



A Comparative Analysis on Economic Roles of Government and Principles of Taxation between Public Economics and *Siyasah Shar'iyah*

Muhammad Irwan Ariffin^a

^aInternational Islamic University Malaysia

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Abstract: This research is an exploratory study on the similarities and differences of the justifications, objectives, roles of government and principles of taxation between public economics and *siyasah shar'iyah*. It aims to contribute towards integration of knowledge between modern economic theories and Islamic heritage in public economics. Despite similar focus on governance and social welfare, there is a lack of comparative study between public economics and *siyasah shar'iyah* in the literature. The research utilizes qualitative analysis on relevant textual materials on public economics and *siyasah shar'iyah* to identify and compare the major themes in terms of arguments for the establishment of a government, its economic objectives and roles, and taxation principles. The establishment of a government in public economics is based on the need to balance between efficiency and equity, address market failures, and provide public goods. *Siyasah shari'iyah* argues for a government based on fulfilling *maqasid shari'ah*, uphold justice, and protect the rights of people. The principles of taxation in public economics often emphasize efficiency, equity, revenue sufficiency, neutrality, and administrative feasibility. In contrast, the principles of taxation in *siyasah shar'iyah* prioritize justice, prohibition of exploitation, funding public services, transparency and accountability, and wealth distribution in accordance with Islamic values.

Originality/Value: The advancement of Islamic economics requires the integration of modern economic knowledge with divine revelation. Since public economics is a specialized subfield within economics, the integration efforts with *siyasah shar'iyah* have been notably deficient. This study aims to address this gap by undertaking a comparative analysis of fundamental principles and objectives between public economics and *siyasah shar'iyah*.

Introduction

Public economics and *siyasah shar'iyah* are two disciplines that share a lot of similarities in explaining the role of government in the economy. Due to its emphasize on the rights and duties of the government in the Islamic framework, *siyasah shar'iyah* is regarded as the best alternative to the conventional public economics in describing the the ideal government behavior in Islamic economics. This paper aims to explore the similarities and differences between public economics and *siyasah syar'iyah*. The

*Corresponding author.

irwan@iium.edu.my (M. I. Ariffin).

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comparative study in this paper is parallel with the Islamization of knowledge in economics through integration of modern public economics and *syiasah syar'iyah* from Islamic heritage.

Public economics is taught in many economics programs at universities all around the world. For instance, in International Islamic University Malaysia (IIUM), public economics is taught as ECON 2351 Public Finance and Policy which is a program core in the Bachelor of Economics (Honours) (BECS) program offered at the Kulliyyah of Economics and Management Sciences (KENMS). Besides a dedicated course, many elements of public economics are incorporated in other generic economic courses such as externalities in ECON 1311 Principles of Microeconomics, and government behavior and fiscal policy in ECON 1312 Principles of Macroeconomics, which are core courses in four undergraduate programs at IIUM; BECS, Bachelor of Accounting (Honours), Bachelor of Business Administration (Honours), and Bachelor of Finance (Islamic Finance) (Honours).

At the same time, principles of *syiasah shar'iyah* are incorporated in the teachings of Islamic economics. In IIUM, the role of government in an Islamic economy is discussed extensively in two major topics in ECON 1321 Foundation of Islamic Economics, which is a core course for all four undergraduate programs at KENMS. Besides that, the Department of Economics also offer a dedicated course on *syiasah shar'iyah* at the postgraduate level, which is known as ECON 7323 Shari'ah Oriented Public Policy (Al-Siyasah Al-Shar'iyah).

Therefore, comparing public economics and *syiasah shar'iyah* is essential for fostering integration of knowledge between modern economics and Islamic heritage. In terms of practical aspects, public economics often deals with issues of resource allocation, taxation, and public goods provision. Comparing these topics with *syiasah shar'iyah* can provide insights into how resource allocation aligns with principles of justice and equity as defined in Islamic economics. Besides that, the comparison could help policymakers towards formulation of informed policy decisions that address economic challenges with a broader perspective that considers religious and ethical dimensions. In other words, it contributes to a more inclusive and diverse approach to economics and governance.

This paper is organized into five sections. After introduction, section two is the literature review which attempt to explain the absent of similar studies in the past as well as definitions of terms and concepts. The research methodology is described in section three. Section four discusses the results, which are arranged into four subsections. They are: motivations for a government in the economy, objectives and roles of government, principles of taxation, and similarities and differences between public economics and *syiasah shar'iyah*. Finally, section five concludes.

Literature Review

This paper is the first to attempt to do a comparative analysis between public economics and *syiasah shar'iyah*. The lack of previous studies on this matter maybe due to the nature of both public economics and *syiasah shar'iyah* as specialized subfield in the economics discipline, while many studies on integration between modern economics and revelation to develop Islamic economics are still focusing on the three major economic areas: consumption, production, and distribution.

