

An Introduction to an Islamic Theory of Economic Development

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Introduction:

Economic development has received a tremendous attention, in theory as well as in practice, after majority of the developing countries won their political independence in the post II world War period. The developing world which strives to eliminate poverty and to solve its chronic development problems composes almost 80-85% of total world population. Most, if not all, of the chronic social, political, and economic problems in this world, manifested in poverty, insufficient educational and health services, high unemployment rates, and else are linked to inability to lead and sustain successfully economic development. The Muslim countries, alas, are almost all included into the developing world(1). Some of these countries are even classified among the poorest in our world, e.g. Niger, Mozambique, Bangladesh, Somaliland, and Eretria.

Question calling for Answer

Why the developing countries, with minor exceptions, could not improve their living conditions over the last half century? Why economic conditions in quite a few of them have even worsened? This question is surely calling for an answer for the developing world in general and for the Muslim countries in particular.(2)

Is it a question of inability to select sound development policies? Or is it a question of inability to run and sustain successfully sound development policies?

Alternatively, we may enquire about the development policies which are generally adopted and described as sound and suitable? Are they truly so? Could it be that they are unsuitable? May be because of lacking sound theoretical foundation? Or based on theories which do not fit these countries, i.e. theories that have not taken into consideration all factors (cultural, social, political, etc) that are inherent in these countries and which are bound to reflect hardly on their economic performance?

In all cases, whether in application of the development policies or in their suitability there is a crucial question concerning the role of the economic theory. In other words, even if it is argued that development policies have been applied wrongly or applied in rather unfavorable circumstances, the theory should rightly explain and enlighten us on the applied side.

Within this context our enquiry in this paper concerns the need for a fresh development theory whose

1) Even rich Muslim countries which are mainly dependent on crude oil or natural gas extraction . Structural economic changes that are necessary to sustainable economic development in the long run and that could have depended on huge revenues realized by selling their wealth to the world have not yet taken their place in these countries. Among all Muslim countries only Malaysia and Turkey have shown positive indicators of the take-off phase in the recent two decades.

2) Amongst the targets of this paper is to analyze why the Muslim world is suffering now from underdevelopment. Is not true that it had led the whole world economically and politically in the medieval period?

basic assumptions realistically reflect actual features and circumstances of the developing countries. Whereas this question, and all previous questions that have led us to it, concerns developing countries in general, attention is paid in particular to Muslim countries.

But why Muslim countries do need some special treatment in the development context? Are not there common features between them and other developing countries? Or is it because of their particular culture?

For some common economic problems there are surely common features which call for same treatment that would be suitable for development irrespective of cultural or religious differences among countries. However once cultural differences are taken into consideration we must think seriously of the need for special treatment in development theory and policies. This view is not disputable as long as we maintain a belief that majority of the Muslim people in our world are still religious and are willing to maintain, their indigenous culture. This is part of the answer. The other part, in fact, is related to the system issue in contemporary Muslim countries. Islamic economists as well as all adherents of Islamization believe in the necessity of reviving Islamic Laws (Sharia). This means a call for an Islamic economic system in the Muslim world. Such a system is different from modern market capitalism as well from many forms of socialism. It is a unique system which combines private with public ownership as well as material with spiritual objectives in due balance under the umbrella of given religious rules and values. Obviously, when the value system is different, targets will differ and theories and policies need to be different (3).

Thus we have to think of what is particularly suitable for Muslim countries when economic development is considered. Muslims who have adopted secularism will challenge these statements, for my knowledge. Those tend to think that contemporary Muslim countries are not seriously different from the rest of the developing world. Moreover, in their opinion, the wave of globalization is going to erase in future whatever is still remaining of cultural differences among countries, Muslims or non-Muslims. My opinion as an Islamic economist is that the adherents of such views are just thinking on the same lines as the rest of secularists all over the world. In their opinion religions and religious values are either private matters or things that belong to the past, to the medieval period, and that the Muslim world should move forward following the same path of the presently advanced countries? Those thinkers, in fact, lack knowledge of Islam. They have no idea of its dynamic nature, its uniqueness in providing the human race with means to progress and realize civilization anywhere and at any era (4). They think of Islam, typically as other secularists of Christian, Buddhist or Hindus roots, believing that religion is a private relation between man and God. Thus religion is composed of rituals that have nothing to do with economics or politics. It is a pity that those who think in this way have no time to read and learn something about the Islamic religion, which does not only require the performance of religious duties but sets down *halal*

3) These statements, for my knowledge, will be challenged by modern Muslim scholars who have adopted secularism. Those tend to think that contemporary Muslim countries are not really different from the rest of the developing world so far economic or politics are concerned.

4) Backwardness of many contemporary Muslim countries is definitely due to weakness of their belief and inability under several political circumstances, domestically and internationally, to apply Islamic laws. The downward trend of the Muslim world had nearly started in the 18th century and was enhanced by the western colonial powers in the 19th and 20th centuries.

livelihood and earnings(5) as basic rule for acceptance of these duties. It is so sad to find people that cannot see the difference between daylight and darkness and intellectual Muslims who have not read a word about Islam, and how it laid down sound principles in economic, social and political fields within a unique framework holding balance between worldly desires and our hereafter life.

In this article, firstly, a critique is presented to known secular development theories: why are they not suitable to the developing countries? This is a necessary step in which serious shortages in these theories with respect to the circumstances of the developing countries are analyzed. Secondly, an analysis is presented for what we call the “Intellectual Vacuum”, showing the need for an Islamic development theory. Finally, but main part in this article, is our presentation of the Islamic development conception. An explanation of this conception and consequences of its application with respect to economic development is submitted. All this will reveal the difference, or similarities, between the Islamic and the secular development conceptions and policies. In fact the target of this article is to lay down basic foundation of a new development theory on Islamic bases. This is an important step that we may call it “an introduction” to such theory.

(I) A critique of Secular Development Theories and Policies;

Criticism which we present to secular development theories is focusing on reasons behind their unsuitability or irrelevance to developing countries. Our critique is highlighting in comprehensive manner shortcomings of these theories, and simultaneously drawing attention to misuse of these theories.

1- Most of the outstanding development theories are ideologically biased to liberal philosophies of Market Capitalism. During the 20th century philosophies and approaches to development were also affected by Scientific Socialism (Marxism). These ideologies are entirely unfamiliar to folks in the developing world. It cannot be assumed that native inherited cultures, social traditions, social instability, and illiteracy in developing countries allow common people to absorbing or consuming foreign ideologies just in the same way as they consume foreign food, cars, television sets, etc.. In many (not all) cases foreign ideologies are not only difficult to absorb or digest but also come into contradiction with native culture and traditions to the extent that they are faced with resistance when applied through policies and may be discharged or become entirely ineffective. In other cases, however, the foreign ideology when put into application caused dualism, which is, however, disturbing and cannot be accommodated in the long-run. In fact developing countries, particularly those with strong cultural heritage such as Muslim countries, suffer more from foreign ideologies encroaching upon their indigenous culture. Policies based upon foreign ideology would cause suffering to developing countries in the long-run more than suffering which is due to poverty, unemployment, and chronic deficits in balance of payments.

In fact it is only the elites of the developing world whom you would find admiring foreign ideologies and related theories. Elites form a minority in all cases and their admiration cannot be explained except by reference to cultural subordination to the advanced world. Elites are so influential in developing countries and in our opinion their subordination is one of the most important factors

5) Halal is what is permissible by Sharia rules. Halal earnings can never be driven from unfair transactions, e.g. monopolistic practices, riba (interest), bribery, fraud, gambling, or under- waging workers etc. Islam is the only religion that strictly emphasizes this relation between worshipping and economic behavior.

behind inability of governments to select suitable development policies, a matter which directly reflects upon the chronic development problems in our world.

