

# BAQIR AL-SADR AND THE FOUNDATIONS OF ISLAMIC ECONOMICS AS AN IDEOLOGICAL SCHOOL OF THOUGHT: A REFLECTIVE INTERPRETATION THROUGH WILHELM DILTHEY'S HERMENEUTICS

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## Abstract :

*This study aims to analyze Muhammad Baqir al-Sadr's economic system of thought, particularly in developing a distinctive conceptual framework for Islamic economics based on sharia principles. The type of research used is qualitative with a case study approach, which serves to gain an in-depth understanding of al-Shadr's ideas, concepts, and contributions to Islamic economics. Secondary data was obtained through a literature study of al-Sadr's main work, Iqtishaduna, and analyzed using descriptive-analytical methods with Wilhelm Dilthey's hermeneutic theoretical framework. The findings show that al-Shadr defines Islamic economics as an ideological school of thought and normative doctrine that is fully integrated into the structure of Islamic teachings, not merely an empirical science. The system he built is based on three main pillars: dual ownership (private and public), economic freedom limited by sharia, and the enforcement of social justice principles, which are realized through takaful ijtimai' and tawazun ijtimai'. Al-Shadr rejected the views of Capitalism and Marxism on economic issues, stating that the real root of economic problems lies in human greed and unfair distribution, not in the scarcity of resources. Methodologically, his criticism of Historical Materialism is understood as a rejection of attempts to apply the reductionist Erklären (explanatory) method to the human sciences. Finally, Al-Sadr's process of Iktishāf (discovery) of Islamic economic theory – which moves from legal details (furū) to general theoretical principles (al-qā'idah al-'āmmah) – is in line with Dilthey's concept of Seminal Decision as a methodological reconstruction to reveal the systematic coherence of Sharia.*

**Keywords :** Sayyid Muhammad Baqir al-Sadr, Islamic Economic System, Seminal Decision Reconstruction

## INTRODUCTION

Islamic economics is a branch of economics based on Islamic principles and teachings, both in theory and practice. This term refers to economic activities and processes based on Islamic values, which encompass both material and spiritual aspects of individual and social life. In its development, Islamic economics has a distinctive methodological approach and philosophical foundation that distinguishes it from other economic systems. The Islamic economic system is built on a philosophical framework that is in harmony with Islamic principles and integrated with the social and political aspects of people's lives. The main sources of Islamic economics, namely the Qur'an and Sunnah, emphasize that human economic activities must follow the norms established in Islam. Thus, economic behavior in Islam is not only aimed at achieving material



well-being, but must also be in accordance with moral values and the way of life outlined in Islamic teachings (Azadarmaki et al., 2023).

There are several significant differences between Sharia economics and Western-based economics. Sharia economics emphasizes moral and ethical dimensions, where ownership of wealth is not absolute. The Islamic economic system prioritizes socio-economic justice, prevents excessive profit-seeking, and aligns economic activities with religious principles, in stark contrast to the materialistic focus and maximization of economic profit found in Western economics (Jokar & mahdavirad, n.d.).

The emergence of the Islamic economy began as a response to various weaknesses in the Western economic system. The global financial crisis that hit the United States is proof that liberal democracy and capitalism have limitations in creating economic stability (Kato, 2022a). One of the main weaknesses of capitalism is its inability to build an economic system that is resilient to economic and monetary turmoil. The market mechanisms applied in capitalist systems tend to cause wealth to be concentrated only among certain groups, thereby creating social and economic inequality (Foster, 2019). This situation prompted economists and thinkers to seek alternatives that could overcome the shortcomings of capitalism without ignoring its positive aspects. These efforts led to the formulation of a new economic system that combined the advantages of capitalism and socialism. Ultimately, Muslim economists concluded that the ideal economic alternative was an economy based on the principles of Islamic economics (Kato, 2022b).

In addressing problems in the Western economic system, Islamic economists emerged as a response to the weaknesses of capitalism, which tends to be exploitative, and socialism, which denies individual ownership. In the 20th century, Muslim thinkers such as Muhammad Baqir al-Sadr, M. Umer Chapra, Monzer Kahf, and Muhammad Iqbal criticized both systems and offered an Islamic economic model based on Sharia values (Maulana, 2021). Muhammad Baqir al-Shadr, a Shia thinker, wrote a work entitled *Iqtishaduna*. M. Umer Chapra wrote a book entitled *Toward a Just Monetary System*. He is a prominent Islamic economist who was born in Damascus, Syria, in 1940 and wrote *Islamic Economic System*. Muhammad Iqbal, a prominent philosopher, poet, and politician from India, wrote about economics in his work *Ilm al-Iqtisad*. The conclusion of all these Islamic economic thinkers is to emphasize the concept of balanced ownership, fair distribution of wealth, and ethics-based financial mechanisms (Pratiwi et al., 2024).

One of the thinkers in Islamic economics is Muhammad Baqir al-Shadr with his magnum opus entitled *Iqtishaduna*. Studying Muhammad Baqir al-Shadr's thoughts is a must in Islamic economic studies, given his significant contribution in developing a conceptual framework for Islamic economics that is distinct from capitalism and socialism. Al-Sadr, through his work *Iqtishaduna*, offers an economic paradigm based on social justice and balanced ownership between individuals, the state, and society, in accordance with Sharia principles. His thinking is not only normative but also analytical, emphasizing that Islamic

economics has its own principles and mechanisms that differ from conventional systems. Al-Shadr also criticizes exploitation in capitalism and authoritarianism in socialism, offering solutions based on Islamic values. The study of his thoughts is relevant in the development of sharia economics, especially in formulating a financial system and economic policies that are fair and balanced between individual and collective rights (Pratiwi et al., 2024). An analysis of his thinking is important in constructing an Islamic economic model that is applicable and critical of the Western economic system. Therefore, the author will examine Muhammad Baqir al-Shadr's thinking in terms of economic systems by studying his autobiography based on the books he wrote and interpreting them using hermeneutic theory.

