

*ECONOMIC  
DEVELOPMENT  
in an  
Islamic framework*

KHURSHID AHMAD



THE ISLAMIC FOUNDATION

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# Foreword

Economic development is the dominant and most popular theme in the world today. Every country, major or minor, is preoccupied with it. The Muslim world also faces a great challenge in this area. It possesses huge resources—human and physical. It has a tremendous potential—ideological and cultural. Does it have to follow the West blindly, or can it harness its economic resources in deference to its ideological dimensions? Does being Islamic also imply being different in approach and strategy on economic development? These are some of the basic questions which the Muslims must resolve before they can find a place of their own in this world. The need to debate and discuss these issues and try to find answers within the ethos of the Muslim *Ummah* was never as great as it is today.

It is to cater for this great need that the Islamic Foundation is presenting this pamphlet. It attempts to discuss the issues fundamental to the very nature and process of economic development in an Islamic framework. Brother Khurshid Ahmad has, in an impressive and thought-provoking manner, brought forth the unique nature of the concepts and goals that Islam will bring to bear upon the challenging task of formulating an Islamic strategy of economic reconstruction.

This pamphlet has been taken from a book published by the Islamic Foundation—*Islamic Perspectives: Studies in Honour of Sayyid Abul A'la Mawdūdī*, edited by Khurshid Ahmad and Zafar Ishaq Ansari. *Islamic Perspectives* is the result of collaboration and research by several noted scholars of Islam who have made an effort, through this book, to pay their tribute to Mawdūdī's long-standing record of service to the cause of Islam.

We hope that this pamphlet, which is being produced as part of a much wider programme of research and publication now being undertaken by the Islamic Foundation, will meet the needs of a wide range of readers. We pray to Allah to bless our humble efforts with His grace and acceptance.

The Islamic Foundation,  
Leicester  
24th Rabī' al-Awwal, 1399 A.H.  
22nd February, 1979

KHURRAM J. MURAD  
Director General

# Economic Development in an Islamic Framework

*Khurshid Ahmad*

A MAJOR challenge confronts the world of Islam: the challenge of reconstructing its economy in a way that is commensurate with its world role, ideological, political and economical. What does this demand: economic development with a view to "catch up" with the industrialised countries of the West, Capitalist or Socialist, according to one's inclination and sympathy, or politico-economic dependence? Or does it demand total socio-economic reconstruction in the light of a basically different model, with its own set of assumptions, ideals and growth-path, something that would be unique and value-specific? Whether the Muslim world is clear about this fundamental question or not, we will try to see in a moment. It is, however, clear from the topic we propose to discuss that our primary concern is not with the "catching up" ideology. Instead, our objective is to discern the nature and ethos of economic development in an Islamic framework.

The subject can, however, be approached in a number of ways. One may try to explore the nature and processes of economic development as they may unfold themselves in a society that is Islamic in actuality, or at least where some approximation with the norm has been achieved. This approach has a number of merits but its immediate relevance to the Muslim world situation is somewhat limited. What is more relevant and pressing is the need to clearly identify the Islamic ideal of economic development, to measure the distance between this ideal and the present-day reality of the Muslim world and to formulate appropriate strategy/strategies for pursuing developmental efforts in such a way that an Islamic framework of life may ultimately be evolved. This formulation of the problem has immediate relevance for the Muslim economist and planner. It would be naïve to think that correct answers to this problem have already been found or can be developed in one or a few papers, or even in one or a few conferences. It would be only through sustained research by a team of economists, by unceasing original thinking and, above all, by a great deal of practical experimentation that we might be able to discover an Islamic road to economic development.

We must not rule out the possibility of the appearance of a number of approaches within an Islamic framework and we should be prepared to

examine them carefully and even experiment if they merit such a response. It may be worthwhile to distinguish between an *Islamic economy* and an *Islamising economy* and to admit the possibility of a multiplicity of approaches models, although with a strong central core of unity and uniformity. What follows is just one person's reflection on the problem under discussion. It is being presented as tentative formulations primarily in order to provide a basis for discussion and further exploration.

### The Starting-point

Muslim countries suffer from widespread economic underdevelopment, i.e. non-utilisation and or underutilisation of human and physical resources with consequent poverty, stagnation and backwardness. Even those countries which are resource-rich, the state of their economies remains predominantly underdeveloped. The standard of living of the common man is generally low. Some Muslim countries have over the last two decades maintained an above average rate of growth (i.e. average rate of growth of all the less developed countries), nonetheless, there has been little real economic development.<sup>1</sup>

There are gross structural deformities within the economies of the Muslim countries. Whatever development is taking place is contributing, *inter alia*, to the aggravation of these deformities, viz. gross inequalities in distribution of income and wealth, severe imbalances between different geographic regions, between economic and social sectors, between sectors within the economy, particularly agriculture and industry, and a number of imbalances and iniquities within the industrial and agricultural complexes.

Most of the Muslim countries have been unable to internalise the engine of growth. Their economies are dependent on the Western countries in a number of ways – for the import of foodstuffs, manufactured goods, technology, etc. on the one hand, and for the export of their primary products on the other. Some of them are suffering from the effect of lingering legacies of colonial economic relationships and appear as perfect examples of a “centre-periphery” relationship.<sup>2</sup>

The paradox of the Muslim world is that it is resource-rich, but economically poor and weak. Development planning has been introduced in a number of Muslim countries. In some, the art is now at a fairly advanced level. Nigeria, Egypt, Syria, Algeria, Iran, Pakistan, Malaysia, Indonesia are some of the instances. But in almost all these countries developmental effort is modelled after the prototypes of growth developed by the Western theorists and practitioners of planning and “sold” to the planners in the Muslim countries via international diplomacy, economic pressurisation, intellectual infiltration and a number of other overt and covert means. Whatever be the source of inspiration – the Capitalist economies of the West or the Socialist models of Russia and China – no effort worth the

name seems to have been made to rethink the basic issues of development economies in the light of the ideals and values of Islam and its world strategy. A very simplified version of economic development has been adopted as policy ideal: industrialisation. This is believed to depend, primarily and predominantly, on capital formation. Industry is regarded as the leading sector and expanding investment in it is believed to be the royal road to development Utopia. A rather quick way to achieve this objective is import substitution. This approach is based on extensions and variations of the Harrod-Domar model of macroeconomic planning.<sup>3</sup> Under this approach growth prospects are constrained by the operation of two "gaps" (deficiencies): the domestic "savings gap" and the "balance of payments gap"; and these gaps can be filled by one talisman - foreign aid.

