

ECONOMIC INDICATORS: A COMPARATIVE ANALYSIS OF HUMAN – CENTRIC DEVELOPMENT INDEX

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ABSTRACT

Economy plays a vital role in development index of any country and it has been used as indicator to gauge development, at least since the Second World War. The Human Development Index (HDI) proposed by United Nations Development Programme is a human centric conventional development index that pays attention to economic indicators apart from its social indicators. Similarly, economy is also considered as an important aspect in Islamic development indices. One of the examples for human centric Islamic development index that takes economic indicators into account is the Malaysia Ummah Development Index (MUDI). Nevertheless, the question remains: what are the economic indicators embedded in these indices? Are there any distinctions between economic indicators of the conventional development index and the Islamic development index? Based on the above development indices, this paper compares the economic indicators set in both conventional and Islamic development indices. It shows that economic indicators for the MUDI are slightly difference compared to HDI since MUDI has incorporated the element of *tawheed* in its worldview.

Keywords: Economic indicators, human-centric development index, Islamic-based development.

INTRODUCTION:

The Human Development Index (HDI) formulated by United Nations Development Programme (UNDP) and Malaysia Ummah Development Index (MUDI) proposed by Institute of Islamic Understanding Malaysia (Institut Kefahaman Islam Malaysia, IKIM) are human centric development indices. These indices focus on the development of the human being within the confines of a social structure as the measurement for development of a nation. However, it should be noted that these indices were constructed with a different worldview. Generally, HDI can be characterized as a conventional development index as it was moulded through conventional development matrix worldview, while MUDI can be categorized as an Islamic-based development index since it was moulded through a worldview encompassing Islamic values. Even though HDI and MUDI have integral differences, they do illustrate a similarity in their index as both propose economic indicators as a part of their development indices. This paper analyse the economic indicators involved in both of these indices. In order to fulfill this aim, the discussion will be divided into two main parts: the first part will discuss the worldviews of both conventional and Islamic-based development and then second part will then analyse the economic indicators entailed in both HDI and MUDI.

THE WORLDVIEW OF CONVENTIONAL DEVELOPMENT:

Observation on literature related to the worldview of development shows that the discussion incorporates debate on theories, school of thought or paradigm as well as development approach. Most writers such as Adelman and Morris (1997), Meier (1984), Crafts (2000), along with Mohd Fauzi Mohd Harun and Ahmad Fauzee Abdullah (2007) states that progression in the worldview of development started around the end of 1940's. Specifically, this progress occurred after the Second World War as an effort to rebuild the war-torn countries.

According to Meier (1984) and So (1990), literature and thought related to the worldview of development expanded rapidly in order to be implemented to the Third World countries. It became a crucial operation for the colonial countries to implement their worldviews to the respective colonies as their aims to promote economic growth and political stability of the countries that had just received independence. However, So (1990, p.11) pointed out that the implementation was not merely to develop the Third World countries but also to ensure that these countries will not fell into the communists dominance. In addition, Meier (1984) claims that the efforts by the colonial countries stems from the concern of having lack of sources if the communists dominated the sources of raw materials in Third World countries.

Progression on the worldview of development that can be divided into radical and neo-classical development shows the occurrence of competition between the two. This competition is reflected on the efforts made by both parties to present theories from respective worldview. According to Muhammad Syukri Salleh (2003), the neo-classical worldview produced the capitalist development system while the radical worldview encloses Marxist and neo-Marxist ideology thus produced the socialist and communist development system. He adds that the neo-classical worldview generates the modernization paradigm. This paradigm consists of theories such as the growth theory and the distribution-with-growth theory. On the other hand, radical worldview produces the structuralism and dependence theories (Muhammad Syukri Salleh, 2003). In contrast, So (1990) as well as Todaro and Smith (2012) are more likely to illustrate that, the theories in the development discipline only has a different approach rather than came from a different worldview. However, these authors did not deny that these theories was put forward by the development leaders who have certain ideological background (So, 1990; Todaro & Smith, 2012)

In general, conventional development believes that development itself is a process of modernisation of a country. According to Bauer (1981), this modernization process requires the traditional society to be eliminated. His argument was substantiated based on previous hypothesis proposed by Rostow (1960). Rostow (1960) believes that a tradition or a culture may hinder the progress needed in development of a nation. Based on Rostow (1960) hypothesis, Bauer (1981) assumed development can only be implemented through the “Westernization”. This assumption latter became the core assumptions of

modernization theories and linear growth stage theories (Rist, 2009, p.102).