## **RESEARCH METHOD**

This research is a qualitative study using a case study approach that aims to analyze Muhammad Baqir al-Sadr's economic system of thought. This approach is used to gain an in-depth understanding of al-Shadr's ideas, concepts, and contributions to Islamic economics, particularly in developing an economic system based on sharia principles. This study uses secondary data obtained through literature review. The main data comes from al-Sadr's works, especially *Iqtisādunā*, as well as books, journal articles, and previous studies discussing his economic thought. The theory used in this study is Wilhelm Dilthey's hermeneutic theory. This theory is useful for revealing (understanding history as a result of inner expression) with al-Shadr's argument that Historical Materialism is wrong because it reduces history to a cause-and-effect mechanism that can be explained (*Erklären*) materially. Data analysis was conducted using a descriptive-analytical method, namely by systematically describing al-Shadr's Sharia economic system and analyzing it in the context of Islamic economics from the aspects of genology and content of the thinking.

## **FINDINGS AND DISCUSSION**

### **Biography of Baqir al-Sadr**

Muhammad Baqir al-Shadr (1935–1980) was one of the leading intellectuals in Islamic economic studies. He was born in Kazimia, Iraq, on March 1, 1935. Al-Shadr died in 1980, murdered by Saddam Hussein's regime along with his sister, Amina al-Sadr (al-Jibouri, n.d.). Baqir al-Shadr is known as a scholar, Islamic jurist, and philosopher from the Shia community. Muhammad Baqir al-Sadr's father, Muhammad Sadiq, was a mujtahid, a theologian qualified to independently determine Islamic legal rulings. His grandfather and great-grandfather were also among the highest religious authorities (*maraji*, singular: *marji*) of their time. On his mother's side, al-Shadr was the grandson of Grand Ayatollah Sheikh Muhammad Rida Al-Ya'sin, a *marji* known as a leading figure in the religious world.

In his religious education, Muhammad Baqir al-Shadr studied at the hawza Islamic educational institution in the holy city of Najaf. At the advanced level of study known as *dars al-kharij*, he studied under a number of great

scholars, including Grand Ayatollah Abul-Qasim al-Khoei and Sayyid Ruhollah Khomeini. By the mid-1970s, al-Shadr had reached the level of mujtahid. Then, in the early 1990s, al-Shadr published a collection of fatwas in the field of Islamic jurisprudence in the form of a risalah amaliyah, which he titled al-Sirat al-Mustaqim or "The Straight Path." The title hints at his aspiration to be recognized as a marji' taqlid, a religious authority who is a reference in the religious practices of Muslims (al-Jibouri, n.d.).

Throughout his life, al-Shadr wrote various influential works, including Iqtisaduna (Our Economy), Bank La Rabbawi Fil Islam (Islamic Banks Without Interest), Taudhihul Masail (Book of Islamic Laws), Durus fi Ilm al-Usul (Lessons in Usul Fiqh), Falsafatuna (Our Philosophy), Al-Usus al-Mantiqiyyah lil-Istiqra' (The Foundations of Inductive Logic), and Buhuth fi 'Ulum al-Qur'an (Studies in the Sciences of the Qur'an) (Furqani, 2019). One of his most monumental works, Iqtisaduna, was written in the late 1950s and first published in 1961. This book has become a reference not only for the Shia sect but also for Muslim scholars around the world (Amirpur, n.d.). This book became the main foundation for the development of modern Islamic economics. Its comparative approach in analyzing capitalism, socialism, and the Islamic economic system had a major influence on many scholars who came after it (Kambali, 2018).

Although he came from a religious background and did not pursue formal education in modern disciplines, al-Shadr demonstrated extraordinary depth of thought. His broad interest in various fields of knowledge such as contemporary philosophy, economics, politics, sociology, history, and Islamic law proves his brilliance as an independent thinker. Reading his writings, it is clear that al-Shadr has an original approach and is not bound by the dominance of Western intellectual paradigms.

### **Baqir al-Sadr's Economic Thoughts**

#### **1. Criticism of the Capitalist and Socialist Systems**

In the capitalist economic system, according to al-Sadr, the root of economic problems lies in the assumption that available resources are limited while human needs and desires are unlimited. From the outset, this view has led to various crises, both humanitarian and financial, in various parts of the world. Within the framework of capitalism, individuals tend to become increasingly materialistic, neglecting non-materialistic values such as religion and spirituality. The main goal of society in this system is positioned solely as a means to provide the widest possible freedom in order to fulfill individual interests (Aravik et al., 2022).

In the economic sphere, the freedom offered by capitalism is nothing more than a tool for the powerful to pave the way for capital owners to control all natural resources. Al-Shadr's view is based on the fact that humans naturally differ in terms of physical strength, thinking ability, and willpower. These differences certainly affect the level of opportunity that capital owners have in obtaining freedom in the economic sphere. As a consequence, there will be a sharp imbalance between the powerful and the weak, where the powerful obtain legal legitimacy to control all aspects of the economy. Meanwhile, the weak

group does not receive any protection to maintain its existence and human dignity, because in the capitalist system there are no moral or spiritual restrictions on the freedom of the strong, so that their main focus is solely on the welfare of the capitalists (Joni, 2017).