It is interesting to note that even those countries which have not formally subscribed to the Western growth models and have claimed to follow some kind of a socialist path to development have pursued a similar capital- and aid-centred strategy. Kalecki and Lange models both assign a central role to investment in development. Russia's international economic policy has broadly pursued this very approach.<sup>4</sup>

A comparative study of the development policy and of actual economic performance of the Muslim countries shows that the strategy of imitation has failed to deliver the goods.

How do this policy and the actual developments stand in relation to Islam? It would be correct to say that developmental policies have been more or less Islam-neutral. It is our submission that as far as Islam is concerned it cannot be neutral *vis-à-vis* economic development. But there is no evidence to support that generally speaking the policy makers derived any inspiration worth the name from Islam and tried to translate its economic ideals into development policies, some lip-service here and there notwithstanding. Actual policies have had little or no relation to Islam with the result that the economics of the Muslim world have failed to be transformed towards Islam and the deformities and iniquities inherited from the colonial period and beyond have generally aggravated.<sup>5</sup>

A survey of the literature dealing with Islam and development shows that even at the academic level discussion has hovered around a few points of general significance only. Western writers<sup>6</sup> have mostly dwelled upon the alleged "fatalism" in Muslim society and on lack of "achievement-motivation". Muslim writers have tried to show that Islam provides for all those factors which are needed for economic development. Some work has been done to suggest the broad objectives of economic effort and enterprise that Islam wants to be pursued by the individual and society.<sup>7</sup>

Excepting one or two tentative yet pioneering works no serious effort has been made to spell out the implications of these goals for development strategies and policies.<sup>8</sup> Moreover, the effect of the work that has been done so far is hardly discernible at all on the actual development processes.

All the evidence suggests that the actual movement towards development is altogether bereft of Islamic inspiration. If Islam comes into the picture, it is at a later stage, and mostly in either of the following two forms:

- (a) Some people bring it into the debate to legitimise certain policies;
- (b) Others use it as a point of reference for criticising certain policies and actual developments.

There is, however, one point which came out prominently in this debate and discussion: Islam's main concern is in *encouraging* economic development *with* social justice and not in disregard of the demands of social justice.

### **Our Approach: Assumptions and Commitments**

The primary task of any theory of development is to examine and explain the nature of the processes of development and factors responsible for it, to identify and analyse principal obstacles to development in a given situation, and to try to prescribe the most desirable and the most efficient ways and means to remove those obstacles and achieve various dimensions of economic development.

It can hardly be overemphasised that such an effort must be made with academic rigour and scholarly detachment. Nonetheless, it would be idle to assume that this theorising can take place in a climate of positivistic objectivity and of complete value-neutrality. Most of the economic thinking that masquerades as value-neutral turns out, on closer scrutiny, to be otherwise. The result of this approach, however, is that its value-assumptions remain apparently hidden. They remain implicit, and as such, are not susceptible to evaluation in an ordinary way.<sup>9</sup>

This is unfair and improper. We agree with Myrdal that "efforts to run away from the valuations are misdirected and foredoomed to be fruitless and damaging" and that "the only way in which we can strive for objectivity in theoretical analysis is to lift up the valuations into the full light, make them conscious and explicit, and permit them to determine the viewpoints, the approaches and the concepts used. In the practical phases of a study the stated value premises should then, together with the data established by theoretical analysis with the utilisation of those same value premises – form the premises for all policy conclusions".<sup>10</sup>

The major contribution of Islam lies in making human life and effort purposive and value-oriented. The transformation it seeks to bring about in human attitudes and *pari passu* in that of the social sciences is to move them from a stance of pseudo-value-neutrality towards open and manifest value-commitment and value-fulfilment. The first premise which we want to establish is that economic development in an Islamic framework and Islamic development economics are rooted in the value-pattern embodied in the Qur'an and the *Sunnah*.<sup>11</sup> This is our basic frame of reference.



Our second premise is that this approach clearly rules out imitativeness. The Capitalist and the Socialist models can have no place as our ideal-types, although we would like to avail from all those experiences of mankind which can be gainfully assimilated and integrated within the Islamic framework and can serve our own purposes without in any way impairing our values and norms. But we must reject the archetype of capitalism and socialism.<sup>12</sup> Both these models of development are incompatible with our value system; both are exploitative and unjust and fail to treat man as man, as God's vicegerent (*khalifa*) on earth. Both have been unable to meet in their own realms the basic economic, social, political and moral challenges of our time and the real needs of a humane society and a just economy. Both are irrelevant to our situation, not merely because of the differences in ideological and moral attitudes and in socio-political frameworks, but also for a host of more mundane and economic reasons: differences in resource bases, changed international economic situations, bench-mark differences in the levels of the respective economies, socio-economic costs of development, and above all, for the fundamental fact that the crucial developmental strategy of both the systems – industrialisation through maximisation of investible surplus – is unsuited to the conditions of the Muslim world and the demands of the Islamic social ideals.<sup>13</sup>

The body of knowledge and experience developed and structured in the form of development economics is important and useful but its real relevance and applicability to our situation is rather limited. Although literature on development economics is burgeoning, it fails to come to grips with real complex problems of the less developed countries in general, and of the Muslim world in particular. Development theory as it has developed in the West (both in the Capitalist and Socialist countries) has been conditioned by the unique characteristics, specific problems, and explicit and implicit values and socio-political infra-structure of the Western economies. This theory cannot be indiscriminately applied to Muslim countries. Moreover, a major part of the Western development theory remains an outgrowth of the capital theory.<sup>14</sup> Because of this fundamental weakness, it fails to tackle adequately the multi-dimensional problems of development.

