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## **Price Control, Islam, Consumerism and Pakistan**

**Tariq Mahmmod Niazi and Noor-ud-Din Jami, Ph.D.**

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### **Abstract**

This article is about the complex phenomenon of price control. In this article, price control in Islam, Consumerism and suitable strategy for price control for Pakistan are discussed. In this article some economic scholars' views on price control and justice in economic activities are also briefly discussed to show the importance of maintaining a fair economic system. In it, causes behind the high prices in Pakistan are also discussed. In the end, suitable price control strategy and active consumerism is also presented.

The concept of price is generally considered in relation to money. Originally, barter system in which good were exchanged for othe goods was in practice. Late on coins and currency notes came to be used. However, questions arose as to the ratio using which good should be exchanged. The quantity of one commodity was actually the price of the quantity of the other commodity. In this process, one commodity got more goods than the other commodity under exchange. This usually happened there was a high demand or less supply or various types

Language in India [www.languageinindia.com](http://www.languageinindia.com)

12 : 4 April 2012

Tariq Mahmmod Niazi and Noor-ud-Din Jami, Ph.D.

Price Control, Islam, Consumerism and Pakistan

of goods for daily use. This was actually price of the things in terms of things rather than using coins or notes which were not used for exchanging and even not were invented at that time.

But after the introduction of coins and notes, purchasing or selling of goods became easier for the sellers and for the buyers. Now you can get the things just dialing the sellers' phone numbers but it depends on your personal business, reputation or status.

### **The Meaning of *Price***

First, we see the literal meaning of the price:

Price (n) a. The amount of money, etc. asked or paid for something; cost. b. Value or worth. c. The cost, as in life, labour, etc. of obtaining some benefit.

Price (v) Priced, Pricing: a. To fix the price of b. To find out the price of.

Priceless (adj) of inestimable value, invaluable price. (1)

The word *price* may have been derived from *pice* (2) or *pice* may have been derived from *price*. In Arabic for price control, the word *Tasi'r* is used which is derived from *sa'r* (3). Anyhow, we present the definition of price as under:

Price is an expression of the consensus on the values of different things and every society that permits exchanges between people has prices. Because prices are expression in terms of widely acceptable commodity, they permit a ready comparison of the comparative values of various commodities. A system of prices exists between individual prices, are related to each other. (4)

### **Price Control**

The price control has always remained a complex phenomenon both in developed and developing economies. Supporters of free economies argue that market mechanism determines the price level on the basis of demand and supply. Chronic shortages and surplus can be avoided by following this rule as demand and prices direct production. The economic consequence of government price control is economic disruption and price control is a form of public theft too. (5)

### **Price Control in Islam**

Islam has given a complete code of ethics for trade. Study any book of tradition of the Prophet and you will always find a permanent portion therein pertaining to transaction. The

Language in India [www.languageinindia.com](http://www.languageinindia.com)

12 : 4 April 2012

Tariq Mahmmod Niazi and Noor-ud-Din Jami, Ph.D.

Price Control, Islam, Consumerism and Pakistan

Prophet laid down set rules and regulations which leave no scope for any kind of black marketing, profiteering, hoarding, exploitation or treachery. (6)

The famous Hadith which is quoted against the price control also mentions Sunnan Abu Dawood is as under: (Translation of Hadith)

“Narrated Ans that once the price of some commodities rose up in Madinah during the life time of the Holy Prophet (P.B.U.H). The people said; O Prophet of Allah, the prices have gone high; kindly fix up the prices (of commodities in the market) for us. The Prophet replied: verily Allah Himself is the one Who fixes up the prices: He is the one who curbs production and brings commodities to us in less quantities; He is the one who sometimes makes us produce the commodities in great quantities; He is the one who feeds us with provision”. (7)

To control the price or to fix prices, muhtasib should get the information about the prices of raw material, if these things are industrial goods. In Islam market is to be free and permitted to respond to the natural laws of supply and demand. Thus when the prices became high in the prophet’s time and people asked him to fixed prices for them, he replied, Allah is the one who fixes prices, who withholds, who gives lavishly, and who provides, and I hope that when I meet Him, none of you will have a claim against me for any injustice with regard to blood or property. (Reported by Ahmad, Abu Daoud, Al-Tirmdhi, Ibne-Majah). (8)