Muhammad Baqir al-Shadr's criticism of the Socialist System covers several key aspects. First, regarding the principle of class abolition, which is based on the assumption that the existence of classes is the root of corruption in society, as it creates conflict between the haves and the have-nots. By forming a Socialist society, it is hoped that this conflict will disappear. This view, which is rooted in Historical Materialism, states that economic activity is the most fundamental activity in social life, so individual ownership, which is considered the main cause of class formation, must be abolished. The criticism of this idea is that, historically, economic activity and private ownership are not the only foundations for the formation of classes in society. There are other factors, such as military, political, and religious structures, so that the abolition of private ownership is not an effective solution for eliminating class structures. In fact, the possibility of new classes emerging in a socialist society remains open (Joni, 2017).

Second, the principle of dictatorial power is considered unimportant because it is only temporary, with the aim of erasing all traces of capitalism, whether mental, ideological, or social. However, in reality, this power tends to be permanent. This shows that there is a greater goal to be achieved and maintained through dictatorial power, namely to impose economic policy direction on all aspects of society. To achieve this, dictatorial authority that is not subject to any oversight mechanism is required, which ultimately gives rise to oppressive practices, whereby those in power can act arbitrarily with regard to the country's wealth.

Third, the principle of state control over the means of production is based on the scientific view of socialists that the conflict over added value arises from individual ownership of the means of production. Therefore, state control over the means of production is considered an important element that cannot be negotiated in history. However, what happened next was that when the means of production were in the hands of the state, ownership changed to that of the rulers. This is because the essence of ownership is power over wealth and the ability to enjoy it in various forms. When this control is exercised through political power, the welfare of the people, which is used as a justification, is merely a cover, while the real goal is the prosperity of the rulers. This phenomenon has occurred throughout history long before the emergence of Marxism, and therefore, the nationalization of the means of production accompanied by absolute authority will only result in ownership by the rulers alone (Joni, 2017).

## 2. The Concept of Islamic Economics According to Baqir al-Sadr

Al-Shadr's economic thinking shows unique characteristics that distinguish it from other Muslim economists. This difference lies primarily in Al-Shadr's academic background as an Islamic jurist (faqih), which shaped his

distinctive approach to understanding and formulating Islamic economic concepts (Kartika et al., 2025). While figures such as Muhammad Abdul Mannan, M. Nejatullah Siddiqi, Monzer Kahf, Muhammad Umar Chapra, Khurshid Ahmad, and Syed Nawab Haidar Naqvi view Islamic economics through an economic approach that is closer to conventional theories, Al-Shadr articulates Islamic economics as an ideological school of thought that is integrated into the overall structure of Islamic teachings.

For al-Shadr, Islamic economics cannot be simplified as merely an empirical discipline, but rather it is a comprehensive value system, a normative doctrine that regulates fundamental aspects of economic life, based on the principles of social justice taught by Islam. Therefore, according to Al-Shadr, the Islamic economic approach is not aimed at merely understanding economic phenomena as in conventional economics, but at applying Islamic principles in all economic activities of society (Aravik, 2017).

The Islamic economic system, in his view, is a practical manifestation of Islamic teachings that touch on the aspects of production, distribution, and consumption, all of which must operate within the framework of Sharia law. In this sense, only individuals who are committed to Islam can fully implement and represent Islamic economic principles, because this system cannot be separated from the beliefs and values that underlie it.

Al-Shadr explicitly calls on Muslims to make an epistemological distinction between economic systems and economic science. Economic systems are normative constructs that reflect how Islam regulates the economic life of society, while economic science is a means of rational analysis for understanding economic dynamics, which can originate from various theoretical approaches. In the context of Islam, economic science must remain subject to the basic principles derived from revelation. Furthermore, Al-Shadr emphasizes that the Islamic economic system must be studied comprehensively and interdisciplinarily, because it does not stand alone, but is an integral part of the broader Islamic system. In other words, analysis of the Islamic economic system will only provide complete results if it is built on a solid Islamic worldview framework. This shows that the basic concepts in Islamic economics are fixed (tsabit), but their application can be flexible and contextual in line with the times. According to Al-Shadr, several main principles that form the pillars of the Islamic economic system are the recognition of various forms of ownership, individual freedom in responsible economic activities, and the enforcement of justice in the distribution of wealth. Islam gives the state, as wali al-amr, the space to take on a strategic role in filling the technical operational gaps in the economic system.

In terms of terminology, Al-Shadr also made an important contribution by proposing the use of the term *iqtishad* as a substitute for the word "economy." The term *iqtishad*, which comes from the root word *qasada*, has the meaning of balance and moderation, and is not merely a literal translation of the Western concept of economics. This choice of term is motivated by the reality of unequal distribution of economic resources in society, where a small group lives in abundance, while the majority lives in poverty and lacks access to decent

employment opportunities (Aravik, 2017).

a. General Structure of Islamic Economics

Within the framework of Islamic economic thought, Baqir al-Shadr formulated that the Islamic economic system is built on three main pillars, namely dual ownership, limited economic freedom, and the principle of social justice. According to him, the Islamic economic structure cannot be equated with a combination of capitalism and socialism. Al-Shadr firmly rejects the notion that the Islamic economic system is a compromise between these two major economic systems. Islam does not adopt the capitalist principle that emphasizes private ownership as the main principle, nor does it accept socialism, which makes public ownership the main foundation. In al-Shadr's perspective, both private and public ownership originate from the ideological views and basic beliefs of Islam itself. Ownership in the Islamic economy is not merely a practical choice, but a logical consequence of the underlying Islamic creed. To fully understand the existence of these two forms of ownership, it is important to examine the relationship between individual rights and the role of the state within the framework of Islamic law and ethics. With this approach, al-Shadr successfully affirms the identity of the Islamic economy, which is substantially different from both capitalism and socialism.