Two major areas of development in recent development theory relate to the realisation that investment in man – education, health, etc. – is a strategic factor in the economic development of a society, and that socio-political factors play an important part in growth and non-growth alike. It is interesting to observe that the "investment in man" approach is leading to some widening of the "capital theory" as it has thrown new light on a somewhat neglected aspect of capital – the human capital.<sup>15</sup> Consequently, a more comprehensive and integrated view of capital is being developed,<sup>16</sup> as such a promising opportunity to rethink the basic premises of economics and the place of man in the total framework has almost been lost. The socio-economic factors, despite an increasing awareness of them, still

continue to be treated outside the mainstream of the theory of development and may perhaps remain so unless an interdisciplinary theory of development is evolved.<sup>17</sup>

It is instructive to observe that despite all differences in emphasis on a socio-political framework, the socialistic theory of growth also treats the problem of capital-formation and investment as the real key to growth. Both the Kalecki and Lange models assign a central role to investment.<sup>18</sup>

Development economics is presently passing through a period of crisis and re-evaluation. It is coming under attack from a number of directions. An increasing number of economists and planners are becoming sceptical about the whole approach of contemporary development economics.<sup>19</sup> There are others who consider the application of a theory based on Western experience to a different socio-economic situation, as is being done in the less developed countries, inappropriate and injurious to the prospects of development.<sup>20</sup> There are others who are critical of the tools and instruments of development planning and regard the alleged sophistications and mathematical refinements as pseudo-scientific inasmuch as they contain elements of simplification, abstraction and even falsification.<sup>21</sup> There are still some others who are becoming disenchanted with the very idea of growth – some because of its socio-economic and ecological costs<sup>22</sup> and others because they have begun to see the limits of growth.<sup>23</sup> In the light of this and other considerations it can realistically be suggested that the state of development economics today is not a very healthy one.<sup>24</sup> We, therefore, suggest that the central ideas of development economics and its suggested remedies deserve to be re-examined. A much more critical approach deserves to be adopted towards the panaceas that have been “sold” to the Muslim countries.

The above submissions spell out some of the negative aspects of our approach, that is, what an Islamic approach to development should not be. On the positive side we submit that our approach should be frankly ideological and value-oriented. In development economics, as in economics or in any branch of human activity, there is an area which deals with technological relationships. But such technological relationships *per se* are not the be-all and end-all of a social discipline. Technological relationships are important and they should be decided according to their own rules. But technological decisions are made in the context of value-relations. One effort is to weld these two areas and to make our values explicit and to assign to them the role of effective guide and controller. This means that as against an imitative stance, our approach must be original and creative. It is only through a thorough understanding of the social ideals and values of the Qur’ān and the *Sunnah* and a realistic assessment of our socio-economic situation – resources, problems and constraints – that we can adopt a creative, innovative strategy for change. As such our approach would be ideological as well as empirical and somewhat prag-

matic – pragmatic not in the sense that ideals and values can be trimmed to suit the exigencies of the situation, but pragmatic in the sense that ideals and values are to be translated into reality in a practical and realistic way.

Islam stands for effort, struggle, movement and reconstruction – elements of social change. It is not merely a set of beliefs. It also provides a definite outlook on life and a programme for action. In a word, a comprehensive milieu for social reconstruction. We would, therefore, conclude this section by submitting some basic propositions about the dynamics of social change as they reveal themselves by reflection on the Qur'an and the *Sunnah*. They also provide some indicators for purposes of policy.

- (a) Social change is not a result of totally pre-determined historical forces. The existence of a number of obstacles and constraints is a fact of life and history, but there is no historical determinism. Change has to be planned and engineered. And this change should be purposive -- that is, a movement towards the norm.
- (b) Man is the active agent of change. All other forces have been subordinated to him in his capacity as God's vicegerent (*khalifa*). Within the framework of the divine arrangement for this universe and its laws, it is man himself who is responsible for making or marring his destiny.
- (c) Change consists in environmental change and change within the heart and soul of man – his attitudes, his motivation, his commitment, his resolve to mobilise all that is within him and around him for the fulfilment of his objectives.
- (d) Life is a network of inter-relationships. Change means some disruption in some relationships somewhere, as there is a danger of change becoming an instrument of disequilibrium within man and in society. Islamically-oriented social change would involve least friction and disequilibria, and planned and co-ordinated movement from one state of equilibrium to a higher one, or from a state of disequilibrium towards equilibrium. As such change has to be balanced and gradual and evolutionary. Innovation is to be coupled with integration. It is this unique Islamic approach which leads to revolutionary changes through an evolutionary trajectory.

These are some of the major elements of healthy social change through which Islam wants man and society to move from one height to another. The task before the Islamic leadership, intellectual as well as politico-economic, is to clearly formulate the objectives and strategy of change and the ways of achieving it and also to establish institutions and inaugurate processes through which these policies could be actually implemented.

### Islamic Concept of Development

Now we would like to elaborate on some of the essential elements of the Islamic concept of development.

