

## Publisher's Acknowledgement

Global Scholarly Publications (hereafter GSP) expresses its deep appreciation to Drs. Abbas Mirakhor and Idris Samawi Hamid for their gracious acceptance of submission of this important study for inclusion in our Series in Economics of Globalization and Globalization of Economic Theories (SEGET).

The penetrating original scholarly contribution embedded in this text is especially welcome by Global Scholarly Publications (hereafter GSP) for two reasons. First, the introductory chapters of the book constitute an excellent contribution to the history of economic theory buttered with wonderful insights such as the distinction between Adam Smith's positions in *Wealth of Nations* vs. *The Theory of the Moral Sentiment*; its discussion can provoke debates in scholarly symposia and/or graduate seminars in a course in the history of economics. Second, this book is unique and fills an important gap in our series. It is true that SEGET series contains a number of manuscripts in print and in press in Western economics (including a book on a new pragmatist model for capitalism) and Chinese Marxist doctrines (guided by the Director of Marxist Studies at the Chinese Academy of Social Sciences in Beijing (CASS)). However, prior to this work GSP had no major book in Islamic economics with a reference to the Western tradition. Indeed, this is the first study of Islamic economics by professional scholars who have mastery of Western methodology and economic history as well as creative scholarship to construe an original Islamic model of development. In this light, GSP is delighted to include this text in its SEGET series.

For a fuller appreciation of the gap filled by an Islamic model of economics we need to reflect on the larger context of a need for an Islamic contribution to the GSP project of globalization and economic thought.

Due to the increase in globalization of communication and economics, there is a need for a globalization of knowledge in a variety of disciplines. An important dimension of this globalization is the study of economics of globalization and the globalization of economic theories. To this end Global Scholarly Publications (hereafter GSP) has launched a series of conferences (convened in the USA, Egypt, and People's Republic of China) and a number of publications to cover contributions from diplomats and scholars. A comprehensive model needs

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an integration of the major global powers as follows. In addition to the Russian Federation and India, pedagogically we may perceive the present globe in terms of three major political and economic powers, the West, East Asia – especially the People's Republic of China (PRC) –, and the concatenation of countries where a majority follow Islam. A number of contemporary researches on globalization focus on the West and Asia, which is a limited vision for the following reasons:

### a. **Demographics**

The major concern of scholars of globalization lies in the fact that the global village and its marketplace are gradually being dominated by the PRC, while the West faces economic crises and population decline, and Africa is being marginalized in globalization. In spite of these important dynamic concerns, we should not overlook the statistics that predict that the Muslim population will grow to four billion persons. In addition to this purely quantitative number of persons, a number of Muslim peoples occupy politically strategic lands and are blessed with many natural resources as well as a sophisticated cultural heritage. Thus there is a need for an economic model from an Islamic perspective, which by its very nature is global in perspective.

### b. **Development in Western and Marxist Schools**

Now globalization of economics of Western and Marxist schools-without an Islamic counterpart are taking place as follows:

Marxist theories after Deng Xiaoping have adapted themselves to a mixed-market economy and a post-President Bush USA tends to return to imposing regulation and state support of health care and regulation. The pragmatic model of capitalism (coming from right-wing Hegelian idealists) and the new Sino-Marxism (coming from left-wing Hegelians) both imbed a process ontology that facilitate their merge into a meta-language as they are both attempted meta-languages for the same global market. What is needed is a sophisticated Islamic model that has been construed by sophisticated scholars who have already mastered Western as well as Muslim scholarship.

### c. The Need for a New Theory of Development

Perspectives of “development” include the social, cultural, economic and technological, used in the context of *justice* – social, economic, and political. The importance of using development as the parameter for social sciences is obvious by the growth of poverty across the globe.

The World Bank estimates that nearly 80 percent of the world population (5.3 billion) lives in low or middle income countries. Of this number, 20 percent (1.1 billion) live on incomes below the international poverty line (less than a dollar a day), many of them inescapably trapped in perpetual poverty.

As documented in this text, the paradigm cases of Western theories have failed to account for development as this and other examples illustrate.

The present study proffers a new model for an Islamic model of development which bypasses the problems embedded in salient Western theories of development, involving the following conceptual frameworks.