The second aspect of Islamic economic structure is freedom of enterprise within certain limits. Al-Shadr explains that Islam does not grant individuals absolute economic freedom, but rather sets limits based on Islamic moral and spiritual values. He identifies two types of restrictions: internal (personal) restrictions and external (objective) restrictions. Personal restrictions arise from within the individual as a result of the internalization of Islamic ideological and spiritual values instilled through education and guidance. Al-Shadr notes that in the early days of Islam, this form of restriction was significantly effective in shaping the behavior of Muslim society. Meanwhile, objective restrictions originate from the Islamic normative system, which asserts that individual freedom cannot be used to engage in activities that contradict Sharia law. Al-Shadr mentions that Sharia explicitly prohibits certain economic practices, such as usury and monopoly, which are considered contrary to Islamic values of justice. In addition, rulers in Islam (*wali al-amr*) have the authority to regulate and supervise economic activities in order to maintain the public interest. However, this authority does not mean that rulers can change halal laws to haram or vice versa. They can only regulate activities that are essentially permissible to suit the needs of society and the objectives of Sharia law. In this case, al-Shadr refers to the practice of the Prophet Muhammad, who intervened in the regulation of public resources such as water and pastures to ensure fair distribution within society (Al-Sadr, 1987).

The third pillar of the Islamic economic system according to Baqir al-Shadr is the principle of social justice, which is manifested in a fair and equitable distribution of wealth. Social justice in the Islamic perspective, as explained by al-Shadr, has a broad meaning and is a central element in every aspect of economic life. Its main objective is to create a better and more just social order.

Al-Shadr argues that the form of social justice in Islam is based on two main principles: first, the principle of *takaful ijtimai* (mutual social responsibility), which affirms the obligation of every Muslim to help others in need; and second, the principle of *tawazun ijtimai* (social balance), which emphasizes the state's responsibility to reduce social inequality by ensuring a balanced standard of living among the people. Through these two principles, Islamic economics seeks to create a social order that is not only oriented towards efficiency, but also towards equity and justice. The application of this principle of social justice can be seen in the early steps taken by the Prophet Muhammad when he established the community of Medina, where he built a system of *ukhuwah* (brotherhood) between the Muhajirin and the Anshar. This initiative reflects the practical application of the principle of mutual social responsibility as the foundation for building a solid and just society within the framework of Islamic values. (Aravik, 2017).

b. Islamic Economics as Part of the Overall System

In Baqir al-Shadr's view, Islamic economics is not a separate entity, but rather an integral part of the overall Islamic system that encompasses the dimensions of faith, society, and politics. Each element in this system is closely and interrelated, so that separating one element from the whole will cause serious distortions in the economic practices of Muslims. Therefore, al-Shadr emphasizes that the study of Islamic economics should not be done partially, but must be understood within a systemic framework as part of the overall structure of Islamic teachings.

Islamic economics is rooted in the Islamic belief system, which provides a spiritual and ethical foundation for all economic activities, while also establishing a close relationship with the spirit of brotherhood among the *ummah*. This interconnection is not only normative, but also operational in shaping patterns of social interaction and resource distribution. Similarly, the relationship between Islamic economics and the Islamic political system is fundamental, with both reinforcing each other in achieving the objectives of Sharia (*maqasid al-syari'ah*). Al-Shadr explains that separating these two systems will result in a misunderstanding and may thwart the achievement of the ideals that both seek to realize.

In the context of an Islamic state, political authorities play an important role in implementing economic policies that are oriented towards social justice and public welfare. The close relationship between Islamic economic doctrine and state fiscal policy makes financial policy a practical manifestation of Islamic economic principles. Economic policy design in Islam is structured to achieve the main objectives of the Islamic economic system, namely to create social balance through the principle of mutual responsibility between individuals and to guide society towards meaningful spiritual and material development.

One concrete example of the interconnection between elements in the Islamic system is the prohibition of usury. According to al-Shadr, understanding the prohibition of usury separately from other Islamic principles and systems will only lead to complexity and confusion in its application. However, if this

prohibition is analyzed as an integral part of the interconnected Islamic system as a whole, it will become apparent that Islam offers a systemic and rational solution to the problems arising from this prohibition. Therefore, comprehensively understanding Islamic economics within the framework of Islam's overall teachings is an absolute requirement for realizing an economic system that is not only fair and sustainable, but also in harmony with the transcendental values that form the foundation of Islamic civilization (Janwari, 2016).

c. General Framework of Islamic Economics

Baqir al-Shadr viewed Islamic economic doctrine as having unique characteristics that distinguish it from other economic systems, namely its deeply ingrained religious nature. Islam, in its approach to various dimensions of human life, always links worldly aspects with transcendental values, namely the relationship between humans and God and the orientation towards the afterlife. This framework provides a normative basis that enables Islam to form a social system that seeks to realize the general welfare of humanity in a holistic and sustainable manner. In his concept, al-Shadr groups human interests into two main categories: natural (individual) interests and social (collective) interests. He asserts that in order to realize these two types of interests, two basic conditions are necessary: first, humans must have knowledge and awareness of these interests; second, humans need to have sufficient motivation to realize them.