Economic development, according to the current literature on development, consists of a "series of economic activities causing an increase in the productivity of the economy as a whole and of the average worker, and also an increase in the ratio of earners to total population".<sup>25</sup> It is looked upon as a dynamic process, involving structural changes, which produce a significant and sustained improvement in the performance of the economy, actual as well as potential, measured usually in real per capita terms and which is spread over a fairly long period of time. Its substance lies in enabling a people to meaningfully control their economic environment so as to improve the quality of life.<sup>26</sup>

Islam is deeply concerned with the problem of economic development, but treats this as an important part of a wider problem, that of human development. The primary function of Islam is to guide human development on correct lines and in the right direction. It deals with all aspects of economic development but always in the framework of total human development and never in a form divorced from this perspective. This is why the focus, even in the economic sector, is on human development with the result that economic development remains an integrated and indivisible element of the moral and socio-economic development of human society.

The philosophic foundations of the Islamic approach to development, discussed by us in detail elsewhere,<sup>27</sup> are as follows:

- (1) *Tawhīd* (God's unity and sovereignty). This lays the rules of God-man and man-man relationship.
- (2) *Rubūbiyyah* (divine arrangements for nourishment, sustenance and directing things towards their perfection). This is the fundamental law of the universe which throws light on the divine model for the useful development of resources and their mutual support and sharing. It is in the context of this divine arrangement that human efforts take place.
- (3) *Khilāfah* (man's role as God's vicegerent on earth). This defines man's status and role, specifying the responsibilities of man as such, of a Muslim, and of the Muslim *ummah* as the repository of this *khilāfah*. From this follows the unique Islamic concept of man's trusteeship, moral, political and economic, and the principles of social organisation.
- (4) *Tazkiyah* (purification *plus* growth). The mission of all the prophets of God was to perform the *tazkiyah* of man in all his relationships – with God, with man, with the natural environment, and with society and the state.

We would submit that the Islamic concept of development is to be derived from its concept of *tazkiyah*, as it addresses itself to the problem of human development in all its dimensions and is concerned with growth and expansion towards perfection through purification of attitudes and relationships. The result of *tazkiyah* is *falāḥ* – prosperity in this world and the hereafter.

In the light of these foundational principles, different elements of the concept of development can be derived. We would submit the following as its essential features:

- (a) The Islamic concept of development has a comprehensive character and includes moral, spiritual and material aspects. Development becomes a goal- and value-oriented activity, devoted to the optimisation of human well-being in all these dimensions. The moral and the material, the economic and the social, the spiritual and the physical are inseparable. It is not merely welfare in this world that is the objective. The welfare that Islam seeks extends to the life hereafter and there is no conflict between the two. This dimension is missing in the contemporary concept of development.
- (b) The focus for developmental effort and the heart of the development process is man. Development, therefore, means development of man and his physical and socio-cultural environment. According to the contemporary concept it is the physical environment – natural and institutional – that provides the real area for developmental activities. Islam insists that the area of operation relates to man, within *and* without.<sup>28</sup> As such human attitudes, incentives, tastes and aspirations are as much policy variables as physical resources, capital, labour, education, skill, organisation, etc. Thus, on the one hand, Islam shifts the focus of effort from the physical environment to man in his social setting and on the other enlarges the scope of development policy, with the consequent enlargement of the number of target and instrument variables in any model of the economy. Another consequence of this shift in emphasis would be that maximum participation of the people at all levels of decision-making and plan-implementation would be stipulated.
- (c) Economic development is a multi-dimensional activity,<sup>29</sup> more so in an Islamic framework. As efforts would have to be made simultaneously in a number of directions, the methodology of isolating one key factor and almost exclusive concentration on that would be theoretically untenable. Islam seeks to establish a balance between the different factors and forces.
- (d) Economic development involves a number of changes, quantitative as well as qualitative. Involvement with the quantitative, justified and necessary in its own right, has unfortunately led to the neglect

of the qualitative aspects of development in particular and of life in general. Islam would try to rectify this imbalance.

- (e) Among the dynamic principles of social life Islam has particularly emphasised two: First, the optimal utilisation of resources that God has endowed to man and his physical environment, and secondly, their equitable use and distribution and promotion of all human relationships on the basis of Right and Justice. Islam commends the value of *shukr* (thankfulness to God by availing of His blessings) and '*adl* (justice) and condemns the disvalues of *kufr* (denial of God and His blessings) and *ẓulm* (injustice).

In the light of this analysis the development process is mobilised and activated through *shukr* and '*adl* and is disrupted and distorted by *kufr* and *ẓulm*.<sup>30</sup>

This is basically different from the approach of those who look upon production and distribution in either/or relationship with the development process and is a much wider and more dynamic concept than that of the role of production and distribution in development. The developmental effort, in an Islamic framework, is directed towards the development of a God-conscious human being, a balanced personality committed to and capable of acting as the witness of Truth to mankind.

We may, therefore, submit that in an Islamic framework economic development is a goal-oriented and value-realising activity, involving a confident and all-pervading participation of man and directed towards the maximisation of human well-being in all its aspects and building the strength of the *ummah* so as to discharge in the world its role as God's vicegerent on earth and as "the mid-most people". Development would mean moral, spiritual and material development of the individual and society leading to maximum socio-economic welfare and the ultimate good of mankind.

### Goals of Development Policy

In the light of this concept we can formulate in some detail the general goals of development policy and the more specific targets for a developmental plan for a Muslim society.

(A) *Human resource development* should be the first objective of our developmental policy. This would include the inculcation of correct attitudes and aspirations, development of character and personality, education and training producing skills needed for different activities, promotion of knowledge and research, and evolution of mechanisms for responsible and creative participation by the common people in key developmental activities, in decision-making at all levels and finally in sharing the fruits of development. This would call for a high priority for the expansion and Islamisation of education and for the general moral orientation of the people and for evolving a new structure of relationships based on co-opera-

tion, co-sharing and co-participation. This would also entail a highly efficient machinery for the mobilisation of human resources and the inculcation of a spirit of self-sacrifice and the individual's maximum contribution towards the achievement of social goals.