Public economics is the study of economic efficiency, distribution, and government economic policy (Hindriks & Myles, 2013). Efficiency in economics refers to a situation where resources are allocated in a way that maximizes the overall well-being or utility of society. In an efficient allocation, it is not possible to reallocate resources to make any individual or group better off without making someone else worse off.

Distribution in public economics refers to the way in which the benefits and burdens of economic activity are allocated among individuals and groups within a society. It focuses on how income, wealth, and resources are distributed and shared among the members of a community or a nation. Distribution is a key aspect of economic policy and public economics because it raises questions about fairness, equity, and social justice.

In the study of public economics, government policy refers to a wide range of actions, decisions, and measures taken by government authorities to influence or regulate economic and social activities within a country. Government policies are a critical tool for addressing market failures, managing public goods, addressing externalities, and achieving economic, social, and environmental objectives. Public economics examines the impact of these policies on resource allocation, market efficiency, income

distribution, and overall well-being within a society. Public economists analyze the effectiveness, efficiency, and equity of government policies and make recommendations for informed decision-making.

Siyasah is derived from the verb *sasa* or *yasusu*, which literally means ‘to take good care of something’ and technically the term has been associated with governing (Kayadibi, 2022). When it is combined with the term *shar‘iyyah*, it means governance based on the principles of *shari‘ah*. According to Kayadibi (2022), *siyasah shar‘iyyah* is a political system that rules according to Islamic values to ensure *maslahah* (public interest) through *ijtihad* (independent reasoning).

Ijtihad plays a crucial role in adapting *siyasah shar‘iyyah* to changing circumstances and new developments, particularly in the areas of public economics. Islamic scholars, using *ijtihad*, can issue fatwas or legal opinions that guide the government in making decisions related to governance, economics, social issues, and other areas. These opinions aim to ensure that government policies align with *shari‘ah* while addressing contemporary needs. *Ijtihad* serves as the mechanism through which Islamic legal principles are adapted and applied to contemporary issues, including those related to economics, governance, and public welfare.

Through the *ijtihad* mechanism, the government is authorized to determine the way the shariah should be governed. In this capacity, the ruler has the discretion to implement measures, establish regulations, and introduce policies that are in the best interests of effective governance, as long as they do not contradict the fundamental principles of the shariah (Kamali, 1989). The ruler’s discretionary powers within the framework of *siyasah shar‘iyyah* are notably extensive, including matters related to public economics.

Furthermore, the interplay between *siyasah shar‘iyyah* and *ijtihad* highlights the importance of *shura* (mutual consultation) between religious scholars and political authorities. While rulers may implement policies, they often seek the approval or guidance of recognized scholars who have the authority to engage in *ijtihad*.

Methods

Since this paper is an exploratory study on the similarities and differences between public economics and *siyasah shar‘iyyah*, qualitative research methods are employed. A literature review of relevant materials in both public economics and *siyasah shar‘iyyah* are performed to provide a general understanding of the key concepts, objectives, principles, and methodologies employed in each field. Qualitative analysis on textual materials which consist of journal articles, books, and religious texts related to both public economics and *siyasah shar‘iyyah* is conducted to identify the key commonalities and differences between the two pertaining to economic principles and governance.

Results and Discussion

In this section, the comparison between public economics and *siyasah shar‘iyyah* on the justifications, economic objectives and functions of government, and principles of taxation are discussed. At the end of the section, the similarities and differences between public economics and *siyasah shar‘iyyah* are highlighted.

Justification for the Existence of Government

In public economics, efficiency and equity are the two basic arguments to justify the role of government. Efficiency relates to aggregate economic activities while equity refers to distribution of economic benefits.

A primitive justification for the existence of a government according to the Minimal State framework is the establishment and enforcement of property rights and contract laws (Nozick, 1974). This is to allow exchange of resources via trade to take place in the market and encourage enterprise. At the same time, the government is responsible to defend the economy against outsiders. All these activities require funding, and thus a coordination of revenue collection and provision of services is necessary to achieve efficient economic outcome. All these reasons support the presence of a government to ensure an effective organization of economic activity.

The presence of government can potentially increase welfare under certain circumstances, particularly in the event of market failures. Market failures in the forms of monopolistic power, externalities, public goods provisions, information asymmetry, and market instability are commonly used to recommend government interventions (Hyman, 2021). By promoting competition, internalizing external costs, providing public goods, regulating information disclosure, and economic stabilization through fiscal and monetary policy, the government can improve the allocation of resources and increase overall welfare. However, government interventions may be restricted by the same features of the economy that cause the market outcome to be inefficient. They may fail to correct market failures and may create new costs to the economy.