However, in social reality, conflicts between personal interests and public interests often arise. For example, livelihood guarantees for unemployed workers are often considered contrary to the interests of wealthy groups who feel disadvantaged by such redistribution mechanisms. Similarly, land nationalization policies for the collective good often clash with the interests of capital owners who want to maintain their dominance. Recognizing this reality, al-Shadr emphasizes the need for mechanisms that can bridge these two conflicting interests.

According to him, this problem cannot be completely solved through a scientific approach alone. This is because, in al-Shadr's view, science is descriptive in nature and only serves to reveal reality, not to determine moral choices regarding that reality itself. He also criticizes Marxist doctrine, which he considers to have failed to provide philosophical and scientific solutions to this conflict of interest, because it lacks a solid moral foundation. Furthermore, al-Shadr believes that social institutions such as the state cannot be fully relied upon to resolve this issue, because the actors in positions of authority within the power structure are often trapped in their own individual interests.

From this, al-Shadr concluded that the only entity capable of providing a solution to the conflict between personal and social interests is religion. Only religion has the normative and spiritual capacity to create a meeting point between these two poles of interest. Religion not only offers a new orientation in life, but also instills noble values that teach humans to willingly sacrifice some of their personal interests for the benefit of others. Religion instills in individuals a paradigm of gain and loss that transcends materialistic calculations, by

introducing the spiritual meaning of every social action. Through its teachings, religion shapes personalities that are ready to bear the burden of sacrifice for the collective interest, and in that sacrifice, they actually obtain inner satisfaction. Thus, religious teachings instill high social solidarity values and guide individuals to actively contribute to building a just, civilized society oriented towards mutual prosperity (Janwari, 2016).

d. Islamic Economics is not a Branch of Science

In Baqir al-Shadr's view, economics has two fundamental dimensions, namely the scientific dimension and the doctrinal dimension. The scientific dimension focuses on the study of economic life, including analysis of empirical economic events and phenomena. Meanwhile, the doctrinal dimension reflects society's normative choices in conducting its economic life and in responding to various practical issues that arise. Al-Shadr emphasizes that Islamic economics essentially only contains the doctrinal side, namely as a form of the path chosen by Islam in regulating economic life, not as an interpretive instrument for economic phenomena. Islamic economics is an integral part of the overall teachings of Islam, which not only regulate ritual aspects but also the economic system, as well as other dimensions of human life. Its purpose is not merely to explain reality but to form a harmonious system of life in accordance with Sharia values, including in the economic aspect, which aims to transform a corrupt structure of life into one that is more just and meaningful (Janwari, 2016).

In an effort to build the scientific foundation of Islamic economics, al-Shadr proposed two approaches to explaining economic events scientifically. First, the inductive approach, which involves collecting empirical data from the reality of economic life and then systematically organizing it to examine the laws that govern economic operations. Second, the deductive approach, which begins with certain principles accepted as normative facts, then formulates a theoretical framework that leads to an explanation of economic events and the workings of economic mechanisms. According to al-Shadr, the first approach cannot be fully used by Muslim economists because there is no Islamic society that fully practices economic life based on pure Sharia principles (Janwari, 2016).

e. Distribution of Wealth According to Islam

The most fundamental economic wealth is natural resources. Inequality in the distribution of economic wealth stems from the issue of ownership of these resources. Based on this, humans suffer deeply as a result of the capitalist and socialist systems. Capitalism emphasizes the absolute fulfillment of individual rights while ignoring the interests of society, while socialism sacrifices individual rights for the sake of collective interests. As an alternative, Islam offers a framework for equitable distribution in the context of Islamic society, guaranteeing both individual and community rights. In order to understand the right to ownership of natural resources according to Islam, Baqir al-Shadr developed a theory of wealth distribution of these resources. Baqir al-Shadr developed this theory through two main stages, namely the pre-production stage and the post-production stage.

In developing his theoretical framework, Baqir al-Shadr rejected the views

of political economists who included capital and labor as components of economic resources. According to him, capital is wealth that has been produced, not an original source of production. Meanwhile, labor is considered an abstract and intangible element, so it cannot be classified as private or public property. Furthermore, nature is categorized into four types, namely land, mineral wealth, natural rivers, and other natural resources such as living creatures in the air, sea, and land. In Baqir al-Shadr's view, the rightful owners of natural resources are the community or the government as representatives of the community. An individual can obtain special rights to utilize natural resources if they can contribute to their development. However, the use of individual power or strength to control natural resources cannot be considered a form of legal ownership, because legal ownership can only be obtained through real contributions in the form of human labor.

The theory of post-production distribution in Islamic economics grants individuals private ownership rights over wealth generated through their own labor, including ownership of the material means of production and equipment used in the production process. If the means of production are owned by individuals who are not directly involved in production, then the legal owners of these means are only entitled to receive payment for their use. According to Baqir al-Shadr, there is a fundamental ideological difference between the capitalist system and Islamic teachings regarding ownership of the means of production. Capitalism recognizes the owner of the means of production as the sole owner of the commodities produced, while Islam only grants ownership rights to the workers who directly produce those commodities. In the capitalist view, the means of production receive a share of the proceeds because of their role in the production process, just as human labor is considered a production cost. In contrast, in Islam, the means of production only serve as a means to facilitate the production process, so they are only entitled to compensation in the form of rent, not a share of the profits. Thus, Baqir al-Shadr emphasizes that in the capitalist view, humans are positioned only as complementary tools of production, not as the main purpose of the production process (Janwari, 2016).