(B) *Expansion of useful production.* Continuous and sustained increase in the national produce would be an important objective, but our concern would be on the one hand, with the quantum and efficiency of production, and on the other with the achievement of a correct product-mix. Production would not mean production of anything and everything which may have a demand or which the rich may be able to buy; production would be concerned with things which are useful for man in the light of the value-pattern of Islam and the general experience of mankind. The production of all those things whose use is forbidden in Islam would not be allowed; those whose use is discouraged, their production would be discouraged, and all that is essential and useful would be given priority and encouragement. In the light of this policy, the pattern of production and investment would be moulded according to the priorities of Islam and the needs of the *ummah*. We feel that three priority areas would be:

- (i) Abundant production and supply of food and basic items of necessity (including construction material for building houses and roads and basic raw materials) at reasonably cheap prices.
- (ii) Defence requirements of the Muslim world.
- (iii) Self-sufficiency in the production of basic capital goods.

(C) *Improvement of the quality of life.* Efforts should be made towards improving the real levels of living of *all* people and towards the achievement of their moral, economic and social welfare. This would call for a high priority for at least the following:

- (i) Employment creation, with all its consequent structural, technological, investmental, regional and educational adjustments.
- (ii) An effective and broad-based system of social security, assuring the basic necessities of life for all those who are unable to undertake gainful employment or otherwise deserve society's help and assistance. *Zakāt* should be the nucleus of this system.
- (iii) Equitable distribution of income and wealth. There would be an active income policy directed towards raising the income level of the lowest income groups, reducing the ratio of inequality concentration in society, and leading to a greater diffusion of wealth and power in society in general. A reduction in the extent of income differentials would also be one of the indicators of developmental performance. To serve this purpose the tax system will also have to be reorganised.

(D) *Balanced development*, that is balanced and harmonious development of different regions within a country and of the different sectors of society and the economy. Decentralisation of the economy and proper development of all parts and sectors is not only a demand of justice, but is also essential for maximum progress. This would also remedy economic dualism from which most of the Muslim countries suffer and would lead to greater integration within each country. This is an area in which principles of regional analysis and use of developments in the fields of econometric techniques and input-output analysis can be immensely useful.

(E) *New technology*, that is evolution of indigenous technology, suited to the conditions, needs and aspirations of the Muslim countries. The development process would become self-sustained only when we become not only independent of foreign aid, but when after mastering the technology that has grown in a different economic and cultural environment we are able to internalise the process of technological creativity and begin to produce technology that bears the stamp of our distinctness. This would call for a high priority for research and a new spirit to face the challenges of our times.

(F) *Reduction of national dependency on the outside world and greater integration within the Muslim world*. It is a direct demand of the *ummah's* position as *khalifah* that its dependence upon the non-Muslim world in all essentials must be changed to a state of economic independence, self-respect and gradual building-up of strength and power.<sup>31</sup> The defence and independence of the Muslim world and the peace and serenity of mankind are objectives that reign prominently in our developmental planning.

If these are to be the objectives of our developmental policy then we will have to make some major changes in the content and methodology of our developmental planning. Some areas where new approaches and new techniques will have to be evolved are as follows:

- (a) We will have to abandon the use of all those simplified aggregative growth models which concentrate on the maximisation of the growth-rate as the sole index of development as basis for planning. The limitations of these models and of exclusive concentration on the growth-rates are being increasingly realised by development economists.<sup>32</sup> But we will have to undertake a much more fundamental and thorough re-examination of the entire apparatus of planometrics.<sup>33</sup> Our problem is extensive development of technical capacity to formulate operational plans to achieve our socio-economic objectives and to evolve new techniques through which we may arrive at more realistic decisions in the fields of investment planning, incomes and wages policy, location and regional develop-



ment, reconstruction of tax structure and policy and in the evaluation of developmental performance. The writer feels that in the first phase we may avoid using growth-models for purposes of actual decision-making, although we may continue to experiment with them at a more theoretical level and further intensify our search for more appropriate techniques. In the meanwhile, on an experimental basis, techniques of system analysis and of input-output analysis (with a much widened matrix which may include a number of social inputs and outputs, as is also being suggested by some planners),<sup>31</sup> may be tried and further developed. Similarly efforts may be made to develop a series of composite indexes to measure the effects of developmental effort on different social and economic indicators (each given certain weight in the light of its position in our priority matrix), which should include indicators that may reveal aspects of the moral health of the nation (e.g. crime rate, divorce rate, level of corruption, litigation rate in selected areas, participation rate, industrial disputes, etc.). A number of efforts are being made in this direction<sup>32</sup> and there is no reason why we cannot give these techniques a more useful and meaningful twist.

- (b) We have to adopt a multi-objective approach to development. Instead of being bogged down in econometric approaches whose usefulness is doubtful, it may be advisable to develop a more problem-oriented approach and evaluate the success of planning and development efforts on the basis of improvements in specific problem areas.
- (c) Given the conditions of international instabilities and exploitation, of internal imperfections and market deformities and the tremendous demands of developmental efforts, it is suggested that the Muslim countries and a number of new social institutions and organisations specially established for specific objectives should play a much more positive role. At the moment governments are ill-equipped to perform this role as are private individuals. But it is easier for a government to remedy its weaknesses and establish institutions which can rectify the situation. Since one of the objectives of policy would be decentralisation, we would submit that local government authorities should be developed with a more powerful base in the local population, with greater participation from the people and with a system of checks and balances and national vigilance and guidance to make them unique agencies for multi-purpose development. Even though comprehensive planning should be resorted to, it would be inadvisable to proceed in that direction without achieving efficient decentralisation of power and control and without reducing the bureaucratisation of society. We believe that small- and medium-scale private enterprise

should be encouraged and developed. Local and regional authorities should not become substitutes for small and medium private enterprise; they should create the proper environment for work and development and undertake all that is needed for purposes of efficient and equitable growth of this type of enterprise. They should, however, undertake the enterprises which call for larger investment and organisation and should act as national-service institutions and not degenerate into profit-making public corporations. Profit should not be the purpose of these agencies. They should be genuine instruments for value-oriented economic development and the distribution of the benefits of development to the people.