The Islamic theory of development is characterized by a number of salient features, a few of which we summarize in the following:

#### a. Logical Features of the New Islamic Model for Development.

In light of the contemporary logic of model theory, we need to depict the basic primitive terms and theorems of this new model. Prior to presenting the content of the new Islamic model, there is a need to clarify the logic of the language presented by the authors. To begin with, their meta-axioms are not limited to purely syntactical disciplines such as pure mathematics or logic, not descriptive extensional axioms are exemplified by the descriptive sciences such as physics and chemistry. In contrast to pure logic and descriptive domains, Islamic constructs, like any other religious discourse, proffer what may be called pragmatic, intentional, and archetypal types of axioms for three reasons:

- i. Pragmatic axioms, such as Plato’s theory of knowledge as virtue do not simply define abstract concepts; nor do they point to facts in inanimate nature; instead, pragmatic axioms serve as

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guidelines, criteria for personal actions among logically possible choices as well as formation of rules for members of a polity as well as relation between persons and the world. It should be clarified that pragmatic perspectives are not exclusive to religious models such as Islam, but are necessary features of any constitution, even for secular states, such as the US Constitution or the Constitution of the ex-Soviet Union. Social order needs to be based on pragmatic axioms that function as guide-lines to make specific laws.

- ii. Unlike extensional languages which address merely the extra-personal dimensions of human behavior, intentional concepts such as "belief," "empathy," "sentiment" and "well being" signify inner personal processes such as "happiness" – as it is defined by the Greeks as "an activity of the soul in accordance to its virtue." The specific mark of intentional features is that they are not necessarily mapped into by purely quantitative measurements
- iii. Another key feature of the Islamic model is the archetypal feature of its meta-axioms in the sense that they apply to universal grounds of being a societal human being and in a social order for the human being. In its archetypal aspect, Islamic parameters transcend particular personal, societal and temporal accidental features. The logic of the need for an archetypal feature of a pragmatic model is analogous to Ludwig Wittgenstein's rejection of the possibility of a private language. For example, one cannot measure a ruler by itself; or in a societal game the referee must make decisions in reference to the players. When the archetypal image is absent, a person can only relate in a play type of encounter – not in a game.

For example: Two believers who presuppose the Divine Creator, the authors argue, use the common bases of the divine origin of their essence in order to have amiable care for each other's existence. A child is an extension of a parent, who does not presuppose an ontologically independent existence distinct from his/her offspring – hence, no profit motive! In this light the authors proffer that two different believers – even any two humans at large – are de-alienated from one another due to their

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common essence, which for a Muslim is the field of *Walāyah* or Dynamic Love of the Creator.

A point of interest outside of an Islamic religious model is that in a Spinozoan or extreme-Sufi type of natural mysticism, there is an attempt to replace the creative divine by nature – or the source of unity of being by an existent. Religious believers may argue that by “secularization of the divine,” or by “embedding the divine in individuals,” the system will have a tendency towards interpretation of ethics in terms of pure psychology – a move rejected by religious believers but which may be accepted by some naturalists.

**b. The Content of the New Islamic Model of Development**

The authors point out that the basic parameters of the Islamic model are found in the Qurʾān [7:96]. Chapters 4–6 look at the implications of the axiom: “Societies will develop if they are believers and if they are consciously aware of the Supreme Creator.” The authors proceed to deduce many pragmatic theorems from these axioms. For sake of brevity only a few are listed below.

Marxism, Psychoanalysis, Existentialism and Phenomenology and many other modern ideologies claim that “alienation” is the major problem of humanity. As illustrated in the theodicy of the Book of Job, a major form of human alienation is between humanity and what is experienced from the Divine in terms of world order and suffering. In short, “alienation” between humanity and its ground of being is a major theological issue. The authors of this Islamic Model point out that there is a convergence between consciousness (“acquired experimentally by human through a process of encounter with ...means and instruments provided by the Creator to aid in the becoming process of human”), and meta-consciousness (“an imputable cognition of Oneness and Onliness of the Creator imprinted in the human being at the time of creation”).