Baqir al-Shadr's post-production theory can be summarized as follows: if a person works on production materials that were not originally owned by anyone else, then the wealth produced becomes the sole property of that individual. In this case, every other element involved in the production process is positioned as a worker who receives wages for the services provided, not as a partner in the production venture. However, if the production materials were previously owned by another individual, then in this case the wealth remains the property of that individual based on the principle of "stability of ownership," which stipulates that private ownership remains valid even if there are changes or transformations to the wealth (Janwari, 2016).

f. Economic Issues from an Islamic Perspective

According to Baqir al-Shadr, every economic system believes that there are fundamental problems in the human economy that need to be solved. Capitalism believes that the main problem lies in the limited nature of natural

resources, whose availability is considered insufficient to keep pace with the development of civilization. Similarly, Marxism argues that economic problems stem from the incompatibility between the form of production and the relations of distribution. However, Islam, as emphasized by Baqir al-Shadr, does not agree with either of these approaches. According to him, the real problem does not lie in the scarcity of natural resources, nor is it caused by a disharmony between the structures of production and distribution. Rather, the root of the problem lies within human beings themselves (Janwari, 2016).

Baqir al-Shadr stated that the economic problems mentioned above are imaginary. Al-Shadr argued that Allah SWT, as the Creator of mankind, certainly knows all human needs, so Allah SWT has provided everything necessary to meet those needs. Thus, the main problem in economics does not lie in the availability of natural resources, but in human behavior itself, which is the cause of economic problems (Janwari, 2016).

Al-Shadr believes that economic problems arise due to unfair and unequal distribution caused by an economic system that allows the powerful to exploit the weak. Individuals or groups with greater access to resources will become richer, while poor communities without access to resources will become weaker (Al Hakim, 2019). Therefore, economic problems actually arise because of unlimited human greed, not because of limited resources.

As explained in the Qur'an, Allah SWT has created everything that humans need and that is beneficial to their lives in this world, and has bestowed upon them sufficient resources to meet their material needs. However, humans themselves have lost this opportunity due to their deviant behavior and their inability to be grateful for the blessings of Allah as the Creator (Janwari, 2016).

### **Reconstruction of Sayyid Muhammad Baqir al-Sadr's Seminal Decision in Formulating the Islamic Economic System in the Book *Iqtisādunā***

#### **1. Epistemology in the Humanities: Evaluating Al-Shadr's Criticism of Historical Materialist Determinism through Dilthey's Dichotomy of Understanding and Explaining**

Dilthey's philosophical project was rooted in the urgent need to define the scientific status of the *Geisteswissenschaften* (human sciences, including the humanities and social sciences) as a discipline distinct from the natural sciences (*Naturwissenschaften*). Historically, hermeneutics arose when a major movement made the understanding of singular historical phenomena an urgent scientific necessity, and Dilthey aimed to expand its scope to encompass all operations of the human sciences. In this endeavor, he sought to develop an empirical but anti-positivistic theory of history, based on the methodological opposition between the explanatory approach of the natural sciences and the understanding approach of the human sciences. Dilthey's distinction between *Verstehen* and *Erklären* was not intended to exclude explanation from the human sciences entirely, but to limit its scope within the appropriate context. His goal was to show the possibility of knowing the nexus of the historical world and finding the means to realize it. (Dilthey, 1996).

Within Dilthey's framework, the main task of the humanities is *Verstehen*

(understanding) (Nasution, 2022). Understanding (Verstehen) is defined as the process whereby, from the objectification of psychic life given through the senses, that psychic life can be known conceptually (Dilthey, 1996). This process of understanding is fundamental to all further operations of the human sciences, in which any abstract proposition must be justified through its connection to mental activities given in lived experience and understanding (Dilthey & Betanzos, 1988). On the other hand, natural science seeks explanations (Erklären), which usually means reducing specific examples to general causal laws. However, when general insights are consciously and methodically applied to bring singular things to comprehensive knowledge, the term “explanation” finds its proper place in the knowledge of singular things, provided that we realize that singular things must never be completely submerged by universal things (Dilthey, 1996).

Sayyid Muhammad Baqir al-Shadr’s criticism of Historical Materialism in *Iqtisādunā* can be seen as a rejection of Materialism’s attempt to apply the Erklären method in a dominant and reductionist manner to the human sciences. Al-Shadr emphasizes that historical events, as part of the totality of cosmic events, are subject to the principle of causality (al-‘alliyah), which requires every event to have a cause (Al-Sadr, 1987). However, al-Shadr criticized Historical Materialism for claiming to have discovered general scientific laws (al-qawānīn al-‘ilmiyyah al-‘āmmah) that control human history, which he believed reduced history to a deterministic mechanism based on the development of productive forces. This Historical Materialism approach places economic factors, the forces hidden in the means of production, as the main cause (al-qūwah al-ra’isiyyah) and the first pioneer (al-rā’id al-awwal) of society and history. By seeking universal causal laws that can predict events, Historical Materialism acts in accordance with the Erklären model, which seeks fixed laws in the flux of phenomena, similar to the positivist efforts rejected by Dilthey.