- (d) Research and Planning. Another very important area is the organisation of short-period and long-period (more basic) research to think out problems and ways to seek creative solutions, reorganisation and development of statistics, and planned growth of research organisations in areas where they are needed to prepare more realistic plans for the future. We need a new strategy for research to serve the ideological demands of the future.

### Notes and Sources

- 1 See Pearson, Lester B., *Partners in Development*, London: Pall Mall, 1969, pp. 27-72, and annex I, pp. 231-353; Amin, Galal A., *The Modernisation of Poverty: A Study in the Political Economy of Growth in Nine Arab Countries, 1945-1970*, Leiden: E. J. Brill, 1974.
- 2 See Prebisch, R., *Towards a New Trade Policy for Development*, New York: United Nations, 1964. For a review of the overall situation of the Muslim countries see Cook, M. A., (ed.), *Studies in the Economic History of the Middle East from the Rise of Islam to the Present Day*, London: Oxford University Press, 1970, pp. 373-427; Baster, James, *The Introduction of Western Economic Institutions into the Middle East, Chatham House Memoranda*, London: Oxford University Press, 1960; Hershlag, Z. Y., *Introduction of the Modern Economic History of the Middle East*, London: Oxford University Press, 1964; World Muslim Congress, *Some Economic Resources of the Muslim Countries*, Karachi: Umma Publications, 1961. For overall background, see also Cook, M. A. "Economic Developments", in Schacht, Joseph and Bosworth, C. E. (ed.), *The Legacy of Islam*, Oxford, 1974, pp. 210-43.
- 3 See Hershlag, Z. Y., "Growth Models for the Middle East", in Cook, M. A. (ed.), *Studies in the Economic History of the Middle East, op. cit.*, pp. 373-96; Myrdal, Gunnar, *Asian Drama, An Inquiry into the Poverty of Nations*, London: Allen Lane, 1968, vol. III, Appendix 3, pp. 1843-2003.
- 4 Egypt (1958-70) and Syria represent this category. See Lange, Oscar, *Economic Development Planning and International Co-operation*, Cairo: Central Bank of Egypt, 1961; Falkowski, Mieczyslaw, "Socialist Economists and the Developing Countries", *Polish Perspective*, Warsaw, vol. X (March 1967) reprinted in Shaffer, H. G., and Pryble, Jan, S. (eds.), *From Under-development to Affluence: Western, Soviet and Chinese Views*, New York: Appleton-Century Crofts, 1968.
- 5 See Amin, Galal, A., *The Modernisation of Poverty, op. cit.*; Jamā'at-i Islāmi, *Economy Committee Report*, Karachi, 1964 (mimeo).

- 6 See Waardenburg, J. D. J., "Notes on Islam and Development", *Exchange*, (Netherlands), 1973, pp. 3-45; Alfian, "Religion and the Problem of Economic Development in Indonesia", *Indonesia Magazine*, no. 9 (1971), pp. 16-26; Geertz, Clifford "Modernisation in a Muslim Society: The Indonesian Case", in Bellah, Robert N., *Religion and Progress in Modern Asia*, New York: The Free Press, 1965, pp. 93-108; Rodinson, Maxime, *Islam and Capitalism*, London: Allen Lane, 1974. For a recent empirical study evaluating the relationship of religion and economic and social development see Adelman, Irma and Morris, Cynthia Taft, *Economic Growth and Social Equity in Developing Countries*, Stanford University Press, 1973, pp. 38-39. Cf. the views of some Muslim scholars e.g., Rahman, Fazlur, "The Impact of Modernity on Islam" in Jurji, Edward J. (ed.), *Religious Pluralism and World Communications*, Leiden: E. J. Brill, 1969, pp. 248-262; and Arkun, Muhammad, "Islam Facing Development", mimeographed paper circulated at JCM European Conference on East-West Relations (November 1974).
- 7 See Mawdūdī, Abul A'ā, "Islāmī Nizām-i Ma'īshat kā Uṣūl awr Maqāṣid" (Principles and Objectives of the Islamic Economic Order) in Mawdūdī: *Ma'āshiyāt-i Islāmī*, Lahore: Islamic Publications, 1969, pp. 141-164; Siddiqi, M. N., *Some Aspects of the Islamic Economy*, Lahore: Islamic Publications Ltd., 1970, (Ch. III: "The Quranic Norm", pp. 27-40); Chapra, M. Umar, *Economic System of Islam*, London: Islamic Cultural Centre, 1970. For a brief but candid review of this aspect of literature on Islamic economics see Siddiqi, M. N., "A Survey of Contemporary Literature on Islamic Economics", mimeographed paper presented to the International Conference on Islamic Economy held at Makka (February 1976), pp. 20-21 and 70-73.
- 8 The *Jamā'at-i Islāmī* Pakistan tried to suggest an alternative strategy in its *Manifesto for the 1970 Elections*. It is brief but succinct and thoughtful. The Economic Programme Committee of the *Jamā'at-i Islāmī* Pakistan tried to prepare a more comprehensive statement of Islam's economic strategy. See *Mawjūdah Ma'āshī Buhārān awr Islāmī Hikmat-i Ma'īshat* (The Contemporary Economic Crisis and Islam's Economic Strategy), Lahore: *Jamā'at-i Islāmī* Pakistan, n.d. (1970). A recent doctoral dissertation makes a similar effort in the context of the problems of environmental engineering. See Hussaini, S. Waqar Ahmad, *Principles of Environmental Engineering System Planning in Islamic Culture: Law, Politics, Economics, Education and Sociology of Science and Culture*, presented to Stanford University, California, 1971. See particularly ch. VI. See also Siddiqi, Na'im, "Islām kā Mizānī Nazariyah-i Ma'īshat" (Islam's Balanced Ideology of Economics) in *Chirāgh-i Rāh: Socialism Number*, Karachi, 1967, pp. 496-525.
- 9 Gunnar Myrdal writes in *Asian Drama*, (op. cit., vol. 1, pp. 31-32): "The problem of objectivity in research cannot be solved simply by attempting to eradicate valuations . . . every study of a social problem, however limited in scope, is and must be determined by valuations. A "disinterested" social science has never existed and never will exist. Research like every other rationally pursued activity, must have a direction. The viewpoint and the direction are determined by one's interest in a matter. Valuations enter into the choice of approach, the selection of problems, the definition of concepts, and the gathering of data, and are by no means confined to the practical or political inferences drawn from theoretical findings. The value premises that actually and of necessity determine approaches in the social sciences can be hidden. In fact, most writings, particularly in economics, remain in large part simply ideological . . . Throughout the history of social studies, the hiding of valuations has served to conceal the inquirer's wish to avoid facing real issues" . . . See also Myrdal, G., *Value in Social Theory: A Selection of Essays on Methodology*, London, [c. 1958].
- 10 Myrdal, G., *Asian Drama*, op. cit., p. 33.
- 11 A number of development economists have confessed that development planning