The presence of government is also motivated by equity, which refers to the desire for fairness and justice in the distribution of resources and opportunities within a society, especially when the economy is experiencing widespread inequality of income, opportunity or wealth. The government may design policies to alleviate these inequalities and raise economic welfare. However, equity analysis is usually limited to evaluation of the impacts of alternative policies on the distribution of well-being among individuals (Hyman, 2021). The potential benefits from these policies in terms of equity are motivated by normative assessments and not positive criterion used for economic efficiency (Hindriks & Myles, 2013).

From a *siyasah shar'iyah* perspective, the *raison d'être* for the existence of a government is deeply rooted in the principles and objectives of *shari'ah*. From the revelation, God says:

O believers! Obey Allah and obey the Messenger and those in authority among you (Al-Quran, 4:59).

The term 'those in authority among you' refers to rulers and those who have been appointed as leaders for the people, where in the previous verse God has commanded them to return trusts to the rightful owners and to judge between people in fairness (Al-Qurtubi, 2006). God's command for the believers to obey those who possess authority among them implies that it is obligatory to establish a system of authority to govern human affairs.

Al-Mawardi (2006) views state leadership as a continuation of the sacred duties of the prophets. He said, "The leadership of the state is established to succeed the prophethood in safeguarding the religion and governing the world with it" (Al-Mawardi, 2006). Based on this statement, the rulers are responsible for two main objectives, which are to establish the religion in this world, and to govern the worldly affairs according to the religious principles. (Al-Dumaiji, 2013). The appointment of a ruler is obligatory by consensus among the scholars (Taimiyyah, 2000; Al-Mawardi, 2006). However, a ruler can only be functioning effectively if there is a proper institution established to support it. Al-Dumaiji (2013) mentioned that the two main objectives above should be achieved through the establishment of justice and removal of injustice, promotion of unity and avoidance of disunity among the people, and through the development of the earth according to the ways that benefit the people. Meanwhile, Al-Mawardi (2006) listed ten essential duties of a leader, where none of it is possible without the establishment of a government.

From the perspective of *maqasid shari'ah*, the establishment of an institution to govern human affairs is fully aligned many objectives of *shari'ah*. In fact, *maqasid shariah* provides the justifications for Islamic governance that made it different than other versions of governance (Malik, 2015). Taimiyyah (2000) regards the effort to regulate the affairs of the people is one of the fundamental requirements (*wajibat*) of the religion.

On a similar note, Al-Ghazali (2004) considers the establishment of a government is at the level of essential (*daruriyyat*) for the preservation of religion. He mentioned, "The religion is the foundation while the ruler is the guardian, anything without a foundation will crumble, and anything without a guardian will be lost" (Al-Ghazali, 2004). Thus, there is a symbiotic relationship between the religion and the government, where they reinforce the presence and positive effects of each other. The establishment of a government to govern human affairs is one of the objectives of *shari'ah*, while the established government is responsible for the protection and preservation of *maqasid shari'ah*. The fundamentals of *maqasid shari'ah* will be threatened if the government is jeopardized.

Preservation of order (*hifz al-nizam*) has been listed as one of the main priorities that the *shari'ah* aims to achieve by contemporary scholars such as Ibn 'Ashur and 'Allal Al-Fasi (Al-Raysuni, 2007).

Preservation of order is impossible to be realized without the establishment of a government to legislate and enforce rule of law among the citizens.

Besides preservation of order, the general objectives (*maqasid 'ammah*) of the *shari'ah* include realization of benefit and prevention of harm or corruption, establishment of equality among people, causing the law to be revered, obeyed and effective, and enabling the *ummah* to become powerful, respected and confident (Al-Raysuni, 2007). All these objectives are impossible to be achieved without the establishment of a state that is founded and governed based on *shari'ah* principles. In addition, Kayadibi (2022) considered the protection of state as the seventh essential value of *maqasid shariah* that is indispensable in terms of guaranteeing the other six values: religion, life, intellect, lineage, property, and honour. This is parallel with the legal maxim 'anything that is a prerequisite for something that is obligatory is itself obligatory,' where to uphold justice among individuals as commanded by God can only be achieved through establishment of a proper judiciary system in the state (Zaidan, 2003). Another legal maxim that is applicable here is the status of the *wasa'il* (means) to achieve the *maqasid* (objective) depends on the status of the objective. If the objective is obligatory, then the means to achieve it are also obligatory. It is important to note that the establishment of a state should be viewed as a mean to achieve other goals and not an end in itself (Al-Dumaiji, 2013).

The motivations for government existence in public economics are based efficiency and equity reasons, while in *siyasah shar'iyah* they are considered as the mean to ensure the fundamentals of *shari'ah* are protected and more effective.

