As noted in the introductory chapter of this study, the main strength of Abu Yusuf's thinking lies in the area of Public Finance. He was chief justice of grand Abbasid caliphate and dealt with a host of practical problems. He also worked for the formulation of fiscal policy to be used for the administration of state. With active involvement in public life and practical problems he spoke with high degree of pragmatism and practical wisdom. While proposing fiscal policy he shows enormous economic insights which enables us to trace the development of Public Finance in eighth century A.D. It is genius of Abu Yusuf that writing several centuries before the well known classical economists, he presented an outline of fiscal system which encompassed the economic responsibilities of the ruler, principle of efficiency, equity and justice in tax administration and work for Public
utility. We do not claim that he showed such a high degree of observation and analysis which surpassed that of classical economists but it is eminently suited to say that centuries before the emergence of the science of Public Finance he dealt with such problems that laid the foundation of the subject of Public Finance. Nor do we claim that he is pioneer in the discipline of Public Finance in modern terms. Although he did not form any school of thought and had not left considerable influence later on, but it is safe to say that he showed practical wisdom in dealing with fiscal issues in which he surpassed his contemporaries Arabs or elsewhere in the world.

For Abu Yusuf state is to perform an important role in economic life of people. Beside the maintenance of internal and external security it must work for the fulfilment of their basic needs. Abu Yusuf suggests, as we observed, that state should work for the general prosperity of people and growth of the economy. He also illustrated that efficiency and equity in tax collection and proper administration of Public revenue and expenditure are some of the important functions of the state. Focus on works for the general welfare,
enhancing the growth process and making the unused resources available for the utilization are some other distinguishing feature of fiscal policy suggested by him. In the matter of mobilization of revenues, Abu Yusuf pointed out different sources from which state might derive its income. While analysing different aspects of revenue mobilization, Abu Yusuf explained several principle of efficiency and justice. He showed analytical insights in dealing with these sources.

While suggesting the guidelines for imposition of different taxes, he stressed the need for preserving the individual interest as well as the requirement of the treasury. As we discussed earlier, he favours an exemption limit for the ushr tax, a view against the ideas of his teacher Abu Hanifah who advocates collection of ushr on crops without any exemption. In another instance he opposed imposition of Kharaj and Ushhr simultaneously on the same land thus avoiding duplication. On the other hand he proposed to levy Jizyah tax on well off disabled on the ground that they could bear it. In a nut-shell we can say that while suggesting different sources of revenue Abu Yusuf placed emphasis on the preservation of general
interest.

He discussed the different economic aspects of the sources of revenue which were practised from the early days of Islam. He spoke nothing about the imposition of extra Shariah taxes since he did not feel need for it. Despite the fact that some of these sources of revenue discussed by Abu Yusuf are of little importance today, the basic ideas are of very great value both in their economic analysis and historical context.

The land taxation has been a recurrent theme of fiscal experts since ancient period. This is also the focal point of Abu Yusuf as bulk of his discussions are related to land tax system.

As discussed in preceding chapters, Abu Yusuf preferred the proportional land tax in place of the fixed land tax. He shows his deep analytical insights while comparing the two system. To him the second one tends to yield more revenue and facilitates expansion of the area under cultivation. Abu Yusuf laid down certain principles which anticipate those introduced many centuries later by economists as "canons of taxation". In his opinion, principle of taxation on which taxes should be collected are fairness, justices
equity, convenience and ability to pay. The collected yield is to be distributed for the general welfare in fair, just and equitable manner and amount to be paid is not to exceed the capacity to pay of tax payers. He also spoke about the centralization of decision making in tax administration, quality of administration and just and honest dealing of tax payers. In order to protect the interests of the people and benefit of treasury as such, Abu Yusuf stressed the need for the proper surveying of the land and avoiding mixing up between barren and cultivable lands.

Here one can argue that Abu Yusuf’s ideas regarding principle of taxation have got its appearance in the thoughts of the classical economist such as Adam Smith. As noted, Adam Smith’s canons of taxation are more or less similar to what is suggested by Abu Yusuf.