2- Secular economic thought focuses in general, upon the role of pure economic factors in analyzing factors that are impeding or pushing forward development in its pure economic dimension. This has been over done in liberal as well as in socialist literature, with few exceptions. This has implied exclusion or negligence of non-economic factors (cultural, sociological and political etc). Under best considerations non-economic factors have been introduced in economic analysis but treated as dependents on economic factors.(6)

Early contributions in the role of non-economic factors in economics were presented by the Historicists, Institutionalists in Europe (during the 19th century) and by T. Veblen in the American neo-classical school (early 20th century). Yet these contributions could not receive much attention for decades because of the overwhelming influence of the Neo-Classical who advocated pure economics and created the economic man⁷. Only, in the 1950s and onward a new trend in economic thought timidly emerged by Boeke's "sociological dualism", E. Hagen's "the Peasant Society", McClelland's "Achievement Motivation", Hoselitz's "Deviated behaviors"(8), and G. Myrdal's pioneering works(9) These contributions showed that non-economic factors can play a serious role in development side by side with the economic ones. Religious, cultural, social, psychological, and political conditions treated by these new approaches as key development factors where as development theories traditionally viewed them as economically irrelevant or negligible.

It is worth mentioning that the emergence of Islamic economics, a new paradigm which is strongly supporting the interaction and interdependence of economic and non-economic factors, would give a big push in the right direction.

3- Development theories are not really reflective of the economic environment of the developing world. Thus we do not find axioms that are reflecting chronic structural unemployment or widespread disguised unemployment, Monopolies which are supported by government policies (because of corrupt politicians in authority!), weak and ineffective trade unions, undeveloped and inefficient financial markets, very active informal credit market, large informal sector of small and micro enterprises, and incomplete and unbalanced infra structure. How much gain that would be

6) In Marxist analysis all non material factors are dependent on material factors. Caute ,D. "Essential Writings of Kart Marx (A London Panther , 1967.

7) Barber ,W.J.A History of Economic Thought (A Pelican Original – Penguin Books , 1967; Also Ekelund, R,B, and Heber "A History of Economic Theory and Method,3rd Edition, (McGraw – Hill , 1990)

8) J. H. Boeke, Economics and Economic Policy of Dual Societies, New York, 1953; D McClelland, "Community Development and the Nature of Human motivation: Some Implication of Research". Paper presented to the Conf - on Community development and change – MIE. Dce. 1957; E E Hagen "An Analytical Model of the Transition to Economic Growth", chapter 13, "the Peasant Society"; B.F. Hoselitz, Non-economic Factors in Econ. Development, American Review, May 1957.

9) Gunnar Myrdal has many pioneering works in economic development: *Economic Theory and Underdeveloped Regions*, Gerald Duckworth, 1957; *Value in Social Theory: A Selection of Essays on Methodology*. Ed. Paul Streeten, published by Harper, 1958; *Beyond the Welfare State*. Yale University Press, 1960; *Challenge to Affluence*. Random House, 1963; *Asian Drama: An Inquiry into the Poverty of Nations, which is most challenging amongst his works; Objectivity in Social Research*, 1969;*The Challenge of World Poverty: A World Anti-Poverty Program in Outline*. 1970.

realized when these realistic axioms are considered (instead of ignoring or neglecting them) when proposing hypotheses in development theories?

4- It is clear that secular development theories - as other modern economic theories- have neglected the question of "what ought to be" and focused only on "what is actually there and what is expected upon that". It should not be understood that the empirical or "positive" approach is denied its necessity and usefulness. But, we have to assert that denial or neglection of the normative approach is unacceptable. This is particularly true in the case of developing societies where the reality or actual facts of life need to be changed by new ideologies, ideas or visions. "What ought to be" is quite important for the structural change that is needed in economic, social and political development.

(II) The Intellectual Vacuum and the Theoretical Gap

A critical review of development theories reveals that failure to achieve development cannot only be due to inability of selecting sound development policies or inability to run and sustain them successfully. The problem is deeper than that. It is most probably rooted in the weak theoretical structure of these policies. Hence, developing countries are actually facing a serious problem!

Inability to eliminate poverty, or get rid of the underdevelopment vicious circle is not really, as written in text books or recorded in international reports, due to shortage in finance or low rates of investment, and slow technological progress etc . It is rather the absence of suitable development theories or strategies which can rightly and sufficiently explain the development gap, and consequently inability to propose sound and practical solutions to it. This is a theoretical gap, which really is the most critical and challenging by comparison with the economic or technological gap. The theoretical gap will remain as long as the scholars who belong to the developing world are unable to advocate fresh conceptions and hypothesis that would truly explain underdevelopment and propose positive policies towards its elimination. This is what we call the "intellectual vacuum". In my opinion such "Vacuum" is the main reason for chronic underdevelopment.

In fact Scholars belonging to developing countries are frequently well and highly educated but also mostly indoctrinated by foreign culture and ideology. This means that they are supporters and defenders of main stream development policies that are based on unsuitable theories. Thus while we find in the developing world professors and excellently educated and research persons we do not expect from their bulk to work for the main task, which is waiting for them, i.e. producing new theory (theories) that could help directly and effectively in establishing successful development policies(10).

An easy escape from the intellectual vacuum, and hence a solution to the so-called theoretical gap, may be found through stripping the developing society off its indigenous culture. This can be realized gradually in practice by successive injections of foreign values, implanting foreign style institutions and encouraging public arguments against indigenous traditions, and inherited norms of

10) There is a common believe among scholars in developing countries that the well-known theories that have been empirically tested and proved to be reliable in the advanced world are of universal truth. Consequently the value of these theories is not disputable even if their axioms are not reflecting the actual conditions of the developing world. Scholars in developing countries while mostly dazzled by these theories are also having little or no believe in the interaction between the economic factor and the cultural, sociological and political factors, a matter which stands against thinking of new development theories or any new policies away from the main stream ones.

social behavior. People in this case should be educated through the information media that economic and social progress cannot be achieved except by following the path of the developed world in every respect. The success or failure of such solution can be judged by actual outcome of the economic policies that are based on foreign or imported ideology.

However, economic or political changes that necessitate such structural cultural changes, implying “blind imitation”, cannot be accepted at all by the people who have so much care and dignity for their own cultural identity and inherited ethical values. Muslim People in the world belong to this category with minor exceptions, i.e. those who are so much influenced by foreign cultures or by secularism.

Another group of intellectuals in developing countries think that, so far economic development is concerned, a compromise is possible between the religious heritage and native culture on one side and modern secular or western ideologies on the other. This represents another escape from the said “intellectual vacuum”. Governments can select whatever may be considered suitable for their developing societies from known economic development theories, while ignoring the remaining lot. Policies based on selected theories should be implemented through institutions and mechanisms that are “practically” suitable on bases of culture and traditions.

Malaysia (11) has adopted these mid way policies in order to harmonize its Islamic culture with modern ideologies. China and India are taking a similar path at present. This compromising trend of thought can only offer “transitional solution” but not a permanent one to the “Intellectual Vacuum”, unless supported by continuous adjustments and genuine fresh ideas reflecting the actual economic, cultural and social circumstances of the developing countries. It should be noticed that the “Intellectual Vacuum” cannot be simply removed by comprises, since these by themselves are bound to establish hybrid culture breeding elements of sociological and economic contradictions. In the long run such dualism unless removed through genuine intellectual efforts would in turn breed instability and disequilibrium that would surely slow down or impede development.