Economic Objectives and Roles of Government

From a public economics perspective, the objectives of a government typically encompass various economic, social, and political goals. These objectives guide government policies and actions in managing public resources and promoting the welfare of its citizens. Among the most important objectives is to promote efficient resource allocation by ensuring that economic resources are used in ways that maximize social welfare (Hindriks & Miles, 2013). In cases of market failure, government intervention is necessary to address issues like public goods, externalities, and information asymmetry to achieve optimal resource allocation. In addition to efficient resource allocation, government works to maintain economic stability by implementing policies aimed at controlling inflation, achieving full employment, and ensuring steady economic growth. Fiscal and monetary policies are often used to counteract economic fluctuations and reduce business cycle volatility.

In the area of distribution, government aims to reduce income inequality and promote an equitable distribution of wealth in the society. Government uses taxation, transfer payments, and social welfare programs to redistribute income and alleviate poverty. Another core goal of the government is the provision of public goods and services that the private sector may underprovide. These include public infrastructure, education, healthcare, national defense, and law enforcement. These services benefit society as a whole and often require government intervention.

The government establishes and enforces regulations in the market to ensure fair competition and protect both producers and consumers from unfair practices. The government's role in market regulation is motivated by the need to balance economic freedom with social welfare, protect public interests, and create an environment where markets function fairly, efficiently, and in the best interests of society as a whole. The government also oversees financial markets to ensure stability and transparency. Antitrust laws, consumer protection standards, and financial market regulations are examples. Regulation is designed to correct market imperfections, address externalities, and promote both economic growth and social welfare.

The government's objective of environmental sustainability in public economics is driven by the recognition of the finite nature of environmental resources and the need to protect the environment for current and future generations. It encompasses policies and regulations aimed at minimizing negative externalities, such as pollution and resource depletion, while promoting the efficient use of resources and the development of sustainable practices. This goal aligns with principles of intergenerational equity, where the government seeks to ensure that the environment remains healthy and productive for the well-being of all citizens in the long term. It often involves the establishment of legal frameworks, incentives, and environmental standards to encourage responsible behavior by individuals, businesses, and industries.

Under fiscal responsibility, the government aims to ensure sound financial management and sustainability. This objective involves maintaining a balanced budget or, ideally, a budget surplus to prevent excessive government debt. It also entails efficient allocation of resources, minimizing wasteful spending, and avoiding unnecessary taxation burdens on the population. In the long run, fiscal responsibility promotes economic stability as it prevents inflation resulting from excessive money creation. Thus, it helps to safeguard public welfare and confidence, as citizens can rely on responsible fiscal policies to ensure their economic well-being.

There are three common macroeconomic goals that are of interest to the government, which are economic growth, full employment, and price stability. Economic growth is vital as it increases the nation's overall wealth and living standards, leading to a higher tax base for government revenue. Full employment not only ensures social stability and reduces the welfare burden but also boosts government revenue by taxing a larger employed population. Low inflation is essential as it maintains the purchasing power of the currency, preventing excessive price increases that can erode citizens' savings and negatively impact government finances. Achieving these objectives enhances overall economic stability, reducing the need for government intervention and supporting a more efficient allocation of resources in the economy. Additionally, it helps the government meet its budgetary responsibilities while promoting the well-being of its citizens.

Many of the economic objectives of the government in public economics are aligned with the broader objectives and principles of *siyasah shar'iyah* to ensure economic justice and the well-being of the society. This is because the nature of shariah that is very open and flexible to innovations and formulation of policies and regulations on economic affairs through *ijtihad* and *shura*, as evident in the legal maxim where everything in *mu'amalat* (worldly affairs) is permissible unless proven otherwise. As long as these objectives do not contradict any principles of *shari'ah*, they are acceptable and can be pursued in *siyasah shar'iyah*.

The objectives of government have been discussed by scholars in *siyasah shar'iyah*, where several of them are related to economics. The most fundamental concept of government is that the ruler is entrusted by God to manage the state and is responsible to do everything that is necessary to ensure the needs of the people are fulfilled (Abu Yusuf, 1979). Hence, the primary objective of a government is to ensure the well-being of society and alleviate the hardships faced by the people (Kayadibi, 2022). This goal is parallel with the general objective of shariah, which is to bring benefits into existence and removal of harms (Al-Raysuni, 2007). In this regard, any economic actions taken by the government to achieve this important goal can be treated as the economic objectives of a government in *siyasah shar'iyah*.

The sources of public revenue is a major theme in *siyasah shar'iyah* since it provides legitimacy to the ruler to amass wealth. However, public revenue is not the personal purse of the ruler but a trust from God that must be spend for the welfare of the people (Muhit et al., 2023). In fact, a proper management of the public treasury is of equal importance with selection and appointment of leaders in terms of fair implementation of *amanah* (trust) in *siyasah shar'iyah*. While the rulers are responsible to distribute the wealth to the rightful beneficiaries as enjoined by God, the people are responsible to fulfil their duties to the rulers. This explains why the beneficiaries and recipients of public spending are another major theme in *siyasah shar'iyah*. The rulers are simply caretakers of public revenue without absolute right in disposing it, and they have no more right to it than common citizens (Taimiyyah, 2000).

