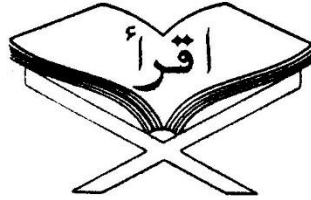


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The Foundations of Development Policies in View of Islamic Political Economy

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Abstract: It seems that interpretation of development according to contemporary economic literature is not compatible with Islamic political economy. In Islamic economics, economic development has the following elements as discussed in the paper: economic development is one of the objectives of an Islamic economy, and is considered as a component of an economic system; Policies of economic development should lead to individual and social spiritual salvation and transcendental development; economic development is an objective (intermediary goal) not a goal; economic growth and development should provide public welfare to the whole society, not just a specific social group; abolishing absolute poverty is the first step of development in an Islamic economy; multi-dimensional development is a desirable kind of development to pursue in an Islamic political economy; human being and not capital plays the pivotal role in economic development; culture plays the pivotal role in development and is the main specifier of development rather than economy; the appropriate method of development planning in an Islamic view, start with culture and concludes in the economy; and finally, the appropriate method of policy making for development is the planning of economic growth in concurrence with distribution of income in all time frames (before-during and after production process).

Keywords: development policy, Political economy, Islamic economics, multi-dimensional development

1- Introduction

The literal meaning of “development” is getting unwrapped or unfolding an envelope. Forerunners of development after the second world war, whose writings were later regarded as modernism views, tried to unfold the envelope which was the traditional society, its culture and values, also modernize the society, and its economy. [3]

The book entitled “departure from the traditional society” is based on the same views. [2] That is why on the early discussions, development was thought of being the synonym of modernization, and that, the synonym of westernization. Also, westernization meant setting the existing community as the ideal society and economy.

In later years, the development theory due to the shortcomings appeared more in development discussions, underwent changes toward more humanistic and non-economic objectives.

In the mainstream economic development literature, there is no discussion on economic development policies in Islamic perspective, while we need to look at economic development from different angles. In this paper, the elements of development policies are suggested in view of Islamic political economy.

The paper is organized as follows. After introduction, section two briefly introduces current development ideas. Section three discusses development policy elements, and finally, section four concludes.

2- Current development ideas

Modernist theorists consider modernism as a more universal phenomenon than development in a way that it includes all the changes in politics, education, religion, and family. They consider development as a type of modernizing force for the social system, and believe development is a “departure from the traditional society to a modern one”. This departure is

based on changes in science and technology which caused greater improvements in production capacity, per capita income, society's material facilities, and human comfort.[5]

From all this we can conclude that economic development is a western oriented and originated phenomenon which accepted the present situation of industrial nations as undisputed objective.

Those countries that are far from achieving the standards or are not moving on the same direction as so-called developed nations are called undeveloped nations, and those that set the economies of developed nations as their economic models are called developing nations. Consequently, the definition of development is based on the countries place in comparison to the so-called developed nations.

The main criteria for determination of development or underdevelopment of nations in modern development literature is material supremacy and society's benefits from a high per capita income, increasing production and etc.

This criterion has divided the world into two parts, the poor and the rich, expressed as south and north.

In development literature, poor nations are told to follow the material development and advancements of rich nations, to be included in their league. The growth and development theories are filled with ideas on ways that poor nations can reach the financial situation of the rich nations; but the occurrence of social, political and spiritual crises has caused a number of theorists to have a more expanded view of development and release it from a limited view by including non-economic aspects in economic development.

Michael Todaro acknowledges that development is not solely an economic phenomenon and in addition to improvement in per capita income and

production, it secures fundamental changes in the structure of social and administrative institutions, and in most cases, customs and ceremonies, and beliefs. [5]

Louis Baek in his book entitled “shifts in concepts and goals of development” regards giving attention to non-economic aspects of development from one side as the product of the theoretical world’s attacks to modernization’s theories of development, and the other side as the theories’ defeat at the time of their applications. Certainly, this defeat doesn’t only apply to free market economy but it also applies to dependency theory of development or Neo-Marxism as well.[2]

In the view of Islamic economics, growth and development are essential and unavoidable, but which type of development policies?

Economic development that has caused adverse effects in industrial countries is not accepted in this view, since it has many differences with economic development in Islamic economics. That is why the basis for policy making in Islam is different from current literature on economic development.

3- Development policy elements

The following elements can be considered as the basis for development policy making in the Islamic political economy:

First, achieving economic development (or economic progress) with spiritual transcendent is an objective of Islamic political economy. Based on this, while Islamic scholars accept the objective of economic development or progress, achieving material benefit is indeed for gaining spiritual transcendent, therefore if advancement in the direction of development doesn’t create a background for spiritual transcendent, it is not desired in Islamic perspective.

Second, development policy needs to be designed in a way that guarantee the individual and social salvation and transcendent. because in Islamic worldview, the world is being the cultivating land for the afterlife. Based on this, one concludes that economic development is not the goal but an (intermediary) objective. This principle is driven from a fundamental idea in Islamic economics which regard economy as a tool.

Third, Development and growth should secure social welfare and reduce inequality in the society. Moreover, transcendent is a higher objective than development that Islamic development planners need to consider in the process of comprehensive progress. In today's world which capital accumulation is regarded as the driving force of development, it provides more favorable environment for a few well-off people, and the majority have to deal with material fragility. Ideal development is in search for social welfare of general public and not the welfare of particular group of people.

Fourth, the first step on the direction of growth and development is the alleviation of absolute poverty. Because in struggle to gain economic development, if we are to attain spiritual salvation and transcendent, absolute poverty disables needy people from moving in the direction of development. Development policy shouldn't close his eyes on the severe poverty. For abolishing poverty, we cannot solely rely on economic growth policies, regardless of its adverse effect on poverty, as it further expands the problem.