While this second solution may be acceptable on pragmatic grounds by a group of modern intellectual Muslims, provided that necessary qualifications are made, as explained, a genuine Islamic solution would still be preferred in the long run on ideological and economic grounds. From an Islamic perspective, “blind imitation” of non Islamic systems or ideologies, which is the core of the first solution, is burdensome in the short run and destructive to Islamic culture in the long run. Compromises with foreign systems or ideologies which are the core of the second solution cannot be agreeable in the long run.

For these reasons Islamic economists should do their best to produce some fresh and genuine scientific conceptions and hypotheses towards a new development theory. In doing this Islamic economists should be aware of the differences which exist between their ideology and foreign ideologies, ready to benefit from secular theories, if or when this does not contradict their Islamic ideology and laws, realistic to face, and never neglect, “actual” challenges that face development in their societies.

11) Malaysia, amongst Asian Tigers, has adopted some western style economic policies, while still maintaining its Islamic culture to a large extent. We may say that it is going through a phase of cultural dualism which in our opinion is undesirable, i.e. it is bound to slow down its rate of growth in the long run. Malaysia has to choose!

(III) The Conception of Economic Development in Islam

In the last two decades of the 20th century Islamic economists presented several conceptions of economic development in Islam. In spite of some differences in points of view or in presentations there was no lack of consensus among Islamic economists over two main points; (1st) happiness of mankind is the focus and the target of economic development, and (2nd) that this happiness can only be achieved with total development of man in all dimensions, i.e. with due balance between material development on the one hand and moral and spiritual development on the other ⁽¹²⁾ The value of mankind is highly esteemed in Islam. Allah sw has created man endowed with intellect and gifted him with knowledge and skills that are not given to other creatures, (Sura 2-Verses 31 and 34)

وَعَلَّمَ آدَمَ الْأَسْمَاءَ كُلَّهَا (2:33) وَإِذْ قُلْنَا لِلْمَلَائِكَةِ اسْجُدُوا لِآدَمَ (2: 34)

Allah has created man with intention to make him sovereign in this world (Sura 2-Verse 30)

وَإِذْ قَالَ رَبُّكَ لِلْمَلَائِكَةِ إِنِّي جَاعِلٌ فِي الْأَرْضِ خَلِيفَةً

and created all natural resources in the earth for his satisfaction (Sura 14-Verses 32-34) and made subject to him the sun, the moon and the stars.

اللَّهُ الَّذِي خَلَقَ السَّمَاوَاتِ وَالْأَرْضَ وَأَنْزَلَ مِنَ السَّمَاءِ مَاءً فَأَخْرَجَ بِهِ مِنَ الثَّمَرَاتِ رِزْقًا لَكُمْ وَسَخَّرَ لَكُمُ الْفَلَكَ لِتَجْرِيَ فِي الْبَحْرِ بِأَمْرِهِ وَسَخَّرَ لَكُمُ النَّهَارَ (32) وَسَخَّرَ لَكُمُ الشَّمْسَ وَالْقَمَرَ دَائِبَيْنِ وَسَخَّرَ لَكُمُ اللَّيْلَ وَالنَّهَارَ (33) وَأَتَاكُمْ مِنْ كُلِّ مَا سَأَلْتُمُوهُ وَإِنْ تَعُدُّوا نِعْمَةَ اللَّهِ لَا تُحْصُوهَا إِنَّ الْإِنْسَانَ لَظَلُومٌ كَفَّارٌ (34)

Allah bestowed upon man uncountable gifts to make him happy on one hand and to test him on the other (Sura 17-Verse 70 and Sura 18-Verse 7).

وَلَقَدْ كَرَّمْنَا بَنِي آدَمَ وَحَمَلْنَاهُمْ فِي الْبَرِّ وَالْبَحْرِ وَرَزَقْنَاهُمْ مِنَ الطَّيِّبَاتِ وَفَضَّلْنَاهُمْ عَلَى كَثِيرٍ مِمَّنْ خَلَقْنَا تَفْضِيلًا (Sura17:70)
إِنَّا جَعَلْنَا آدَمَ عَلَى الْأَرْضِ زِينَةً لَهَا لِيُنبَأَ لَهُمْ أَهْلُهُمْ أَحْسَنُ عَمَلًا (Sura18:7)

Would man come to think, learn and recognize that his Almighty Creator bestows all gifts that he has upon him? Would he be grateful to Him, love Him and perform his duties as a "true vicegerent" in this universe? Would man therefore obey his Creator's laws? Happiness is inseparable from believe in Islam. Man cannot be happy just by getting the material pleasures of this world but also by performing all the spiritual duties that are revealed to him. Man is composed of matter and soul and his own balance therefore is subject to balance between these two. Thus he has to divide his time, his intellect and his effort fairly between spiritual and material requirements. If his demand for material objects outweighs spiritual practices, his soul will suffer which will reflect on his inner happiness. It will also reflect on the others' happiness because such imbalance motivates greater selfishness and sooner or later trigger injustice with the others material interests. On the other hand, invisible or inner satisfaction may be maximized if man is overtaken by spiritual practices. Yet, his material interests as well as those of others for whom he is morally or socially responsible will be affected. Within these meanings expressed above it is clear that there is a gap between the Islamic and secular view of development. Islam by recognizing the balance that should exist between material and spiritual requirement for mankind would not endorse any secular views that focus only on material or pure economic welfare. Besides, the human factor, i.e. labor and entrepreneurship

¹²⁾ Economic Development in an Islamic Framework, M.A. Mannan and M. Ahmad (editors), IIIIE, international Islamic University, Islamabad 1996.

should play the leading role in economic development among other factors of production (i.e. land and capital)

On the above bases, the following conception is proposed for economic development in Islam.

“Development is a structural change in the socio-economic environment, taking place concurrently with adoption of Islamic laws and adhering to ethical values; thus triggering off human productive capacities towards maximum and best possible utilization of available resources, within due balance between material and spiritual targets”.

This conception which we believe most suitable for building an Islamic development theory, is explained in the remaining part of this article.

First:

"A structural change in the socio-economic environment taking place concurrently with adoption of Islamic laws and adhering to ethical values"

This is the first part of the conception, which represents the core of the Islamic conception of development. In secular theories the core of economic development is a structural change in output realized by reallocation of economic resources, which raises productivity and consequently the rate of growth. The link between the structural change in output and development is acceptable per se but the most important question is about how this change would happen? Which forces that would trigger it off in practice?

Economists have long ignored this question because they believe that forces behind economic development are exogenous ones and consequently are not their concern. These are non-economic forces, and ought not to be included in economic analysis. A group of economists, however, recognized the role of the non-economic factors in economic development but looked at them as only dependent variables, i.e. affected by changes in the economic factors. Such dependent variables are of secondary importance and once the process of economic development has started they would accordingly change in harmony with it.

The experience of economic development during the last half-century as well as in the first decade of the 21st century could not support these views. Non-economic factors in many countries played serious role in hindering economic development. They are neither exogenous factor nor can they be isolated from the economic ones. They are also not just dependent variables as the Marxists or others held.

Holding that a structural change in output is the core of economic development without saying how would it be accomplished is just like having a car and imagining that it would (or should) move by itself without a driver! We have to understand that a structural change in output or reallocating resources is the outcome of development and not its prime mover. It is an effect and not the cause.