Al-Shadr opposes this mechanistic view by pointing out that Historical Materialism fails because al-Shadr cannot adequately explain the role of ideal factors, such as speculative ideas (al-afkār al-ta’ammuliyyah) and individual factors, in determining the course of history. Al-Shadr argues that human views and ideas are not subject to chance (al-mušādafah), but rather to events that are subject to certain causes and laws. However, these ideas cannot be considered the ultimate cause of historical and social events (Al-Sadr, 1987). Conversely, Historical Materialism, which attempts to set aside ideal factors, ultimately cannot maintain its position without relying on a shallow idealistic interpretation of history. Even if it is acknowledged that Historical Materialism seeks to find the main cause outside of ideas and social relations, in the end al-Shadr can only point to the forces of production, so that Historical Materialism creates a “vicious circle” (ḥalqah mufrighah) in the explanation of history that has already been discussed by the idealists.

Here, Dilthey provides an epistemological framework to validate Al-Shadr's position, namely by shifting the focus from Erklären to Verstehen. Dilthey emphasizes that knowledge about individuals—individual authors, works, or actions—is at the core of human sciences, and that understanding

involves a process of re-creation in the researcher's mind (Dilthey, 1996). By rejecting the absolute determinism of Historical Materialism and emphasizing the role of scientific ideas, religion, and individual actions, Al-Shadr implicitly defends the need for a methodology capable of understanding agency and purpose (al-ghāyāt) that cannot be reduced to rigid causal laws. Dilthey believed that in the moral domain, where individuals have responsibility and make choices, everything can in principle be understood, because understanding is related to knowledge of the agency we have in moral affairs (Zoller & Philosophy Documentation Center, 2016).

Therefore, Dilthey's framework allows us to interpret Al-Shadr's critique as a methodological project that aims to establish history as a domain of *Verstehen*, which seeks to reveal the "inner core" of human actions and expressions of life, as opposed to Historical Materialism's attempt to reduce events to externally explainable laws. Strong evidence of Al-Shadr's support for the role of ideal factors is shown in his argument that scientific discoveries (such as the secrets of the atom) by a nuclear scientist in Nazi Germany a few months earlier could have changed the course of history decisively, and that this was not caused by economic circumstances, but by scientific thought factors (Al-Sadr, 1987). Thus, Al-Shadr's criticism of Historical Materialism is not merely an ideological or theological refutation, but also a coherent epistemological demand to recognize the unique nature of historical and social reality, which requires a complex method of understanding (*Verstehen*) that acknowledges human freedom, creativity, and individuality.

## 2. Reconstruction of Seminal Decisions: Dilthey's Hermeneutics in Revealing the Process of *Iktishāf* in Islamic Economic Theory

This discussion aims to analyze the process of *Iktishāf* (Discovery) of the Islamic economic system carried out by Sayyid Muhammad Baqir al-Shadr through the lens of Dilthey's methodology, particularly the doctrine of (Seminal Decision), as a basis for interpretation that goes beyond mere textual analysis. Al-Shadr himself explicitly distinguishes his work as "*amaliyyat al-iktishāf*" (the process of discovery), which contrasts with "*amaliyyat takwīn*" (the process of creation or formation) carried out by Capitalist and Socialist thinkers. (Al-Sadr, 1987). This fundamental difference requires an interpretive methodology capable of reconstructing the inner unity or hidden basic tendencies, a task that is fundamentally in line with Dilthey's psychological hermeneutics. The process of discovering Al-Shadr requires a reverse line of thinking, moving from legislative details (*furū*) to general theoretical principles (*al-qā'idah al-'āmmah*), and therefore requires a framework that can unite these fragments into a coherent whole.

Dilthey's philosophy inherently provides epistemological justification for this reconstruction effort through psychological interpretation, which Dilthey positions as one of the two main aspects of interpretation, in addition to grammatical interpretation. Psychological or technical interpretation views a work as a unity of individual spiritual actions and aims to understand the work as a whole genetically. The goal is not merely to understand words or

grammatical rules, but to penetrate the “inner core” of human action, which Dilthey believed contained hidden meanings and purposes (Lessing, 2018). This approach is the result of a philosophical movement that views interpretation as a process of reconstructing constructive actions or original creations achieved by the creative mind. Thus, when Al-Shadr sought to discover theories that were not directly expressed, he performed a rigorous hermeneutic task to reveal the spiritual activities underlying these legal texts.

The core of psychological interpretation within Dilthey's framework is the Seminal Decision or “seed of decision,” which is the fundamental idea that unifies an author's entire work (Tappan, 1997). Dilthey understood that works of genius arise from a single impulse that binds the entire work together, and that the reconstruction of a work must begin with an understanding of the unity of material and form that exists in the seed of decision (Dilthey, 1996). In Al-Shadr's case, the seed of the decision was not a conscious decision to write the work, but rather the basic idea underlying the systematic coherence of Sharia as a whole – something that needed to be revealed by the interpreter. Dilthey's hermeneutics allow researchers to uncover the “unconscious nexus” operating in the overall organization of the work, a concept that is perfect for applying to Al-Shadr's search for the basic principles (al-qawā'id al-'āmmah) that are not explicitly articulated in Islamic law.