The hadith, cited above, tells us about the price rising during prophet’s time but does not throw light on its causes and if the price is already high outside Madina, then to impose a fixed price on local traders would have been injustice, resulting in the adverse effects. And the hadith also did not explain whether the rise in prices was the result of hoarding or any deliberate attempt at profiteering and so the prophet refused to act even in such conditions. And the facts and background also show that grains were imported and it was a period of famine, So prophet’s refusal was very clear and meaningful in given circumstances. (9)

Let us concentrate on these words of the Prophet Muhammad:

“Allah alone is the one, who fixes the prices, who lowers down the production, who enhances the production and who gives provisions”. (10)

### **Price Control in Pakistan**

In Pakistan, at present, there is no control over high prices being charged by the traders and manufacturers with respect to the purchasing power of the poor sections of the society. The prices of goods of common use and edible items need to be scrutinised and controlled. On the other hand the raw materials of common goods are overpriced due to higher tariff protection and other reasons. (12)

Language in India [www.languageinindia.com](http://www.languageinindia.com)

12 : 4 April 2012

Tariq Mahmmod Niazi and Noor-ud-Din Jami, Ph.D.

Price Control, Islam, Consumerism and Pakistan

In Pakistan, there are many other reasons for charging high prices from the consumers. These are given below:

Firstly, the concept of role of consumer association is not active here, secondly black marketers are powerful and they are earning wealth by using unfair means. And there is no control over them. Thirdly, raw material is becoming costly and transportation cost is also high. Fourthly, electricity charges are also high due to commercial unit rate and the use of generator in load shedding period is much more costly than commercial unit rate. Fifthly, strikes and road blocking affect production processes as well as sale of the product. Sixthly, domestic policies prefer foreign investors for investment and foreign goods over domestic investors and domestic goods also. Seventhly, it is also the modern snobbery to use foreign and developed countries' goods among the elites class of Pakistani society. Eighthly, economic and political conditions also discourage the domestic investors. Ninthly, most traders have thrown away Islamic religious values about trade and they try to earn money even by unfair means. Lastly, the brokers and middle men are also the cause for the high prices of goods.

Of all the reasons, the main cause is that in our society there is no control over high prices being charged by sellers. Control on high prices is considered necessary by some Jurists also and some others have expressed different opinions about this.

### **Opinions of Scholars on Price Control**

Here we mention some scholars' views on price control and justice in economic activities:

Abdul Azim Islahi (13) says:

The practice of ihtisab goes back to the prophet (P.B.U.H) himself, but the writing on al-hisbah started much later in the 3rd century / 9th century (A.D). Perhaps, the first work which had survived, came from the Muslim Spain by Abu Bakr Yahya. B. Umar al-Kinani (213-289 A.H 829-901 A.D) entitled Kitab Ahkam al-suq (A book on rules of the market). (14)

Workers related to al-hisbah generally discussed socio-economic control, moral and market supervision, prevention of monopolies, check on cheating and fraud and such other corrupt practices, standardization of products, facilitation of supply of necessities, etc. As for works pertaining to al-siyasah al-shariah are concerned, they generally dealt with the rules of governance, economic role of the state, sources of public revenue, public expenditure, maintenance of law and order, internal and external defense, etc. (15)

M. Akram Khan (16) Says about price control:

Language in India [www.languageinindia.com](http://www.languageinindia.com)

12 : 4 April 2012

Tariq Mahmmod Niazi and Noor-ud-Din Jami, Ph.D.

Price Control, Islam, Consumerism and Pakistan

The muhtasib was concerned with the implementation of the adl (Justice) in the society. He would try to enforce fair play among different economic factors to minimize possibilities of exploitation from the economy. (17)

Aamir Hakeem (18) says about situation of Pakistan in these words:

The developing countries like Pakistan, where the consumers are already deprived of basic necessities of life due to over profiting and mismanagement, no effective hue and cry can be witnessed in media and corridors of powers based upon price indices, and no meaningful efforts are being employed to control the prices. (19)

Ibne Qayyam (20) also said about Price control in his book, which shows the essence of Justice:

(Translation) “And price control that is based on ‘Zulm’ is prohibited and the price control which is based on ‘Justice’, is permitted”(21)

This means Price control is of two types:

- i. Permitted Price Control
- ii. Prohibited Price Control

Ibne Taimiya’s (728 AH/1328 A.D) views were presented word to word by his pupil Ibne Qayyam because he had based his views on the condition of justice, otherwise it is not permitted.