The so-called pure-economists who are interested in the "economic man" would not like this kind of logic which we are processing because it would simply marginalize the role of their theories in the real economic world. A world, that just resembles man himself, is composed of a mixture of economic and non-economic factors. Were we chemists or physicists we could have claimed that our phenomenon can perfectly be isolated from other phenomena. But as economists we cannot deny that we are social scientists and we have to see how non-economic factors would affect our economic analysis.

The world experience in the field of development showed in the last half century that non-democratic governments, political corruption, and illiteracy besides the absence of ethical values and achievement motivations in developing countries have represented the most serious handicaps to economic development. It was not lack of finance in many cases. Governments in many developing countries obtained during the 1960s and 1970s in particular necessary finance for big push development programs through foreign loans. Yet, these loans were misused in prestigious investments or leaked into private bank accounts of the corrupt rulers through some fraudulent projects.

The real forces of economic development, therefore, spring from a structural change in the socio-economic environment. Democracy should prevail so that every citizen would know exactly his (her) responsibilities as well as his constitutional rights and would be able to defend them by law (13). Efforts to eliminate illiteracy and educate the public should start not only to improve available skills but also to give confidence to the people, raise their aspirations, morals, and create motivations for better life. Corruption should be exterminated and businessmen should know that no additional implicit duties would be levied on them through compulsory bribery etc.

From an Islamic perspective, a structural change in the socio-economic conditions is directly linked with application of "Sharia" (Islamic laws) and adherence to Islamic ethical values. Application of Sharia is a necessary condition for an Islamic economic system, while adherence of Islamic ethical values, which relates to "Aqida" (Islamic ideology), is a sufficient condition for an Islamic economic system.

Application of Sharia and holding fast to Aqida will bring about the required structural change. In the Quranic verse:

"إِنَّ اللَّهَ لَا يُغَيِّرُ مَا بِقَوْمٍ حَتَّىٰ يُغَيِّرُوهُ أَمْ أَبْأَنْفُسِهِمْ وَإِذْ أَرَادَ اللَّهُ بِقَوْمٍ سُوءَ آفَلٍ أَمَرَدَلَهُ وَمَا لَهُمْ مِنْ دُونِهِ مِنْ وَالٍ"

“Verily never Will Allah change the condition of a people until they change what in themselves” (Sura 13 - Verse 11).

Therefore the structural change that is required for development in the Islamic sense will not happen unless the people in society by themselves successfully carry their responsibility towards it.

(I) Application of Sharia:

Changes in the socio-economic environment that will take place concurrently with Islamic Sharia are numerous. In fact the application of Sharia would establish all foundations and rules that are necessary for an Islamic economic system. Yet in the following we are focusing only on those foundations and rules that are of special importance to economic development:

13) Democracy has deep roots in Islam and Islamic history. The Quran ordered Prophet Mohamad pbuh to consult with his companions. Following Caliphs used to consult scholars and listen carefully to ordinary folks.

(i) Prohibition of all interest-based Finance and developing new systems and modes for providing finance on equity bases (profit and loss sharing). Equity based finance is expected to bring about better allocation of available financial resources in the short run and more stability to the economy in the long run.(14) Equity based finance will also effectively help the development of small scale businesses which in many cases employ around 40% to 60% of labor force in developing countries and their contribution in National Domestic Product is frequently around 25%- 40%. (15)

141414)This is explained in AbdelRahman Yousri , “Prohibition of Riba (interest) in Islam: its Economic Rationale and Implications” of Interest prohibition in Islam”, the Annual Seminar of Islamic Economics, The Islamic Foundation, Markfield, Leicester, U.K,1999, published in “Current Economic Issues” Aldar AlJamieya, Ibrahimia, Alexandria, 2001. Also for the Author : “The Roots of the Financial Crisis (2008-...) and Lessons that we have to learn: An Islamic View” , presented in Symposium held by University of Kuwait, 2009, later on published by conference held by Faculty of Commerce, University of Alexandria in fall 2010

15) ILO statistics :Employment Trends, Global Report April 2007/ILO

(ii) Restructuring the fiscal system in manner to become firstly and mainly dependent on Zakat rather than taxes. Zakat ratios on idle money balances and treasure (gold and silver) as well as on trade activities are not more than 2.5% per annum. In agricultural, the ratio of Zakat is in the range of 5% - 10%. Industrial activities will not be charged more than these later rates on the value-added. These rates are much less than the present tax rates in most of the developing countries, a matter which would positively encourage private enterprise. Zakat would not be collected from small businesses as long as they have not reached Nisab. (16

(iii) Elimination of all kinds of corruption through Sharia rules will be enforced by courts. Bribery in particular has played destructive role against development in all developing countries as revealed in the recent decade in international reports. Its prohibition in Quran (Sura 2-verse 188) is direct and quite clear:

"وَلَا تَأْكُلُوا أَمْوَالَكُمْ بَيْنَكُمْ بِالْبَاطِلِ وَتُدْخِلُوا أَيْدِيَكُمْ إِلَى الْحُكْمِ لِتَأْكُلُوا أَمْوَالَنَا مِنْ النَّاسِ بِالْإِثْمِ وَأَنْتُمْ تَعْلَمُونَ"

In Sunnah (Tradition established by Prophet Mohamad pbuh) the punishment of bribery is inclusive of all persons involved in bribery, i.e. the one who pays, the one who receives , and the one who mediates between them for this purpose.

"لعن الله الراشي و المرتشي في الحكم. (تخريج السيوطي ، عن أبي هريرة ، وصحيح في تحقيق الألباني)
وكذلك "لعن الله الراشي و المرتشي و الرائش الذي يمشي بينهما". (تخريج السيوطي) (17)

(iv) Elimination of monopoly, monopolistic practices and all market imperfections is stated in Sharia rules in details. The Prophet pbuh was quite direct and clear in condemning the monopolist.

عن معاذ قال : سمعت رسول الله صلى الله عليه وسلم يقول : " بئس العبد المحتكر : إن أُرخص الله الأسعار حزن وإن أغلاها فرح ". رواه البيهقي

عن عمر عن رسول الله صلى الله عليه وسلم "الجالب مرزوق و المحتكر ملعون". (تخريج السيوطي)

Monitoring market activities is an official duty of the state (Hesba system) in order to guarantee fair competition among all parties. Sharia rules provide for direct and quick punishment for any violation in the system. Application of Sharia will therefore restructure the market in any developing country in a manner which will correct market mechanism, support competitiveness and directly help in bringing about best allocation of economic resources. Monopolists in developing countries control markets and suppress the development of small and medium enterprise. Experience also reveals that most of the monopolists' economic interests are concentrated in trade, particularly import trade,

16) Minimum level of liquid wealth, output in agriculture, and industry or merchandise value in trade.

17) الألباني صحيح دون ذكر الرائش (17)

construction sector and rarely in modern manufacturing. At present development in Muslim countries suffer, as in most developing countries, from the monopolists who are mostly quite affluent and having close personal economic and political relations with politicians and men in authority.