Another area of Public Finance i.e. Public expenditure is also excellently explored by Abu Yusuf. He is among the very few scholars of the classical period who focused on both Public revenue and Public expenditure. He identified several areas of Public expenditure for the development of the economy. He advocates for the development of economic
infrastructure such as building of bridges, digging of canals, dams etc. to promote agriculture. He demonstrates his skill while suggesting how to meet long term developmental expenditures and how to distribute the expenses occurring in the provision of some collective goods (such as excavation, and cleaning of canals which directly benefit to a certain community). As discussed earlier, he also setup criteria for decision making in the execution of certain projects.

With respect to the public domains (dead land, water resources, forest, meadows) Abu Yusuf holds that these will be available to all. He suggests granting of dead uncultivated land to one who can develop and cultivate it and bring more area under cultivation and increase the income from the taxes.

As noted earlier, Abu Yusuf suggested these measures to Caliph Harun. It is however not recorded in the history whether these recommendations got the approval of the caliph and were put into practice. However, there seems to be no reason for Caliph’s disapproval or rejection as the whole content based on primary sources of Shariah and sound reasoning. The
very survival of this earliest writing on al-Kharaj and related issues, shows its acceptance and utility. The affluence and prosperity seen during the Caliph al-Rashid’s period may be attributed as one of the possible reasons to his adherence of policies and rules prescribed in Kitab-al-Kharaj.

All economic theories and fiscal policies reflect, at least partly, the general social, cultural ideological background within which they originated and Abu Yusuf’s principles of Public Finance is no exception to this. The fiscal principles as enumerated by Abu Yusuf are largely drawn from the verses of Holy Quran traditions of the Prophet (PBUH) and practices of Pious Caliphs. It worked within the Islamic principles of equity and justice. His arguments are generally based on guidelines of the Islamic Shariah, which determines the various governmental functions. It also determines the framework within which revenue are collected and used for the general welfare and growth of the economy.

Abu Yusuf’s discourse is the most elaborate and significant among the early writings on taxation and Public Finance that survived and reached to us. His
approach is pragmatic and he showed practical wisdom in dealing with fiscal issues and formulating policies. For example Abu Ubaid and Yahya b. Adam presented rather detailed but historical study of sources of revenue and heads of expenditure. Their works lack analysis and do not take the note of actual practice and left no strong influence on succeeding generation.

From the foregoing pages it is clear that centuries before the systematic study of fiscal problem as a discipline of Public Finance, Abu Yusuf proposed certain principle which got its appearance in the writing of later economists. He was the product of a period when Europe was sinking into what historians called "dark ages". The systematic study of fiscal Problems was yet to begin. In this period, Muslim scholars such as Abu Yusuf dealt with enormous fiscal issues and showed economic insights in dealing with them. Abu Yusuf’s concept of the state functions, his suggestions on taxation policy, principles of convenience Justice, equity and efficiency is highly advanced and applicable. In the expenditure side, which was relatively neglected aspect of Public Finance for a long time in the past, his contribution was quite
remarkable. The general welfare of the people and
growth of the economy are the main objective of his
fiscal policy.

While discussing Abu Yusuf, one should always
remember that he lived in an era when systematic study
of fiscal issues did not begin. Thus it is genius of
Abu Yusuf that he proposed such a highly systematic
study of the subject. It is, however, unfortunate that
this eminent Muslim scholar is neglected by modern
economic historians.

In his famous work, "History of Economic
Analysis", Joseph Schumpeter remarked that many of the
fiscal experts who shaped policies in the offices of
the Byzantines Emperors were cream of their time. They
dealt with a host of legal, monetary and fiscal
problems. However, no piece of reasoning that would
have to mentioned here has been preserved"*. Schumpeter’s words come true to Abu Yusuf as well whose
work is fortunately available.

Indeed, he is among the most important names who,
prior to medieval European enlightenment, contributed

considerably to the theory of Public Finance and it can be said that the present work will be useful study for the further exploration of his ideas. By reporting, the contribution of so eminent thinker of the middle ages, we hope to fill, to some extent, a gap in the history of economic thought in general.

At present there is growing demand on the part of Muslim countries to Islamise their fiscal and financial system. There are much intellectual and ideological debate in this regard. In such a situation, one can not ignore the contribution of past. We hope Abu Yusuf’s ideas will provide a foundation for such an exercise. It is also expected that the present work will offer at least some point for the history of Islamic Economic thought where Abu Yusuf’s Kitab-al-Kharaj is the first systematic writing on the fiscal aspects of Islamic Economic.
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