In this vein, the authors point out the “poverty” of a number of failed attempts in the past to forge a satisfactory theory of development. For example, the Scottish enlightenment wished to encounter the Hobbesian depiction of state of nature as state of war which can be remedied only by rule of a sovereign, a Leviathan; to this end, Adam Smith (of *The Wealth of Nations* and not of *The Theory of the Moral Sentiments*) that “self-love regulated by Other regarding

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sympathy, individuals will be act through the mechanism of the free market" to achieve both self interest and the social order. As the authors state, consequent economic failures in Europe resulted in a double unsuccessful encounters of totalitarian versions of Communism and Fascism. Later extensional models of marginalism and neo-classicism responses also failed as they attempted to map an extensional quantitative model to explain the intentional domain of economic dimension of the complex reality of human behavior.

The incompatibility of the quantitative extensional language for an intentional domain of development also marked the failure of placing the sole criteria of development in terms of "maximum material growth." While delineating their shortcomings, the authors depict the positive doctrines of other thinkers such as Sen and Mah-bub ul Haq, who rejected the pure mechanistic criteria and sought intentional notions such as freedom, and life options in achieving contextual goals due to human capacity.

In this tenor, the authors construe the Islamic model of development as involving the three organically inter-related dimensions of *self-development*, *physical-material development*, and *societal development*. In this light, the Creator's blessings include the human capacity to full realization of these dimensions, especially the well-being issue of developing one's self. The archetypal Divine rules mitigates against all distortions as selves do not decide in a morally solipsistic limbo, but in light of an intentional communication with a trans-personal order where each member shares with another person in a world-community-polity.

The Islamic vision of a person as an integral part of a community of divine origin thus replaces the vision of an alienated profit-seeking ego for a mode of care for others as an imitation of the dynamic love which is embedded in the Islamic vision of cosmology. Due to the mutual ground of their beings, the relation between two persons tends more towards a relation of love and care analogous to that of members of the same family, rather than short-term notion of self-interest that may, without regard for future generations, have no qualms for inflicting injustice upon others in the larger community, or for planting the seed of ecological disasters in nature. The author's depiction of the major role of the Creator results in a rejection of what may be labeled as mechanistic, egotistic models of development.

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It is beyond the scope of this acknowledgement to extend to the large number of other insights in the text. In conclusion, this text is recommended to a number of audience of readers, especially to scholars of global and religious studies, historians, economists, sociologists, political scientists, and of course those who are interested in Islam or the effects of Islam on the rest of the globe, as well an Islamic foundation for a global village.

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## Preface

### بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

It would not be an exaggeration to suggest that perhaps no other issue in contemporary social thought possesses the centrality accorded the idea of development – social, cultural, economic, political, and technological. The importance of the question of how societies progress becomes even more acute if the idea of development is considered within the context of Justice – social, economic, and political. Within the dominant intellectual tradition, the history of the evolution of the idea of development has a rich pedigree. It at least dates back to the Scottish Enlightenment. Recently, Martha Nussbaum, and to some extent Amartya Sen, have drawn implications for contemporary thinking on development from Aristotelian analysis of human flourishing. The recent sharp focus of dominant thinking on human development has been necessitated by the alarming growth of poverty across the globe. World Bank estimates that nearly 80 percent of the world population (5.3 billion) live in low or middle income countries. Of this number, 20 percent (1.1 billion) live on incomes below the international poverty line (less than a dollar a day), many of them inescapably trapped in perpetual poverty.

In the course of its colorful history, the question of how economies change and grow has received a wide spectrum of responses each containing a set of policy prescriptions based on assumptions regarding human behavior, institutional structure, the role of state and markets, and distributive justice. Each response by one generation of thinkers was found wanting by the next. For example, before the Great Depression much faith was placed in unhindered workings of the markets. After WWII, however, development thinking went through a fundamental change primarily influenced by the experience of the Great Depression. Markets were no longer trusted to automatically generate full employment of resources. Government intervention in steering the economy toward full employment became the essence of development policy description. This was particularly the case in policy prescriptions to developing countries. The basic idea was that the low-income countries could duplicate the material growth performance of the rich countries. To do this, the governments of these countries should take a leadership role in directing the development process. This period

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coincided with the ideological cold war period. The rich countries in the West undertook to help these governments through development aid provided that their politics would align with those of the West. The disappointing results of this model and lower availability of development aid soon paved the way for development models in the 1980s and 1990s that focused on structural reform. The development aid became conditional on acceptance of policy prescriptions of aid agencies and international institutions run by the rich countries. The pendulum of development thinking moved away from government intervention to market reform. Towards the end of the last century, development professionals had to admit that structural reforms had not fully succeeded in reducing the gap between the rich and the poor either internationally or internally in many developing countries. In fact, the gap had increased. Even in countries where the structural reform policies had achieved some measure of success, income and wealth distribution had worsened. Overall, poverty rates had grown at an alarming rate and the burden of debt of developing countries to the rich countries, and to their "international institutions", had increased dramatically threatening widespread default.