The objective of equitable wealth distribution from a *siyasah shar'iyah* perspective is rooted in the principles of justice and social welfare. Islamic governance aims to ensure that wealth and resources are distributed in a manner that upholds the rights of all members of society and prevents excessive concentration of wealth among certain individuals only (Kayadibi, 2022). At the same time, fair opportunity must be given to everyone to improve their economic conditions while economic disparity is minimized (Haneef et al., 2023).

Poverty eradication is one of the most important goals in *siyasah shar'iyah* where the government is responsible to obtain the means to assist those who need help in terms of their basic necessities (Kayadibi, 2022). Poverty eradication is seen as a means to ensure the equitable distribution of wealth and resources, address social inequalities, and fulfill the principle of solidarity among Muslims. This includes the fulfillment of obligations such as *zakat* to redistribute wealth from the affluent to the less fortunate. Although Islamic economics favor functional distribution, if individuals, families, and

communities are unable to fulfill their needs, the government is ultimately responsible for the general welfare of the people (Haneef et al., 2023).

The government is responsible to establish security and confidence in commercial activities so that the price mechanism in the market is able to function freely according to the laws of supply and demand (Ersay & Altundere, 2017). From a *siyasah shar'iyah* perspective, establishing security and confidence in the market is a crucial objective aimed at fostering a just and ethical economic environment. This objective involves ensuring that market transactions and contracts adhere to Islamic principles, preventing fraud, deceit, and exploitation. For instance, Kayadibi (2022) stated that the main economic goal of a government in *siyasah shar'iyah* is the elimination of *riba* (usury) which is a form of economic exploitation and the creation an interest-free economic system. It also means safeguarding property rights, preventing monopolies and market manipulation, and promoting transparency and accountability in business dealings. The goal is to create a market where individuals can engage in economic activities with trust and security, confident that their rights will be protected, and unethical practices will be curtailed.

Market institution should operate freely to allow for equilibrium price and quantity determination through interaction of demand and supply from the decisions of economic agents (Ariffin & Tahir, 2022). The government should not engage in the production and trade of goods and services which prices are determined by the market. There should be no intervention in the operations of the market from either the government or any other monopolists. In fact, the government is responsible to prevent all monopolistic interventions in the market allow it to function freely through mutual parallel interest and consent among buyers and sellers (Ersay & Altundere, 2017). There is a significant limitation to government interventions to economic activities in the market, where it is only permitted if there is a threat to public interest which is imminent (Mawdudi, 2011; Kayadibi, 2022). The right of the government to intervene in the market is confined towards the realization of benefit and social justice (Adinugraha, 2018).

Another important economic objective of the government in *siyasah shar'iyah* is public expenditure (Abu Yusuf, 1979; Taimiyah, 2000). For instance, the provision of public infrastructure in order to increase productivity, stimulate economic growth, and enhance societal welfare (Adinugraha, 2018). This includes covering all expenses associated with public projects like constructing roads, irrigation systems, dams, and other essential infrastructure. Nevertheless, in cases where a project exclusively benefits a specific group, it is reasonable for the costs to be borne by that group. Another example is the goal to use public expenditure to ensure adequate supply of public goods and services for the people. The government should aim to supply goods and services that are not profitable for the private sector. The market is unable to determine the prices of these goods and services since there is no direct relations between their quantity and marginal utilities (Ersay & Altundere, 2017).

Some of the economic objectives mentioned above are achieved by the government through the establishment of an autonomous ombudsman institution called *Al-Hisbah*. In general, *Al-Hisbah* aims to enjoin the *ma'ruf* (common good) and forbid the *munkar* (evil) (Ibrahim, 2019). More specifically, *Al-Hisbah* supervises the markets to ensure fair economic transactions among sellers and buyers, provides municipal services and public utilities, and checks for corruptions and malpractices among officials (Haneef et al., 2023).

Principles of Taxation

The principles of taxation are a set of fundamental guidelines that the government uses to design and implement taxation policies. Government develops fundamental guidelines for taxation policies by considering various economic and social objectives. They often seek to balance principles such as equity, which aims for fair distribution, efficiency, which minimizes market distortions, and sufficiency, which ensures enough revenue to meet expenditure needs. Additionally, considerations like neutrality, administrative feasibility, and transparency play crucial roles in shaping tax policies to align with these principles. The principles of taxation in public economics an *siyasah shar'iyah* have some commonalities, such as the need for fairness and efficiency in taxation. However, there are distinct principles and considerations between them due to different values that affect the order of priorities between certain principles.