(v) Ruling out government intervention in the market through pricing policies as long as it is free of monopolistic elements and imperfections. This principle in Sharia has been established by the Prophet (Pbuh). The principle, in fact, confirms a situation in which the market is perfectly free. (18

) Taxes may be imposed besides Zakat only when necessary, e.g. for defense, or when Zakat revenues fall short of covering some basic needs such as public health services, and basic education. Taxes in the Islamic system are also of a temporary nature, i.e. once urgent need calling for an extra public expenditure has been satisfied or fulfilled taxes that were imposed for these needs should be terminated. Zakat is the only permanent Application of this principle will prevent price deformation, a phenomenon that greatly hindered the duty in the Islamic system. It will be noticed that almost all developing countries suffer from two things; higher tax rates imposed on private businesses on one hand and misuse of public money on the other. First priority under Zakat system is given to poverty elimination directly through meeting

basic consumption needs of the poor and indirectly by helping them in establishing their own small businesses and developing them. (vi) Attainment of fair distribution of income and wealth. This is one of the most important and serious prerequisites for development. Widespread feeling among ordinary people in society that income and wealth are not fairly distributed creates complains, dissatisfaction, and bitter feeling of injustice. Such conditions breed social and political instability and never help economic development. The opposite is true, that is when majority of people in society feel that none is missing fair opportunity to increase his (her) income and that society wealth is not concentrated in few hands. Socio/economic justice would surely create favorable social atmosphere, and lead to solidarity among people, gives real motivation for work and production and pushes economic development.

Available data reveals that the Gini index in many developing countries varies between 40% and 60% which indeed is bad indicator.(19) This is the result of several factors playing their role in income distribution such as large land estates owned by small number families, monopolies specially in large size trade and industrial activities, political corruption, and favoritism. Same factors besides some sociological factors, such as tribal and inheritance traditions, lead to concentration of wealth in the long run.

Fair distribution of income in Islam does not mean attainment of income equality among individuals. It means first that income should be obtained from *halal* activities. In other words, just distribution of national income means that incomes obtained from *non-halal* (Shari-unlawful) activities should be zero. Second, fair income should in principle be consistent with human effort (productivity) as estimated by “rational” competitive market forces. (20) Hence, fair income distribution is attained

18) Abu Yusuf in the 2nd H century refused government intervention in market price when the Caliph (Haroon al-Rasheed) consulted him. Ibn Taymeiya and Ibn Alqayim in the 7th H century asserted the principle of non intervention in market price as long as the market is controlled only by free demand and supply powers. In fact, Ibn alqayim disciple of Ibn Taymeiya distinguished between two cases ; market controlled by monopolists and market which is free of monopoly. In the first pricing is necessary and in the second case pricing is absolutely forbidden.

19) World Bank, World Development Indicators, Gini index figures in different recent years.

20)That is the market which is controlled by Sharia rules. In Islamic tradition worker should be rightly rewarded according to his skill and time specifically agreed upon with his employer. Muslim Fuqaha in mid centuries advocated the concept of “wage of the equivalent” side by side with “price of the equivalent”. The wage of the

through many of the factors that we have mentioned above, i.e. competitive markets, Riba prohibition (21), Zakat system whose first priority and principal target is poverty elimination. The continuous play of these forces in the long run would normally create fair pattern of wealth distribution.

So far wealth is concerned; Islamic Sharia also calls for direct action to be taken by the ruler if any exceptional circumstances lead to its concentration in few hands. The rule is stated in Quran (Surah 59-verse 7) ⁽²²⁾

كَيْ لَا يَكُونَ دُولَةً بَيْنَ الْأَغْنِيَاءِ مِنْكُمْ

There are two other factors which considerably affect wealth distribution in the long run and thus sustain a favorable climate for development. First; inheritance laws which in Islam lead continuously to wealth fragmentation. Second; Sharia rules which give all people in society equal common rights in water, energy and free natural resources in society. These rules since the first century of Islam prevented big tribes, rulers with their families, rich or powerful persons in authority from seizing or exploiting society's natural resources for their own private interests.

(viii) People in an Islamic system have equal rights in “free rural land areas” الأَرْضِ الْمَوَاتِ. Sharia organizes private rights in reclamation and ownership of this free rural land which according to Sunnah is a common public entity. The government has authority to grant any person property right in a specific plot of land provided that he (she) will make it productive within a given period of time (three years). Individuals also have the right to take the initiative in reclaiming any plot of free common land. Once it is proved that the land has been reclaimed successfully, i.e. become productive, private property right is simultaneously granted to him (her) by the state. This rule من أحيأها sets the right atmosphere for proper development of idle natural resources in many developing countries. Free rural areas in these countries either remains idle or granted piece by piece through corruption to some favored persons. Application of Sharia would give a big push to the development of free rural areas by avoiding any bureaucratic or complicated official procedures. Development of land can be done by cultivation, by extracting primary products, by establishing industrial activities or residential areas.

(II) Adherence to Aqida:

Revival and maintenance of ethical values that are derived from Islamic Aqida (ideology) will directly affect human motivations, which will practically be reflected in economic behavior,

equivalent is in fact synonymous with “just wage” and is determined by competitive market (discussed by Ibn Taimieya and other fuqaha). On similar bases we find in Islamic fiqh the “rent of the equivalent”. Profit in trade is varying with risk involved and is fair as long as the market is competitive, whereas earnings in industry should be consistent with productive efforts as estimated by costs on one side and market demand on the other (see Ibn Khaldun' Muqadima)

21) The conventional banking system which is Riba (interest)-based is definitely biased towards rich or credit-worthy persons. See A.Rahman Yousri, , “Prohibition of Riba (interest) in Islam: its Economic Rationale and Implications” of Interest prohibition in Islam”

²²⁾ Omar Ibn El-Khatib (II Caliph after the Prophet Puh) was the first ruler to apply this rule. He refused to give more land to the Muslim soldiers after Iraq and Egypt came under the Islamic rule. He decided to keep the land in the hands of the natives irrespective of their religion. He feared that giving more land to Mujahideen soldiers would concentrate wealth in their hands. On the other hand natives who maintained their land had to pay "Kharaj", a tax that was much less than duties imposed on them by the Romans or Persians prior to Islamic rule. Kharaj revenues were spent on public utilities to the benefit of all.

willingness to develop attainable natural resources, accumulate capital, and search for better means of production and better living conditions etc.. The stronger are human motivations as influenced by religious values, within favorable socio-economic environment the greater would be the expected changes in real output and rate of growth.

In the following we display most important motivations that are derived from Aqida and explain how these affect economic development.

).

(i) **Work Motivation:** Work in Islam is a form of worshipping عبادة. Men and women are encouraged to work not only to earn what is necessary for their livelihood but also for betterment of their life. Time and human effort whether in worshipping or in work should be for the sake of please Allah. Remaining idle or unemployed is absolutely undesirable, even if work is available only in the least rewarding activities or the lowest paid jobs in society.(23) It will be noticed that work in secular economic systems is motivated by wage rates offered in the labor market, and that workers may prefer therefore to remain unemployed if not getting the rates which they desire. Besides in many developing countries persons may decide to remain unemployed for different sociological, psychological and cultural reasons. Islamic ethics by considering that work is not separable from worshipping (Ibada عبادة) rules out and look down at all motivations that lead to voluntary unemployment. Work motivated by Aqida is bound therefore to increase the size of labor force in productive activities.

(ii) **Labor Mobility Motivation:** In developing countries people, frequently, will not move from their hometowns or villages, and prefer to remain most or all their life living with their extended families and keeping company with childhood relatives and friends. These traditional sociological and psychological factors in developing countries impose limitations on persons to flexibly move from one place to another or from one job to another in accordance to productivity and wage considerations. Consequently economic development is adversely affected. In fact labor mobility, at both micro and macro levels, is quite important for best use and allocation of available human resources."Labor mobility" is motivated directly by Quranic verses. For example in Sura 67-Verse 15: "It is He who has made the earth subservient to you (i.e. easy for you to move and travel from one place to another, to live and to benefit from its resources) so walk (move) in the path thereof and eat of His provision."