The process of Al-Shadr's interpretation methodologically reflects the hermeneutic circle described by Dilthey and Schleiermacher, in which the parts are understood based on the whole, and the whole is understood through the parts. Al-Shadr explains that because Islamic economic schools of thought do not have explicit formulas such as those found in Adam Smith, Islamic economics must trace its impact on the “superstructure” (such as contract law, rent, and partnership) to find its theoretical “foundation” (Al-Sadr, 1987). Therefore, *iktishāf* requires Al-Shadr to perform *'amaliyyat tarkīb* (a process of synthesis/composition) between various legal provisions, in which each provision is viewed as part of an interrelated whole, in order to ultimately reveal the general principles that emanate from the entire structure. Without this synthesis process, merely presenting fragments of law would not be sufficient for the discovery of an integrated and coherent school of thought.

The application of Seminal's decision to Al-Shadr's work makes it possible to shift the focus from analyzing what is written to reconstructing why the legal system exists, which is the main goal of psychological interpretation. In Dilthey's hermeneutics, the ideal interpretive process begins with a flexible hypothesis (*Ahndung*) about the overall coherence of the work, which is then narrowed down through detailed analysis, similar to how production begins with the Seminal Decision (Financy & Fitzgerald Kennedy Sitorus, 2024; Nasution, 2022). In this way, Dilthey's psychological interpretation provides methodological justification for Al-Shadr when Al-Shadr hypothetically constructs a structure for Islamic law in order to discover the fundamental rules that bind everything together.

The culmination of Dilthey's hermeneutics is the principle that its primary

goal is “to understand an author better than the author understands himself” (Financy & Fitzgerald Kennedy Sitorus, 2024). Al-Shadr, in his process of *iktishāf*, essentially applies this principle to Sharia; by reuniting and reconstructing the coherence scattered throughout the texts of Sharia, al-Shadr reveals an integrated theory of Islamic economics, which may never have been explicitly articulated in a single text by other authors of economic systems (Karl Marx and Adam Smith). This process required Dilthey to reformulate hermeneutics as an epistemological and reflective task to discover the foundations of the human sciences, because understanding of the singular must be elevated to the level of universal validity. Thus, the success of Al-Shadr’s discovery, which resulted in a complete, integrated, and consistent theory (*kāmilah munşajamah*) with its legal structure, demonstrates the triumph of the reconstructive methodology developed by Dilthey.

Dilthey’s Seminal Decision Framework serves as a scientific tool for overcoming the unique challenges faced by Al-Shadr in *Iqtishādunā*. Given that Dilthey expanded hermeneutics from a mere set of philological rules into a fundamental analysis of what enables understanding in the human sciences, his approach validates Al-Shadr’s efforts. This transforms the task of discovery (*iktishāf*) from what initially appears to be speculative compilation into a rigorous methodological reconstruction of the internal meaning or seeds of decision that underlie the entire edifice of Islamic law, thereby ensuring the objective validity of the rediscovered theory, even though the process begins from the details to the fundamentals.

## CONCLUSION

Sayyid Muhammad Baqir al-Shadr's economic thinking, as presented in his monumental work *Iqtishaduna*, offers an economic paradigm based on social justice that is distinct from conventional systems such as capitalism and socialism. Al-Shadr explicitly defines Islamic economics as an ideological school of thought and a normative doctrine that is fully integrated into Islamic teachings, rather than merely an empirical science or branch of science. Al-Shadr argues that the Islamic economic system is founded on three main pillars, namely dual ownership (private and public), economic freedom limited by Sharia values, and the central principle of social justice (*takaful ijtimā'i* and *tawazun ijtimā'i*). Al-Shadr criticizes capitalism for its exploitative and materialistic nature, which tends to ignore the moral dimension and leads to the concentration of wealth among certain groups. Meanwhile, Al-Shadr criticizes socialism for its failure to eliminate class, giving rise to authoritarianism and transforming state ownership of the means of production into ownership by the rulers. In Al-Shadr’s perspective, the real economic problem is not the scarcity of resources, but lies in greedy human behavior, which results in an unfair and uneven distribution of wealth. Thus, the Islamic economic framework developed by al-Shadr emphasizes the concept of balanced ownership and ethical-based financial mechanisms to achieve social equilibrium in harmony with transcendental values.

A reflective analysis of Al-Shadr's efforts in formulating an Islamic economic system can be deeply understood through the lens of Dilthey's hermeneutic methodology, particularly the dichotomy between *Verstehen* (understanding) and *Erklären* (explaining). Al-Shadr's criticism of Historical Materialism is seen as an epistemological rejection of the reductionist application of the *Erklären* method in the human sciences, where history is reduced to a mechanism of material cause and effect. Al-Shadr argues that Historical Materialism fails because it cannot explain the role of ideal factors, such as speculative ideas and individual factors, in determining the direction of history, so Al-Shadr implicitly defends the need for a methodology capable of understanding human agency and purpose. Proses penemuan (*Iktishāf*) Al-Shadr terhadap teori ekonomi Islam sangat relevan dengan interpretasi psikologis Dilthey, yang bertujuan merekonstruksi kesatuan spiritual individu dengan bergerak dari rincian hukum (*furū*) menuju asas teoretis umum (*al-qā'idah al-'āmmah*). The core of this psychological interpretation is Dilthey's concept of Seminal Decision (seed of decision), which provides methodological validation for Al-Shadr to reveal the basic ideas that bind the systematic coherence of Sharia as a whole. Thus, *iktishāf* is not merely speculative compilation, but a rigorous methodological reconstruction of the internal meaning underlying the structure of Islamic law. Al-Shadr's success in reuniting and reconstructing the coherence scattered throughout the texts of Sharia demonstrates the achievement of hermeneutics' goal of producing a unified, complete, and consistent theory of Islamic economics, which is written in *Iqtisādunā*.

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