Public economics focuses on achieving efficiency in the tax system due to its pivotal role in maximizing social welfare (Diamond & Mirrlees, 1971). Tax systems that adhere to efficiency principles aim to minimize deadweight loss or excess burden, ensuring that resources are allocated optimally within the economy. Tax distortions, such as those that discourage work or investment, should be minimized. This leads to higher economic output, job creation, and overall prosperity, aligning with the macroeconomic goals of public economics. Efficient taxation also promotes equity by distributing the tax burden fairly and minimizing distortions in resource allocation (Hyman, 2021). Moreover, it encourages tax compliance, as individuals and businesses are more likely to pay taxes when they perceive the system as efficient and equitable.

Equity in taxation is a crucial principle in public economics as it seeks to ensure that the tax burden is distributed fairly among individuals and entities (Hindriks & Myles, 2013). It reflects a commitment to social justice and aims to reduce income inequality, addressing one of the key concerns of public policy. An equitable tax system can promote inclusivity and help prevent the concentration of wealth in the hands of a few, contributing to a more balanced and harmonious society. Progressive taxation, where higher-income individuals pay a larger share of their income in taxes, is one approach to achieving equity through optimal taxation system (Diamond & Saez, 2011). Furthermore, an emphasis on equity in taxation can enhance the legitimacy of the government and its tax policies, as it is perceived as a just and ethical way to fund public services and goods. When citizens believe that taxes are distributed fairly, they are more likely to support government initiatives and comply with tax obligations (Capasso et al., 2021; Taing & Chang, 2020).

Taxation should generate sufficient revenue to ensure that the government has the necessary funds to provide essential public services, invest in infrastructure, and maintain economic stability (Hyman, 2021). It enables the government to meet its financial obligations and avoid budget deficits, reducing the need for future tax increases or excessive borrowing. Additionally, revenue sufficiency is crucial for upholding fiscal responsibility, ensuring that the government manages its finances prudently and sustains its ability to serve the needs of the society effectively.

Taxes should not distort economic behavior. Neutrality is an essential principle of taxation in public economics because it aims to minimize distortions in resource allocation and economic behavior (Groves, 1948). Neutral taxation ensures that tax policies do not influence individuals or businesses to make decisions that deviate from what would be optimal in a tax-free environment. This helps maintain market efficiency, reduces economic inefficiencies, and promotes a fair and transparent tax system that doesn't favor or penalize specific groups or activities.

Public economics considers the practical aspects of tax administration. A tax system must be designed so that it can be efficiently administered and enforced without excessive costs or complexity (Taing & Chang, 2020). Ensuring administrative feasibility helps prevent tax evasion and fraud while reducing the burden on both taxpayers and tax authorities, making the tax system more effective and just.

The guiding principles of taxation in *siyasah shar'iyah* are that the taxation system must be just and fair, neither exploitative nor oppressive, prioritize public services funding, transparent and accountable, and redistribute wealth effectively.

Justice is a fundamental principle in taxation from the perspective of *siyasah shar'iyah*. It ensures that the tax burden is distributed fairly and equitably among individuals and sectors of society. A just taxation aligns with the broader ethical values of Islamic law, promoting social and economic justice in the community (Maulidizen, 2019). By upholding justice in taxation, the government can address income disparities and help reduce poverty, which are important economic objectives in *siyasah shar'iyah*.

Siyasah shar'iyah prohibits oppressive or exploitative taxation to protect the economic well-being and rights of individuals and businesses. It prohibits imposing excessive or unfair taxes that would burden taxpayers beyond their capacity. In fact, early Muslim scholars imposed a strict condition on taxation where it is allowed only if the public treasury is insufficient to address the urgent needs of public expenditure (Kayadibi, 2022). By adhering to this principle, the government ensures that taxation does not become a tool for exploitation or wealth confiscation, thereby promoting economic justice and the preservation of wealth, two critical objectives that are aligned with *maqasid shari'ah*.

Taxation should primarily serve the purpose of funding public services and providing for the needs of society (Kahf, 1990). It ensures that the financial needs of the government to provide essential services to the community are met. The funds generated from taxation support the welfare, education, infrastructure, and healthcare systems that contribute to the overall well-being of society. This principle aligns with the *maqasid shari'ah*, specifically the preservation of religion, life, lineage, and intellect. By funding public services, the government helps create an environment where individuals can thrive in a manner consistent with Islamic values. Additionally, it contributes to social cohesion, reduces hardships, and maintains the overall welfare of society.