هُوَ الَّذِي جَعَلَ لَكُمُ الْأَرْضَ ذَلُولًا فَامْشُوا فِي مَنَاكِبِهَا وَكُلُوا مِن رِّزْقِهِ وَإِلَيْهِ النُّشُورُ

(iii) **Motivation to develop the Earth:**

In the Quran, Sura 11, verse 61;

هُوَ أَنشَأَكُم مِّنَ الْأَرْضِ وَاسْتَعْمَرَكُمْ فِيهَا

In the Quran Muslims are not only ordered to work but also to utilize and benefit from the natural resources which Allah SW created for all mankind.

This verse may literally be translated as "He brought you from the earth and settled you therein". Yet this translation does not fully express the meaning, which most interpreters of the Quran and

23) As reported in Sunnah the Prophet pbuh, preferred that the Muslim takes his simple tools and cut wood growing on a mountain, carry it on his shoulder to sell in the market better than staying idle and dependent on the others for his living.

Muslim scholars derive from the said verse. Ibn Kathir (24) says that Allah (SW) has created mankind from earth and ordered them to populate and exploit its resources. Imam Qurtoby (25) remarks also that this order from Allah to develop the earth is in fact a religious duty (Wajib). Therefore Muslims are motivated by their Creator to develop the Earth from which they are brought. It is in fact an interaction between mankind and environment.

In many Quranic verses the earth is mentioned with its generous endowments and diversified resources and how it is giving mankind by command and mercy of Allah means for living; food, raw materials and else. Thus mankind is not only urged to take care of earth, and never spoil or neglect it, but also to develop it for sake of its welfare.

The Quran tells that powerful nations in history were those which built their strength by greater number of population and greater level of natural resource utilization. In Sura: 30, Verse: 10;

أَوَلَمْ يَسِيرُوا فِي الْأَرْضِ فَيَنْظُرُوا كَيْفَ كَانَ عَاقِبَةُ الَّذِينَ مِن قَبْلِهِمْ كَانُوا أَشَدَّ مِنْهُمْ قُوَّةً وَأَثَارُوا الْأَرْضَ وَعَمَرُوهَا أَكْثَرَ مِمَّا عَمَرُوهَا

It should be noticed that many developing countries in our time are not exploiting vast areas of their land. Thus natural wealth is left idle while it could be good or excellent source of development.

(iv) Motivation to earn halal income (i.e. lawful on Sharia bases) This motivation means that no income can be gained from selling wine, drugs, prohibited kinds of food, monopolistic practices, cheating of quantity or quality in trade, committing injustice to employees by denying them their rights in wages which they deserve, (e) cheating partners in business... etc. Avoiding all these kinds of behavior will mean that Muslims cannot earn their living or increase their income except by clean productive efforts that carry no harm to anyone. In business desire to earn more income, adjusted by the halal motive, means necessity to produce more and increase market share, or find new markets, or reduce costs by raising productivity, or find new cheap sources for raw materials, etc. Motivation for halal income would therefore lead people in society to innovate , increase their productivity and widen the scope of their economic activities on efficient bases, etc. which would all reflect positively on the rate of economic development.

(v) “Motivation to Accumulate Wealth”: The natural desire built in human instincts to love and accumulate wealth is recognized in Quran. In Sura 3; Verse 14; “Beautiful for men is the love of things they covet; women, children, much of gold and silver (wealth), branded beautiful horses, cattle and well-tilled land. This is the pleasure of the present worlds life; but Allah has the excellent return (Paradise with flowing rivers, etc.) with Him”.

رِزْقًا لِلنَّاسِ حُبُّ الشَّهَوَاتِ مِنَ النِّسَاءِ وَالْبَنِينَ وَالْقَنَاطِيرِ الْمُقَنْطَرَةِ مِنَ الذَّهَبِ وَالْفِضَّةِ وَالْخَيْلِ الْمُسَوَّمَةِ وَالْأَنْعَامِ وَالْحَرْثِ ذَلِكَ مَتَاعُ الْحَيَاةِ الدُّنْيَا وَاللَّهُ عِنْدَهُ حُسْنُ الْمَآبِ

Accumulation of wealth is not forbidden in Islam, but the motive is controlled by several Norms. Firstly, Muslims, on basis of *Roshd* الرشد (*rational behavior*)(26) , ought not to accumulate wealth for wealth purpose because this is purely a worldly target. Secondly, Muslims are permitted to accumulate wealth as long as this would be done through *halal* productive activities and financed

(24) أبو الفداء إسماعيل بن عمر بن كثير ، دار طبية للنشر والتوزيع ، الطبعة : الثانية 1420 هـ - 1999 م
(25) القرطبي، الجامع لأحكام القرآن " دار إحياء التراث العربي بيروت - لبنان 1405 هـ - 1985

26) Roshd, in the Quran means the right path (Quran; 2:256), and also sound judgment (Quran; 4:6). The person who behaves according to Roshd is one capable of making sound judgments would use his (her) own resources wisely and efficiently.

from *halal* sources. The exclusion of interest-based finance is a *necessary condition* for *halal* finance because of *Riba* (interest) *Prohibition*. Thirdly, it should be emphasized that no ceiling to wealth accumulation was known in Islam since its first century. Accumulation of wealth is allowed whenever this is advantageous in real terms to the individual, his family or to his society, e.g. Assets used for production or commodities exchanged in trade. Fourthly, keeping wealth idle in liquid or money form is undesirable (against rational Islamic behavior) and would make the Muslim vulnerable to committing sin of hoarding.(27) Thus savings should be activated and directed to investment.

Briefly, natural motivation to accumulate wealth is recognized in Islam, which is important for economic development. Yet wealth accumulation is carried under several constraints which control it. Wealth which is accumulated from *halal* sources when conducted rationally to productive activities with no restriction should result in high development rates.

(vi) "Motivation for "Ihsan" إحصان . This motivation explains human willingness to attain the highest degree of quality in all actions. Ihsan" إحصان is mentioned in the Quran as well as in Sunnah to mean performing worshipping and carrying other deeds and responsibilities, in social and economic life, in the best possible manner.(28) Ihsan when realized would express the highest degree of belief. Ihsan is almost synonymous with the meaning of Perfection. Thus we may talk in the context of development about "motivation for perfection", which would lead to better quality work, efficiency in production, and motivates technical progress. Promotion of this motivation at the macro level would directly in the short and long run push forward development at higher rates.

(vii) . "Motivation to co-operate". Co-operation in all good deeds is desirable. The Quranic verse (Sura 5, Verse 2) is commanding believers to "cooperate in virtue, righteousness and piety, but never cooperate in sin and transgression"

وَتَعَاوَنُوا عَلَى الْبِرِّ وَالتَّقْوَىٰ وَلَا تَعَاوَنُوا عَلَى الْإِثْمِ وَالْعُدْوَانِ وَاتَّقُوا اللَّهَ إِنَّ اللَّهَ شَدِيدُ الْعِقَابِ

This motivation is quite important for promoting the spirit of team work, transparency in transactions among businessmen for their common benefit, better relations between workers and their employers etc.