Fifth, desirable development is a multidimensional phenomenon. The development that sets material interests as its priority and economy as its infrastructure is not accepted. In Islamic perspective, preferable economic development is considered as one which coordinates with social, political, and cultural structures of the society and paved the ground for spiritual transcendent. In other word, development doesn't cease at material success of people, but it provides ultimate satisfaction for humanity. Therefore, desirable economic development is a dynamic and multidimensional phenomenon which secures continuous economic growth in coordination with social, political, and cultural dimensions of Islamic society in a way that human transcendent is secured, and the best provision is gained for afterlife. According to Michael Todaro, an economic development process is not identical to a physical and natural circumstances that gets shaped without the effect of culture, tradition, and other institutions. Rather, development occurrence is possible on the light of culture and society's institutions.

It can raise the standard of living, and create wide possibilities for job creation. Direct results of this will affect the economic variables such as savings, investments, subject to values, thoughts, beliefs, motives, and qualities of forming institutions in the society.

In principle, economic analysis is not separable from hypothesis based on values, although these assumptions are skillfully hidden. Because, the economic analysis is based on a series of implicit assumptions about human behavior and economic relations. Therefore, these analyses and interpretations must get evaluated based on its value-based assumptions and its essential presumptions. From this, it is surprise that economists regard their knowledge as reality and declare other aspects of human being and non-economic variables as

unimportant and ineffective, because they cannot qualify these variables.

Every society has to choose a proper model in coordination with their cultural values. Therefore, the models that are not compatible with the values and views of the society are ineffective. Economic development models in an Islamic society have to coincide with Islamic values which reflects the existing realities of the society.

Sixth, the main aspect and key to development in Islamic view is human being and humanity. Therefore, development policies need to be organized in the direction of removing the obstacles for decent standard of living and preparing the suitable environment for planning human development. Consequently, an ideal development provides the best material fortune to achieve human dignity.

In short, economic development is to serve people not vice versa. In current arrangements, people are subject to development, and for the same reason, material affairs are key to economic development, not people. If development is in the service of people, then the utmost results are gained by people. A society is called developed, when humanity has grown in comparison to its initial possession, and living facilities and material gains that are made available to people, is used for spiritual salvation and transcendental development.

Seventh, material attitude should not be pivotal and the main determinant for the chosen economic development policies. Because, human nature is more inclined to material ambitions, if the main criterion for designing economic models is worldly desires and values based on material needs, rather than spiritual and religious ones; consequently, it gets deviated from the objective already determined for development which is spiritual salvation or transcendent. Testing

one's spiritual salvation or transcendent can entirely measure economic development policies.

A main difference between contemporary development literature and Islamic perspective on development is the fact that the contemporary literature on economic development is solely based on material attitude.

When today's development theorists regard people as the elements of development, and support training and healthcare for creating human capital in order to further inducing the development, people are viewed as capital and tools of production. The tools which by further training and increased healthcare facilities can produce more goods and services which will establish better markets for consumption. In a contemporary view, technology is not used for providing comfort and preservation in the society, but its use is mostly on more and more production. Consequently, search for an appropriate economic development policy, should start with the society's culture.

People have a pivotal role in Islamic economic development, and the rest of the elements are utilized on giving assistant to human transcendent.

Eighth, development planning mode need to be changed. The desired development planning commences by culture and end on economic issues. Because economic issues and financial relations determined based on social system and social relations are formed based on political system. Subsequently, political system and social relations and economic affairs are determined based on society's culture. Thus, to find out suitable economic policies for development, we need to begin from culture of the society and provide cultural development plan. Then political development plan would be prepared within the

cultural development framework and based on that social relations formed. Economic relations of people will be as an integral part of social system. In this case, economic policies indirectly would happen within cultural framework. When we say Islamic Economics is a value-based economics, in which doesn't neglect morality, then it requires development planning mode to be compatible with its values.

The common development planning methods need to get modified for Islamic society. If culture is the starting point and economy is the end point, and individuals economic and financial relations are regarded as a segment of social order, then, economic development policies established in cultural framework with respect to their objectives.

The main objective of contemporary development planning method, is based on indicators such as GDP and its component's growth rates.

Although economic planning has been acquired from the socialist system into market economies, but social, cultural, and political considerations that existed in the original method of planning has been lost in the development planning. Therefore, material affairs determine social relations and cultural norms and even change it, while in the suggested method of development planning that start with culture, the culture make the orientations of the economy.

Ninth, in development policies, instead of priority of growth on income distribution, economic growth policies are implemented simultaneously with income distribution policies. This is a distinction in Islamic political economy. It applies on the distribution policies in two phases, one before and the other after production. It is in contrast with advocating income distribution ahead of economic growth, or income distribution follow economic growth. Both of these theories have been faced with failures and stiff criticism.

Islamic development policy makers have to conceive a policy which will coordinate the implementation of economic growth and income distribution, simultaneously. Income distribution is important and it should not be sacrificed for higher economic growth, otherwise income inequality would be the result of growth primacy.

4- Conclusion

modernism put forwarded so-called development to unfold the envelope which was the traditional society, its culture and values. The main criteria for determination of development of nations declared as material supremacy. However, development is not solely an economic phenomenon. Non-economic aspects of development play crucial role. Elements for development policy making in the Islamic political economy are: considering transcendental development, as objective and not the goal, reducing inequality, alleviation of absolute poverty, a multi-dimensional phenomenon, humanity supremacy, avoiding material attitude in development policies, development planning process from culture to economy, and simultaneous implementation of growth and income distribution policies.

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