Transparency and accountability are crucial principles of taxation in *siyasah shar'iyah* because they ensure that the tax collection process is conducted with integrity and openness. These principles align with the Islamic emphasis on justice and fairness in governance, which are fundamental to preserving social well-being. Transparency in public administration allows the public to have visibility into how their contributions are being utilized for the betterment of the society, fostering trust between the government and the governed (Taufiq, 2015). Accountability holds tax collectors responsible for their actions, preventing corruption and abuse of power, which is consistent with the principles of good governance advocated by *siyasah shar'iyah*.

Wealth distribution is a significant principle in *siyasah shar'iyah* because it aligns with the broader goals of equity and social justice within an Islamic framework (Haneef et al., 2023). It underscores the importance of reducing economic disparities and ensuring that wealth and resources are distributed more equitably in society. By incorporating this principle into taxation policies, the government can work to address income and wealth inequality, which is essential for preserving the well-being and harmony of the community, one of the *maqasid shari'ah*.

Similarities and Differences between Public Economics and Siyasah Shar'iyah

Public economics and *siyasah shar'iyah* share similarities in their focus on governance. Both fields are concerned with the management and regulation of social affairs. They address questions related to how governments can achieve economic and social objectives, allocate resources, and maintain order within their respective frameworks. Public economics analyzes government activities and policies from an economic perspective, seeking to optimize resource allocation and social welfare through the principles of efficiency and equity. On the other hand, *siyasah shar'iyah* emphasizes on *maslahah* (public interest) and fulfilment of rights while governing and enacting policies in accordance with Islamic principles. Despite their different foundations, both aim to enhance the well-being and stability of society through governance.

Public economics and *siyasah shar'iyah* also share similarities in their ethical considerations. Both fields recognize the importance of ethical values in governance. In public economics, ethical considerations often revolve around promoting fairness, justice, and equity in economic policies, particularly in the distribution of resources and wealth. Similarly, *siyasah shar'iyah* places a strong emphasis on ethical conduct in governance. Ethical considerations in *siyasah shar'iyah* encompass values such as justice, accountability, transparency, and the avoidance of oppression. In this regard, both public economics and *siyasah shar'iyah* acknowledge the significance of ethical standards in guiding government actions and decisions to ensure the welfare of society.

Public economics and *siyasah shar'iyah* share similarities in their concerns regarding resource allocation. In public economics, resource allocation is a fundamental aspect, focusing on the efficient distribution of resources to achieve social goals. Similarly, *siyasah shar'iyah* emphasizes the just and equitable allocation of resources based on Islamic principles. Both fields recognize the need for fair and efficient resource allocation to promote the well-being of society. While public economics uses economic theories and tools for allocation decisions, *siyasah shar'iyah* integrates *shura* (mutual consultation) and *ijtihad* (independent reasoning) to formulate economic policies to guide resource allocation in a manner consistent with Islamic values (Kayadibi, 2022). The shared goal is to ensure that resources are allocated in ways that benefit society and are in harmony with the objectives of good governance and justice.

Public economics is grounded in several fundamental principles and foundations. Firstly, it is built on the concept of market failure, recognizing that markets may not always allocate resources efficiently and that government intervention may be necessary to correct these failures. Secondly, it emphasizes

the equitable distribution of resources and the reduction of income inequality, striving to create a fair and just society. Lastly, public economics concerns itself with the optimal provision of public goods and services, addressing questions of what the government should provide and how it should finance these services, aiming to maximize overall societal welfare.

Siyasah Shar'iyah is founded on principles derived from revelation, which form the basis for the application of governance. Its foundations are based on three core principles: the supremacy of revelation, which places the divine law at the center of governance; the promotion of justice and *maslahah*, which seeks to ensure fairness, equity, and the well-being of society; and the exercise of discretionary authority by rulers through *ijtihad* and *shura*, which allows for flexible governance within the bounds of *shari'ah*. It emphasizes the preservation and promotion of the *maqasid shari'ah* which include safeguarding religion, life, intellect, lineage, and wealth.

The priority consideration of economic objectives in public economics and *siyasah shar'iyah* differ due to their underlying principles, ethical foundations, and the overarching objectives they seek to achieve. Public economics focuses on promoting economic efficiency and market stability while maximizing overall welfare within a market economy. It emphasizes government intervention, where necessary, to address market failures, maintain price stability, and promote full employment. Public economics largely draws from utilitarian concepts, and the role of government is guided by considerations of economic efficiency and utility maximization (Hindriks & Myles, 2013).

In contrast, *siyasah shar'iyah* derives its economic objectives from the revelation and *ijtihad* of scholars, which primarily emphasizes on fulfilment of the rights of rulers and people and induction of *maslahah* in economic matters. *Siyasah Shar'iyah* seeks to align economic policies with Islamic values and should address social needs based on the levels of priorities based on *maqasid shari'ah* framework. While economic efficiency remains an objective, it operates within the broader Islamic framework which should not come at the expense of *maslahah*, individual rights, or more important priority levels of *maqasid shari'ah*. Moreover, *siyasah shar'iyah* includes specific objectives related to poverty eradication, social welfare, and environmental sustainability as guided by Islamic values.