Ibn Khaldun in his brilliant work "The Introduction" (Muqademah) has rightly asserted that man is "social by nature" and that cooperation among individuals in society is therefore rooted in sociological behavior. Then he explained that "division of labor" which is the prime mover of growth of output is in fact dependent on cooperation.(29)

(viii) "Motive to serve the nation". According to Islamic Aqida all believers should hold the sense of brotherhood and be ready to serve their nation in different ways. Thus any one should be ready to help and advice the others, to employ his capital for the social benefit, to do his best for the nation's progress and strength. Social solidarity on these bases is very important for economic development. In fact during the course of structural changes that are required for development sacrifices are needed in terms of lower consumption, closure of some traditional activities, harder efforts in building new

27) People hoarding gold and silver (money) and not spending them for the cause of Allah are threatened with severe punishment in the hereafter. The cause of Allah is defending and fighting for Islam whenever this is threatened. In peace or normal times spending for activities which are truly essential for the Muslim society's good life الحياة الطيبة can be included into "the cause of Allah"

28) In the Quran Allah loves "Al-Mohsenein" (persons committed to Ihsan). إن الله يحب المحسنين

29) Ibn Khaldun explained his theory in the 15th century , almost two centuries before Adam Smith. It is important to recognize that Adam Smith could not recognize the sociological factor behind division of labour.

industries and in land reclamation etc. Acceptance of these sacrifices with patience at the macro level will be quite possible through this particular motive, i.e. the inner feeling that the "nation's interest" is above "private interest" and that it should be sincerely observed.

Second

"... Triggering off human productive capacities towards maximum and best possible utilization of available resources".

This is the second clause in our development conception. It means that the structural change in the socio-economic environment would activate human resources, spark their aspiration, provoke their productive motivation and set off their forces towards full and best utilization of available natural and capital resources. This may be explained further in the following.

1st By human productive capacities we mean labour of all skills, businessmen or entrepreneurs, scholars, researchers, scientists and inventors, educationists, trainers, jurists, imams of mosques, elites and politicians. In other words, human productive capacities include all sorts and varieties of human resource in the society. In Islam, work is a holy duty. In Quran believers are ordered to work for the sake of one and united nation. In Sunnah the Prophet (Pbuh) explained in a manner, which leaves no doubt, that believers are required to work for livelihood while observing their religious duties. Everybody, men and women, should be active. Thus all human capacities which affect production directly like, labour and businessmen, or indirectly like researchers and educationists, should be activated and organized to the greatest possible extent and ready to carry their duties. Structural changes in the socio-economic environment, which have already been explained, will in fact be realized only by the will power of human resources in the society and their true determination to change to better their own conditions in conformity with Islam.

Forces that are involved in this very process, which would bring about the desirable structural change, would gradually and effectively mobilize human resources. This process can only be done by the will power of the people on one hand, and can only succeed by effective mobilization of their capacities on the other hand. In the Quran, Sura 13, Verse 11;

إِنَّ اللَّهَ لَا يُغَيِّرُ مَا بِقَوْمٍ حَتَّىٰ يُغَيِّرُوا أَمَانَهُمْ

This verse means that Allah will not change the conditions of a people until change their state themselves. This the theological dimension of the argument, which has to be understood carefully by believers. Allah (SW) has created man in the best quality; virtuous, pure, intelligent and knowledgeable. Thus if the people of any society in any period of time fall in troubles or face hardship, it will be because of their behaviour, since Allah SW does not change the good conditions of a people as long as they maintain their state of goodness. On the other hand if a people who deviated from the right path would have the intention to change their conditions, come back to a state of goodness and work for this target seriously, Allah SW promises to help them.

The state of people who are truly resolved to better themselves would be reflected simultaneously in cultural and institutional changes at the macro level accompanied by greater willingness to work and to be more efficient. Workers would be more mobile and ready to improve their skill and the quality of their work because of their keenness to find better opportunities for earning halal income.

Businessmen influenced by Islamic ethics, will be motivated to use their enterprises and private capital not only for their own interests but also for public interest. Intellectuals, scholars and researchers should be keen and resolved to develop and utilize their knowledge and scientific discoveries for the best interest of their society. Rulers should be doing their best to design and implement rightly sound economic and social policies, run effectively public projects and work collectively for the protection of all citizens and their economic interests while guiding these, whenever necessary, to be in conformity with public interest.

Within this framework that gives, the leading role in development to the human resource, the so-called population problem in many developing countries should be re-examined. All theoretical arguments, Malthusian or others, which explain poverty and underdevelopment by fast population growth, cannot be accepted as such. It is hard to accept any assumptions, which claim that lower growth rates of output in some societies are principally due to higher growth rates of population. Mankind has been honoured by intellect, knowledge, and sovereignty over all other species living in this world. With all these attributes given to man by Allah SW it is difficult to believe that he by nature is unable to make use of available resources in producing what is always sufficient, or more than sufficient, for himself and for a greater number of population (30). To pose this argument differently let us ask, would it be possible to increase the growth rate of total output in any poor society just by decreasing its number or rate of population growth? Or would it be possible to improve human happiness just because of decreasing people's numbers?

Theoretical studies and empirical research, particularly in the second half of the 20th century proved that there were many important factors, economic and non-economic behind the low GNP rates of growth in the developing world. These factors are apparently much more important than the high rate of population growth in explaining poverty. Thus, it is true that low rates of savings because of low incomes in countries whose population are growing faster are bound to lower their investment and growth rates. But, it is also true and more striking that these countries could not use available financial resources properly because of inefficiencies in financial markets besides inability to adopt sound monetary and economic policies. Investment in developing countries is also, and frequently, affected by corruption and political instability. It has been reported, repeatedly that vast amounts of foreign aid, which these countries received, were misused or wasted because of lack of managerial expertise and political favoritism to relatives and friends of people in authority. Monopolistic forces, supported by men in authority and weak legislations, obstructed best allocation of resources. Mal distribution of income, where the Gini index ranges frequently between 40 – 60 %, has impoverished the majority of population in these countries far more than what is caused by the growth of their numbers. A large portion of public expenditure is frequently assigned to big defense and internal security budgets, not because of foreign threat or domestic social troubles but because of the sizeable

30) Read the Brilliant analysis of Ibn Khaldun for this. Reference is given at the end.

power of the military institution and the existence of non-democratic systems. Consequently, insufficient public expenditure will be unduly devoted to public education, health and other social amenities needed for human development. Knowing all these factors and others, one can clearly see that theories, which claim that high rates of population growth cause poverty, are empty and baseless. In fact, these theories ought to be treated as rubbish since neither sound logic nor human experience can ever support their principal hypothesis. Policies that would count on decreasing the rate of population growth will never put an end to the serious factors, which are truly hindering economic development in the poor world. It is only dictator rulers failing to push rates of development in their countries who benefit from these population theories, which enable them to lay the burden of poverty on their citizens' inability to limit their numbers.

In fact, the real population crises in any society happens when majority of people is illiterate, exploited by rulers and monopolists, incapable of knowing or defending their own rights, or unable to get fair opportunities towards improving the quality of their life. Non-democratic systems and political corruption leave people degraded without any will-power, and incapable of solving their own problems. In countries where population problems are claimed to be serious natural resources remain idle, underdeveloped or misused. Brains from developing countries are in continuous drain to the developed world. Scientists and fine scholars in these countries, fed up with inability to serve their countries, faced with lots of daily problems are easily sucked by the developed world which offers them much better opportunities for life and work. Skilled labor is also encouraged to find better work opportunities in rich countries. Accordingly, developing countries are gradually deprived of their best cream quality of human resource. Briefly, economic development in developing countries (Muslim or non-Muslim) will not be realized or enhanced unless these serious factors which are crippling human productive capacities are removed.

Muslims are slaves of Allah SW alone. This is their creed. Thus they must be free of any sort of slavery or subordination to the others. Thus once they are able to remove non-democratic rulers, reject exploitation of political opportunists and monopolists, and dispose all false economic and social conceptions which deceive them in garbage, they will not only become free but also able to develop. A free society in which socio-economic justice is established under Islamic Sharia will trigger off the productive powers of the people. Then whatever their numbers will be they will find their way towards progress.

