

An Exposition of Principles of Islamic Fiscal Policy

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Abstract : This paper on an exposition of Islamic fiscal policy attempts to discuss the basic principles of Islamic fiscal policy in an Islamic economy. The paper presents a number of definitions of the subject matter, its nature and its tools of application. Government spending, taxation and public borrowings were identified as the tools of the policy. The paper identifies zakat both as a veritable source of revenue and a major instrument of economic stabilization. Furthermore, the paper presents an algebraic 2-sector and 3-sector models from the basic Keynesian model. The paper posits that in view of uniqueness of its instruments, absence of interest rate in the economy and the policy's derive towards socioeconomic justice and redistribution, Islamic fiscal policy is capable of stabilizing Islamic economy and ushering it into the path of long term economic growth and prosperity.

Keywords : automatic built-in-stabilizers, government spending, Islamic fiscal policy, taxation, zakat

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