The economic tools and policies in public economics are somehow different than those in *siyasah shar'iyah*. In public economics, economic tools and policies typically involve conventional fiscal and monetary instruments aimed at achieving macroeconomic objectives such as economic growth, price stability, and full employment. Fiscal policies include taxation, government spending, and budgetary measures, while monetary policies are centered around controlling the money supply, interest rates, and managing the financial system (Hyman, 2021). These tools are guided by the principles of market efficiency and economic welfare, with a focus on stabilizing markets and promoting overall economic growth.

The economic tools and policies in *siyasah shar'iyah* are grounded in Islamic law and ethics. These tools encompass *zakat* and *sadaqah* (almsgiving), *ghanimah* and *fai'* (spoils of war), *waqf* (endowment), *kharaj* and *jizyah* (tax), public enterprise over natural resources, and the institution of *baitulmal* (public treasury) to manage national wealth according to Islamic values (Kayadibi, 2022). Contemporary Muslim economists include ethical financial instruments that are aligned with Islamic values as a modern economic tool. Formulation of economic policies in *siyasah shar'iyah* is guided by *shura* and *ijtihad* based on revelation and empirical data. The policies aim to promote *maslahah*, economic justice, equitable distribution of wealth, poverty eradication, and adherence to Islamic financial ethics, which prohibit *riba* (usury) and promote fair economic practices. While *siyasah shar'iyah* is also open to fiscal and monetary measures, their implementations and results must conform to Islamic principles.

The shared concerns for social well-being and governance can lead to similarities in addressing economic challenges within the respective frameworks of public economics and *siyasah shar'iyah*. However, their specific principles, guidelines, and methodologies may differ due to their distinct normative foundations. While public economics is largely secular and relies on economic theory and empirical analysis, *siyasah shar'iyah* derives its principles from Islamic jurisprudence and ethics.

Conclusion

This paper explores the similarities and differences between public economics and *siyasah shar'iyah* in terms of the basis, economic goals and roles of the government, and the main themes in taxation

principles. In public economics, the arguments for the presence of a government linger mostly around market imperfections that adversely affect its ability to produce efficient and equitable outcomes from the interaction between different economic agents. Meanwhile, the establishment of a government in *siyasah shar'iyah* is due to the fact that it is impossible for human to perform their duties and fulfill their rights without a government.

The economic goals of a government in public economics include efficient allocation of resources to optimize social welfare, seek the optimal balance between efficiency and equity in distribution, regulate the market to create a fair competition and address market failures, ensure environmental sustainability, and prudent fiscal management. It also includes the three common macroeconomic goals, which are economic growth, full employment, and price stability. Meanwhile, the economic goals of a government in *siyasah shariyyah* involve promoting social welfare, managing public revenue and public expenditure based on the levels of priorities guided by *maqasid shari'ah*, equitable distribution of wealth and poverty eradication, and supervision of market to ensure fair and honest transactions, justice, equity, and the overall well-being of society.

The principles of taxation in public economics revolve around efficiency, equity, revenue sufficiency, neutrality, and administrative feasibility. Efficiency seeks to minimize the economic distortions caused by taxes, ensuring that resources are allocated optimally. Equity demands a fair distribution of the tax burden, with the goal of ensuring that individuals contribute proportionally to their ability to pay, while revenue sufficiency ensures that tax revenues are adequate to fund public services. Neutrality emphasizes that taxes should not influence economic decisions, and administrative feasibility addresses the practicality of implementing and collecting taxes.

The guiding principles of taxation in *siyasah shar'iyah* are that the taxation system must be just and fair, neither exploitative nor oppressive, prioritize public services funding, transparent and accountable, and redistribute wealth effectively. Meanwhile, the principles of taxation in *siyasah shar'iyah* include justice, prohibition of manipulation, prohibition of exploitation, adequate funding of public service, transparent and accountable taxations, and effective redistribution of wealth.

There can be similarities between public economics and *siyasah shar'iyah* due to their common focus on social well-being and governance. Both aim to address economic issues within a framework that considers ethical and social values. While public economics focuses on the role of government in achieving economic objectives, *siyasah shar'iyah* provides guidance on ethical governance aligned with Islamic principles. The differences between public economics and *siyasah shariyyah* arise primarily from their distinct theoretical foundations and normative frameworks. Public economics is a branch of economics rooted in mainstream economic theories and often guided by secular principles, focusing on the role of government as an economic agent in a market economy. *Siyasah Shar'iyah*, on the other hand, is based on Islamic jurisprudence and ethics, emphasizing adherence to Islamic principles and values in governance and management of public wealth.

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