While adoption of Islamic laws constitute the necessary condition for a favorable socio-economic climate that would allow the economy to develop steadily, adherence to Islamic values derived from Aqida constitute the sufficient condition for a take-off stage. Adherence to ethical values should be reflected in the human motivations which have already been displayed and explained (31

31) Work Motivation, Labor Mobility Motivation, Motivation to develop the Earth, Motivation to earn halal income, Motivation to Accumulate Wealth, Motivation for Perfection إحصان, Motivation to co-operate for the good,

take-off stage even with greater rate of population growth.

It should be noticed, however, that while the adoption of Islamic Laws (Sharia) can be done through legislative and political procedures, adherence to Aqida and motivated by its values requires real psychological changes. In fact it is only true Islamic belief which would create and support positively such psychological changes!

The strength of Work Motivation among people should bring employment in the country to its highest possible level. Labor Mobility Motivation works for best allocation of labor resources, across the country and among activities. Motivation to develop the Earth means successful economic exploitation of available natural resources, which means increase in total output and better livelihood opportunities for larger number of the working force in the country. The greater the motivation to populate and develop unexploited land areas the higher will be the growth rate of GNP. Motivation to earn halal income leads to better allocation of financial resources because of willingness to drop interest-based financing and invest on bases of profit/loss sharing, Motivation to earn halal income also brings about healthy market structure with individuals' keenness to avoid being monopolist or to depend on any imperfect practices for their living. This Motivation should potentially lead the society to most efficient use of all economic resources, as previously explained. Motivation to Accumulate Wealth conducts people towards best use of available productive capacities, widening their markets, thus increasing their incomes and their savings. It drives them to search for the most profitable investment opportunities. With greater wealth that would be active in productive activities (since it should not be kept idle or used irrationally in pure financial activities) higher employment and greater output would be realized.

All these previous motivations will be positively supported by Motivation for Perfection إحصان , raising efficiency and productivity and pushing forward technical progress; Motivation to co-operate for the good which supports division of labor and spirit of team work everywhere; and Motivation to serve the nation which would remove contradictions between private and public interests and harmonize productive human efforts, as well as social and economic relations in a favorable manner to its development.

Muslims being conducted rightly by all previous motivations would be carrying the responsibilities of production and technical progress, performing their duties in the best possible manner and avoiding all kinds of inefficiencies for the sake of Allah SW.

In an Islamic manner of economic development people, however, should be directed by the government (which should be democratic, keen to establish justice and achieve good live to all citizens) to give priority to the production of necessities (or poor man goods such as grain) as well as to primary goods which are basic to the manufacturing of necessities. Later on, after necessities that are needed by the society are satisfied, Motivation to engage in the economic development of the

determined by market mechanism.

Third:

“... Within due balance between material and spiritual targets”

This is the last clause in our Islamic development conception. By material targets we mean all consumption, production and distribution targets that are based on self-interest calculations and private preferences. These targets, therefore, reflect the individuals' desires to satisfy their own wants of whatever goods and services they choose. Production of goods and services is carried for purposes of satisfying consumption needs and making profits. Distribution of income is done on productivity bases within market conditions.

Spiritual targets in our definition are non-material targets. Thus, goods and services which are produced and distributed purposefully, by the individuals to satisfy the wants of the others on purely ethical, altruistic, or humanitarian bases will be included into the spiritual targets. The materialistic behaviour in almost all western societies, as well as in other societies which are following their norms, is obviously responsible for the determination of consumption, production targets, and distribution of income and wealth. Private or individualistic preferences are based on search for self-interest rather than the well-being of the community as one unit. Leading economic activities on bases of private interests alone does not lead automatically or necessarily to the realization of the social interest as Adam Smith claimed more than two centuries ago or as contemporary advocates of market capitalism claim now. The wants of the poor and the needy in any society demands special care and deliberate effort to be satisfied. Care for public interest cannot be left to Smith's invisible hand. It has to be cared for deliberately through positive socio-economic policies. Spiritual targets have to be backed by altruistic motivations rather than utilitarian and individualistic values.

One cannot deny the existence of philanthropic organizations in the Western or Capitalist societies. Besides, we cannot deny the role of the state in many parts of the world in carrying social welfare programs. Yet, it cannot be denied also that philanthropic and social works in these societies is not purely based on religious, ethical or humanitarian bases. Quite frequently, it is reported, that charitable works are performed by big businesses to avoid payments of extra taxes or to gain workers' sincerity to their companies. Social welfare programs, though quite advanced in some countries such as U.K and Scandinavian countries, are still quite retarded in most of the Capitalist world.

In the developing world, humanitarian targets were not given any serious attention within development programs until very recently. It was only in the 1990s and at the beginning of the 21st century when the eradication of poverty and aspects of human development were declared as most important among all targets and that they should be given priority and sufficient attention. How serious humanitarian targets have been taken into consideration in practice within development

programs? Available information tells us that some progress in human development has been achieved in the first decade of the century but that the picture remains bleak in general.

It is very important to recognize that maintaining sound religious or ethical values in the society is essential to the maintenance and actual realization of humanitarian targets under any conditions. Spiritual targets within the context of development in an Islamic society do not only include pure humanitarian targets but also some religious targets of special nature, such as maintenance of all worshipping institutions, religious education, public health, suitable accommodation and assistance to youth for marriage, special help to new mothers and their children, besides making all provisions to protect the society from crimes and non ethical behavior and to realize happy social life among all members of the society.

The main point in the Islamic philosophy is that commitment to spiritual targets is not a matter of choice, "it is a must". Material targets, on the other side, are not denied in Islam. Islam recognizes the material aspect of the human nature and allows for the satisfaction of material wants but within Sharia boundary.

Within an Islamic philosophical frame spiritual targets should be considered side by side with material targets. These two targets cannot be separated whether at the micro or the macro level. Yet, they should be treated within right balance. In the Quran (Sura 24: 37,38)

رَجَالٌ لَا تُلْهِهِمْ تِجَارَةٌ وَلَا بَيْعٌ عَنْ ذِكْرِ اللَّهِ وَإِقَامِ الصَّلَاةِ وَإِيتَاءِ الزَّكَاةِ يَخَافُونَ يَوْمًا تَتَقَلَّبُ فِيهِ الْقُلُوبُ وَالْأَبْصَارُ (37) لِيَجْزِيَ اللَّهُ أَحْسَنَ مَا عَمِلُوا أَوْ يَزِيدَهُمْ مِنْ فَضْلِهِ وَاللَّهُ يَرْزُقُ مَنْ يَشَاءُ بِغَيْرِ حِسَابٍ (38)

The meaning of these verses: “ Men whom neither trade nor sale diverts them from the Remembrance of Allah , nor from performing prayers and giving the Zakat. They fear a Day when hearts and eyes will be overturned (from the horror of the torment of the Day of Resurrection) .{verse 37} That Allah may reward them according to the best of their deeds, and add even more for them out of His Grace. And Allah provides without measure to whom He wills. {verse 38}

Thus consumption and production targets at the micro and macro levels should be made to satisfy not only the materialistic desires of the individuals but also the spiritual needs. How a *right balance* may be established between the two aspects on bases of the Islamic development conception and its philosophy? This would need further research based on factors that we have mentioned in this article. Yet, in general this balance should depend on how far the society is inclined to give equal or greater consideration to the spiritual targets while developing its real output to satisfy the material objects (32).

32) See Appendix (A) for further details

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