- cannot be ideologically neutral and that development economics is a "normative" discipline. Dudley Seers says that development is "inevitably a normative term" (Seers, D. "The Meaning of Development", *International Development Review*, December, 1969, p. 2). Galbraith asserts that "Economic development is an intrinsically normative subject" (Galbraith, John K., *The Underdeveloped Country*, Toronto: Canadian Broadcasting Corp., 1965, p. 20); Lauchlin Currie says that in the field of development "a non-normative approach is especially sterile". (Currie, L. *Obstacles to Development*, East Lansing: Michigan State University Press, 1967), p. 45.
- 12 For a more detailed discussion, see Ahmad, Khurshid, *Socialism yā Islām* (Socialism or Islam), Karachi: Chirāgh-i Rāh Publications, 1969.
  - 13 See Ahmad, Khurshid, "The Third World's Dilemma of Development", *Non-aligned Third World Annual*, edited by Andrew Carvely, St. Louis, Missouri: Books International, 1970, pp. 3-18. See also Myrdal, *Asian Drama*, *op. cit.*, particularly vol. I, pp. 5-35, vol. II, pp. 709-955, vol. III, pp. 1843-2003. See also Viner, Jacob, "The Economics of Development", in Agarwala and Singh, *The Economics of Underdevelopment*, Bombay: Oxford University Press, 1958; Kuznets, Simon, "Underdeveloped Countries and the Pre-Industrial Phase in the Advanced Countries", in Agarwala and Singh, *ibid.*, pp. 135-153; Welch, Claude E., "The Challenge of Change: Japan and Africa", in Spiro, Herbert, J., *Patterns of African Development: Five Comparisons*, Englewood Cliffs, N. J.: Prentice Hall Inc., 1967, pp. 63-90.
  - 14 "Post-Keynsian capitalist growth theory for the mature economy generically has insisted in placing capital accumulation at centre stage and focussing on the resultant secular increases in labour productivity. It has consistently emphasised the twin conditions governing such increases; the willingness of a society to refrain from consumption and the fact that the investment into which savings may be channelled will result in increased productive capacity along with increased flows of income. In the language of the Harrod-Domar tradition, it is the propensity to save and the marginal capital output ratio which determine the growth rate. One hardly needs to be reminded that the body of contemporary capitalist growth theory consists of a series of extensions and modifications of this basic Harrod-Domar relationship." Gustav Ranis, "Theories of Economic Growth in Capitalist Countries", *Problems in Economic Development*, ed. E. A. G. Robinson, London: Macmillan, 1965, p. 4. For a brief but precise review of contemporary growth theory see Ranis, *loc. cit.*; also idem, "Economic Growth: Theory", *International Encyclopaedia of Social Sciences*, vol. IV, London: Macmillan, 1968, pp. 408-17; Hahn and Matthew, "Theories of Economic Growth: A Survey", *Surveys of Economic Theory*, vol. II, London: Macmillan, 1965; Kregel, J. A., *The Theory of Economic Growth*, London: Macmillan, 1972.
  - 15 Schultz, Theodore W., "Investment in Human Capital", *American Economic Review*, vol. 51 (March 1961), pp. 1-17; idem, *The Economic Value of Education*, New York: Columbia University Press, 1963; Schultz, *et al.*, "On Investment in Human Beings" *Journal of Political Economy*, vol. 20, no. 4, (1962); Morgan, Theodore, "Investment versus Economic Growth", *Economic Development and Cultural Change*, vol. 17, (April 1969), pp. 392-414.
  - 16 Johnson, Harry G., "Comments on Mr. John Vaizey's paper", *The Residual Factor and Economic Growth*, ed., John Vaizey, Paris: OECD, 1964.
  - 17 For a critical appraisal of the economic and other social sciences from the viewpoint of their contribution to development theory see Hetzler, Stanley A., *Technological Growth and Social Change* London: Routledge and Kegan Paul, 1969, ch. 5, "Other Social Science Hypotheses on Development". For a thorough critique of the development theory, see Myrdal, *Asian Drama*, *op. cit.*, Appendix 3 and Currie, Lauchlin, *Accelerating Development*, New York: McGraw-Hill, [c. 1966], chs. 2 and 3.