Ozay Mehmat (22) says about prices and wages in these words:

The price of labour is the instrument by which workers are distributed among occupations. Wages in rapidly growing occupations and rapidly growing parts of the nation are higher than in corresponding employment in declining occupations and areas. The choice of occupation involves, however, much more than simply a comparison of wage rates. (23)

Practically, we also see that jobs that pay a high price for labour will attract workers seeking high incomes. Similarly the crops that yield a greater profit will attract more farmers to cultivate them. And same is the case with capital too. Mostly people will invest their capital in that industry where they will have to face minimum risk and receive higher profit. This means that risk is attached with rate of return and risk has a positive relationship with rate of return.

Ozay Mehmat also says about Ibne-Taymiya’s price control in the following words:

Ibne-Taymiya (1262-1328 A.D) who wished to established a norm of legal settlement of financial damages used the term price of equivalent intended to

guide a judge. By the term, price, the meant a price determined in a market free of imperfection. (24)

Scholar Shah Abdul Hannan (25) says about the price control in these words:

It is the fundamental duty of the Govt. to eliminate the problems and oppressions of the people. It is not the principle of Islamic government to control or regulate price of goods in normal circumstances. Islam likes and prefers free economic system without any restriction as long as it does not oppress others. But if the traders increase price of commodities illegally and adopt unfair means then price of goods must be fixed. (26)

Yousaf Alqarzawi (27) says about price control in these words:

If price control compels people to sell their goods at a price which is not acceptable to them or denies them the reasonable profit permitted by Allah, it is haram. If, on the other hand, price control establishes equity among people, for example, by forcing sellers to accept a price equal to that commanded by other comparable commodities and restraining them from taking more than this, it is allowed, indeed, necessary. (28)

## **Consumerism**

In Pakistan, still there is no concept of consumerism. So, consumers are deceived by sellers in many types of business. So, they exploit them easily. To eliminate this exploitation active consumerism can help to eliminate this exploitation.

Aamir Hakeem Says about Consumerism in these words:

Consumerism is a social movement for defending the rights of consumers. Consumer associations are non-profit civil entities, which are not subject to pressure groups. They work for their associates and provide services of informing, advising and legal defence both on an individual and group basis and also conduct specialised publication and studies. (29)

Consumers International, the global federation of consumers association, undertook a study of competition in seven developing countries including Pakistan: the problem of resources was cited as a major factor in the failure of competition regimes to act effectively. Another major issue identified was the lack of strong consumer protection legislation. Good consumer policy not only helps the consumers but also benefit companies. Without strong consumer policy, active

Language in India [www.languageinindia.com](http://www.languageinindia.com)

12 : 4 April 2012

Tariq Mahmmod Niazi and Noor-ud-Din Jami, Ph.D.

Price Control, Islam, Consumerism and Pakistan

participation of civil society groups and without ample political will to put competition regimes in place and support their work, consumers will suffer. (30)

Internationally, consumer organizations play vital role to ensure community protection that set basic standards such as for the safety of products like electrical appliances for microbiological contamination in food, safety requirement for the prescription of drugs and assurance of laws to make markets, and competitive quality and reliability of goods. United Nations also provides guidelines for comprehensive legislation and substantial implementation to institutions as an international commitment to consumer rights. The most important of these are the right to be able to access the means to meet basic needs and protection of the economic interest of the consumers. (31)

Nijatullah Siddqui (32) said about price control and hoarding in these words:

It is agreed that the shape of the supply analysis is valid, subject to the usual qualification. But not moral approval can be given to prices, so determined unless the market is free from deception, coercion, hoarding, monopoly and similar evils and the distribution of income and wealth should be fair. It is noted that the latter condition is not satisfied in any contemporary society assuming that if both conditions are satisfied the resulting prices are acceptable but no sacrosanct. The social authority may still intervene, if doing so is necessary for realizing social goals, but it is preferable to try other means and let price control be the best resort. (33)

In Pakistan, the prices of goods of common use and edible items like oil and ghee, sugar, various drinks, toiletries, garments, pharmaceuticals, washing machines, refrigerators and motorcycles etc., need to be scrutinized and controlled. On the other hand, the raw materials such as pet resin, caustic soda, formic acid, soda ash, PVC and stearic acid are overpriced due to the higher tariff. (34)

Now we discuss the countries Thailand and Saudi Arabia for price control steps:

### **Thailand Case**

Thailand faces shortages of staples as the global cost of the food skyrockets; the country faces shortages of cooking oil and sugar due to govt. price control and hoarding. The United Nations Food and Agriculture organization says the global cost of food in February reached the highest level it has ever recorded. Sometimes buying has caused staple shortages in the market, and Govt. price freezes do not hold in the times of shortages. Price control on 20 basic household products will expire at the end of the month, pushing prices up 10 to 15 percent. Some say, the

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12 : 4 April 2012

Tariq Mahmmod Niazi and Noor-ud-Din Jami, Ph.D.