During the closing decades of the last century, development thinking went through another historic "twist and turn" as development specialists, intellectuals and professionals, began questioning the basic premise of the then dominant thinking that saw development as material growth and in the face of failure of the leading model to, at least, prevent poverty from spreading. Professionals such as Mahbub ul Haq urged changing focus to "human development". These efforts culminated in the closing years of the twentieth century in the works of Amartya Sen on Development as Freedom, arguing that the focus of development should be expanding the capabilities of people to empower them to do things they value. Concurrent with the efforts of Mahbub ul Haq, Amartya Sen and others, the new institutional economics (NIE) came into prominence with policy implications for development. The NIE argued that in order to make economic progress developing countries had to reform their institutional structure, i.e., "the rules of the game". This conclusion was reached as a result of empirical enquiries addressed to the question of why countries differ so widely in their economic performance. The result of these studies confirmed that better performing economies had better institutions. The poor performing economies not only suffered from deficient institutions but also from a

“path dependency” that created an inertia making change and reform difficult.

This primary purpose of this book is to provide an introduction to Islam’s conception of development and to locate it within the general topography of the spectrum of dominant ideas in their historical perspective. The book attempts to present this topography in the first three chapters through a brief review of major conceptions of development within the context of “twists and turns” of their historical evolution. It is thought that such a brief coverage is important not only to provide a basis for comparison and contrast between the Islamic conception and the major ideas but also because heretofore these other conceptions have been the foundation of development policies and their implementation in Muslim countries.

The last three chapters present a rudimentary sketch of the contours of Islam’s conception of development. Islam is a rules-based system, therefore, its conception of how humans and their collectivities can achieve material and non-material progress is also grounded on a scaffolding of rule-compliance which assures such progress. The book attempts to present and explain these rules and their bases. This is done in the last three chapters that draw heavily on the Qurʾān as a *metaframework* that specifies universal rules of behavior prescribed by the Law Giver. Compliance with these rules ensure attainment of social order, solidarity, material and non-material development with justice. The chapters also draw on the teaching and practices of the Prophet which constitute an Archetype model operationalizing, and localizing, as well as implementing the Metaframework. In one sense, it can be considered that the last three chapters are an attempt to understand only one verse of the Qurʾān, i.e., verse 96 of Chapter 7. The book refers to this verse as the development verse of the Qurʾān. This verse specifies the necessary and sufficient conditions for a society to achieve material and non-material growth and development. These conditions are: being a believing society and one that is consciously aware of the ever-presence of the Supreme Creator. Efforts are made to explain these conditions and their constituent elements. Being a believer means compliance with a set of rules of conduct. Being consciously aware of the ever-presence of the Supreme Creator means avoiding rule violation and minimizing rule non-compliance. The last three chapters present and explain these rules. It is hoped that the chapters would provide a clear, albeit preliminary vision of the society the Verse 96 of Chapter

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7 of the Qurʾān asserts will be one which experiences a balanced, dynamic, and just society. The book makes an attempt to ease the task of drawing comparisons and contrasts between the leading conceptions of development and that of Islam's.

The understanding of Islam's conception of human progress and the associated conditions, even at this elementary level, owes much intellectual debt to the writings of al-Shahīd Sayyid M. B. al-Ṣadr. Āyatullāh Sayyid al-Riḍā al-Ṣadr, ʿAllāmaa Sayyid M. H. Ṭabāṭabāʾī, Imām Sayyid R. al-Khomeini, professor Sayyid H. Nasr (whose writings have now been summarized in a recently published book by William Chittick, 2007), and to the six-volume book, *Al-Ḥayāt*, authored by M. R. al-Hakīmī, M. al-Hakīmī, and A. al-Hakīmī. The intellectual debt to professor Kadhim Sadr is immense.

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