- 18 For a review of the major socialistic theories of growth, see Lange, Oscar, *Economic Development Planning and International Co-operation*, Cairo: Central Bank of Egypt, 1961, p. 10; Brus, W. and Laski, K., "Problems in the Theory of Growth under Socialism", in Robinson (ed.), *Problems in Economic Development*, op. cit., pp. 21-54; Brenner, Y. S., *Theories of Economic Development and Growth*, London: George Allen and Unwin, 1966, pp. 223-47.
- 19 See Martin, Kurt and Knapp, John, (eds.), *The Teaching of Development Economics*, Chicago: Aldine, 1967, Part IA and Part IIA; Myrdal, *Asian Drama*, op. cit.; Streeton, Paul, *The Frontiers of Development Studies*, London: Macmillan, 1973; Schumacher, E. F., *Small is Beautiful: A Study of Economics as if People Mattered*, London: Blond Briggs, 1973.
- 20 See Baur, P. T., *Dissent on Development*, London: Weidenfeld and Nicolson, 1971; Seers, Dudley, "The Limitations of the Special Case", in Martin and Knapp, op. cit.
- 21 Mynt, H., "Economic Theory and Development Policy", *Economics*, May 1967, pp. 117-30; Vernon, Raymond, "Comprehensive Model-Building in the Planning Process: The Less Developed Economics", *The Economical Journal*, March, 1966, pp. 57-69.
- 22 See Mishan, E. J., *The Costs of Economic Growth* London: Staple Press, 1967; Hodson, H. V., *The Diseconomies of Growth*, London: Earth Island, 1972.
- 23 Meadows, Dennis, et al., *The Limits to Growth*, New York: A Potomac Associate Book, Universe Books, 1972; Mesarovic, Mahajli and Pestel, Edward, *Mankind at the Turning Point: The Second Report to the Club of Rome*, New York: E. P. Dutton, rev., 1974. The debate on this issue is vast and proliferating. For a critique of this line of attack see Beckerman, Wilfred, *In Defence of Economic Growth*, London: Jonathan Cape, 1974.
- 24 For a more detailed discussion of this issue by this writer see "The Third World's Dilemma of Development", *Non-aligned Third World Annual*, St. Louis: Books International of DHTE International Inc., 1970, pp. 3-18. For a recent brief but succinct statement see Adelman, Irma, "On the State of Development Economics", *Journal of Development Economics*, 1974, pp. 3-5.
- 25 Bonnè, Alfred, *Studies in Economic Development*, London: Routledge and Kegan Paul, 1960, p. 250.
- 26 See Burton, Henry J., *Principles of Development Economics*, Englewood Cliffs: Prentice-Hall Inc., 1965, pp. 2-3; Kindleburger, Charles P., *Economic Development*, New York: McGraw-Hill 1965, ch. 1; Hagen, Everil, *The Economics of Development*, Homewood, Illinois: Richard D. Irwin, 1968, ch. 2; Lewis, Arthur, *The Theory of Economic Growth*, London: George Allen and Unwin, 1955, pp. 420-35; Kuznets, Simon, *Six Lectures on Economical Growth*, Glencoe, Ia: The Free Press of Glencoe, 1959, ch. 1.
- 27 See this writer's *Islam and the Contemporary Economic Challenge*, mimeographed paper presented to the International Youth Seminar, Riyadh, December, 1973.
- 28 "God does not change the condition of a people unless they first change that which is in themselves" (The Qur'an, 13: 11).
- 29 This is being increasingly realised by development economists. One of the lessons, insists Max F. Millikan, we must learn from the developmental experiences of mankind is to see development "as a systematic interaction of a large number of elements". See Millikan, Max F., "A Strategy of Development", in U.N., *The Case for Development*, New York: Praeger Special Studies, 1973, p. 25.
- 30 The Qur'an says: "It is God who has created the heaven and the earth. He sends down rain from the skies, and with it brings out fruits to feed you. It is He who has made the ships subject to you, that you may sail through the sea by His command. He has also harnessed the rivers for you. And also the sun and the moon, both diligently pursuing their courses. He has subdued for you the day and the night and has given you of all that you ask for. If you try to count God's favours to

you, you would never be able to count them all. But man is given up to injustice and ingratitude" (14: 33-34). In the context of this divine policy for human sustenance and development, it is very important to say *inna al-insāna la-ẓalūmun kaffār*. This refers to things that disrupt and destroy the process of human development. Reference as to the disvalues of ingratitude, i.e. non-utilisation of what God has given, and injustice, i.e. their misuse in the social sense, see al-Ṣadr, M. Bāqar, *Iqtisādunā*, (Beirut, 1968).

- 31 See the Qur'anic injunction: "Against them make ready your strength to the utmost of your power, including steeds of war, to strike terror into (the hearts of) the enemies of God and your enemies and others besides whom you may not know" (8:61).
- 32 See U.N., *The Case for Development*, *op. cit.*, particularly chs. 1 to 3. A joint study by the World Bank Research Centre and the Institute of Development Studies, Sussex, *Redistribution with Growth* (Hollis Chenery, Montex Ahluwalia, C. Bell, John Dulcy and Richard Jolly) London: Oxford University Press, 1974, breathes some fresh air into the debate although the canvas still remains very limited.
- 33 We owe this term to a UNESCO study on recent developments in Social Sciences: *Main Trends in Human and Social Sciences*, Netherlands: Mouton, 1970.
- 34 See Pajestkr, Joseph, "Social Dimensions of Development", in U.N., *The Case for Development*, *op. cit.*
- 35 See Adelman, Irma and Morris, C. T., *Economic Growth and Social Equity in Developing Countries*, *op. cit.*; Hakamori, H. and Yamashita, S., "Measuring Socio-Economic Development Indicators, Development Paths and International Comparisons", *The Developing Economics*, Japan, vol. XI, no. 2 (July, 1973), pp. 111-45; Drewnowsky, J., *Studies in the Measurement of Levels and Welfare*, Geneva: UN Research Institute for Social Development, 1970.