Price Control, Islam, Consumerism and Pakistan

government needs to let market mechanism work and not control prices. The high cost of food is expected to be a major issue in upcoming elections expected to be held in next few months. (35)

### **Case of Saudi Arabia**

The kingdom will also activate the role of consumer protection to monitor the market and enhance public awareness on market developments. The new law on supply policy will be completed quickly. An annual inflation allowance of five percent would be added to the salaries of govt. employees and (awards made to) pensioners for three years. And govt. would activate a law to promote fair competition and prevent monopolies. (36)

Some countries advocate market mechanism in the present world while some advocate price control policy.

But the countries which advocates that market mechanism should determine the price by itself, have well documented economic system. The consumers are well educated and understand their rights, consumers association are there to protect their rights both with respect to quality and the price of goods. Competition among businesses benefit consumers and producers but when choices are limited, then liberalisation leads to monopolies and lower prices are denied. (37)

In short, in present situation of Pakistan price control is important strategy to maintain justice in economic activities and to eliminate exploitation form the society.

### **Conclusions**

1. Prices of the things affect people and their real income.
2. cost of the labour attracts the Labour.
3. Level of Risk has positive relationship with rate of return.
4. Price control is crucial to maintain justice.
5. It is the fundamental duty of the Islamic State to abolish any type of wrong doings in economic activities.
6. To abolish wrong doings, especially in economic activities and to maintain Justice in an Islamic State is the command of Allah: “Amr Bil Ma’roof wa Nahi Aanil Munkar”
7. In present day situation, the muhtasib should also fulfill his duties in true manner and keep himself with full understanding of market activities. And people indulged in wrong doing should be punished.

Language in India [www.languageinindia.com](http://www.languageinindia.com)

12 : 4 April 2012

Tariq Mahmmud Niazi and Noor-ud-Din Jami, Ph.D.

Price Control, Islam, Consumerism and Pakistan



8. Consumerism should be established and should be active practically, especially in developing countries like Pakistan.

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Language in India [www.languageinindia.com](http://www.languageinindia.com)

12 : 4 April 2012

Tariq Mahmmod Niazi and Noor-ud-Din Jami, Ph.D.

Price Control, Islam, Consumerism and Pakistan

Professor in Shah Abdul University Jaddah, Saudi Arabia. He also wrote many articles and books on Islamic Economics.

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16. Muhammad Akram Khan, the well-known Islamic economist is presently Director General in the Audit and Account Services of the Government of Pakistan. He is a prolific writer and scholar with Islamic Inspiration and strong grip on the subject. He has written dozens of articles and books on the Islamic Economics since 1965. In English and Urdu his work has been published by organizations and Journals of national and International repute. Two of his important works are “Economic Teaching of Prophet Muhammad (P.B.U.H) and Islamic Economics: Annotated Sources in English and Urdu”.

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18. Aamir Hakeem is a Pakistani Scholar of 21st century and also a well-known scholar especially on the E-media. In 2008 A.D, he wrote the article “Price in Gold” titled article which shows the effects of price on the economy and measures to control the inflation suggested by him, which is useful for developing countries.

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22. Dr. Ozay Mehmat is a famous Canadian historian and scholar of 21st century. He has worked on curriculum development. He presented suitable suggestions. He wrote an article “Just Price also” which is found in E-media. Other than this article, his famous E-books are (i) Global Governance, Economy (ii) Towards Fair Global (iii) Westernization the third world (iv) Islamic Identity and Development.

Language in India [www.languageinindia.com](http://www.languageinindia.com)

12 : 4 April 2012

Tariq Mahmmod Niazi and Noor-ud-Din Jami, Ph.D.

Price Control, Islam, Consumerism and Pakistan

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Language in India [www.languageinindia.com](http://www.languageinindia.com)

12 : 4 April 2012

Tariq Mahmmod Niazi and Noor-ud-Din Jami, Ph.D.

Price Control, Islam, Consumerism and Pakistan

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