Muhammad Syukri Salleh (2003), Mohd Fauzi Mohd Harun and Ahmad Fauzee Abdullah (2007), along with Todaro and Smith (2012) who stated that the theory of the development stages presented by Rostow (1960) as one of the most influential theory in the paradigm of modernization and the linear growth model. Rostow (1960) believes that development is a transition process that occurs through five stages. First, the stage of traditional society. Second, the stage to prepare for lift off. Third, the stage of level off. Fourth, the stage of maturity and fifth, the climax of the development in which involves the usage of large-scale mass (Menzel, 2006, p.213).

Elimination of traditional society does not just happen in the modernization paradigm and linear growth model. Elimination of traditional communities to enable development also occurred in the Marxist thought (Peet, 2006, p.169). The Marxist believes that every country or society has to go through three stages of development. First, the pre-capitalist that is traditional and static. Second, the elimination of traditional society and the formation of capitalist society. Third, the formation of a post-capitalist society which is the socialist and communist society. For Marx, these transformation involved intense revolution in order to achieve the full potential of modern development namely: satisfaction of needs, education for all and sustainability (Peet, 2006, p.170).

However, the Chinese Revolution in 1949 and the Cuban Revolution in the late 1950's proved that the Third World countries do not have to go through the stages declared by the Marxist school. The impact of both revolutions has made the researchers in Latin America to study on the socialist revolution without going through the stages mentioned by the orthodox Marxists. Additionally, the crisis of orthodox Marxist paradigm together with the failure of the modernization program of the UN Economic Commission for Latin America in the 1960's has contributed to the birth of the dependency theory (So, 1990).

The modernization paradigm defines development based on the experience of economically advanced capitalist countries in Europe and the United States which is contrary to methods in the dependency theory. Dependency theory defines development based on the perspective of Third World countries (Tucker, 1999, p.14). The dependency theory describes the voice of the peripheral countries to challenge the prevailed schools of thought. So (1990) along with Mohd Fauzi Mohd Harun and Ahmad Fauzee Abdullah (2007) states that dependency theory was pioneered by a neo-Marxist, Theotonio Dos Santos in Latin America.

According to Santos (1973), dependency theory refers to development that occurs in a country affects the development of the other country (periphery). Based on the vision of Santos (1973), a country in a developed form will be able to develop superiorly when compared to the countries that rely on the economy of developed countries. This opinion is based on the reality of dependence that results on exploitation of the dependent countries. This phenomenon leads to economic stagnation thus underdevelopment of the dependant countries (O'Hearn, 1999, p.130).

The expansion of dependency theory is not only confined to Latin America. The theory had evolved and been well received in the United States in the late 1960's. According to So (1990), Andre Gunder Frank was one of the most highest contributors in spreading the thought of dependence to the English speaking world, particularly in the United States. Srinivasan (1984) and Streeten (1989) states that this dispersion had opened the world to diverse development theories. Hence, makes the dominant development theories not limited to the theories from neo-classical worldview solely but also the theories from neo-Marxist worldview. Srinivasan (1984) had also noted that the pioneers of development believed that centralized development planning ala Soviet (or communist-socialist) may be effective to be implemented in the Third World countries. However, Srinivasan (1984) emphasized that this exercise should be done without involving the Soviet-style political structure.

Proposition proposed by Srivinasan (1984) on development planning is also been emphasized by Streeten (1989). Streeten (1989) deals with the need for a combination of both development worldviews in order to enable development to take place effectively. The tendency of combining both development worldviews coincided with allegations made by Muhammad Syukri Salleh (2003). He claimed that both development worldviews, radical as well as neo-classical might look different but actually was constructed based on the same principle and conviction.

Muhammad Syukri Salleh (2003) presented three arguments against his allegations. First, both worldviews share the same law of development which are destruction of the traditional society and economy. Second, both worldviews believe that natural resources are limited but human wants are unlimited. Third, both worldviews assume that human beings are the human of economy or homo-economicus and functioned for economic development and maximizing productivity and consumerism. Both worldviews believe that knowledge only be possibly gain through the scientific method. Although religious elements tried to be infused especially in the capitalist development (Weber, 1930), but religion is more likely regarded merely as a tradition and superstition without any proof in both conventional development worldview (Deneulin & Bano, 2009, p.40).

THE WORLDVIEW OF ISLAMIC-BASED DEVELOPMENT:

Contrasted from the conventional development worldview, religious elements can be seen clearly in the Islamic-based development worldview. Writers such as Muhammad Al-Buraey (1992), Mohamed Aslam Mohamed Haneef (1997), Ataul Huq Pramanik (2002), Abdelaziz Berghaout (2007), Fadzila Azni Ahmad (2010), and Muhammad Abdullah and Muhammad Junaid Nadvi (2011) argues that Islamic tasawwur is the worldview of Islamic-based development. However, there are also other terms had been proposed such as the philosophy of tawheed, paradigm of tawheed (Aidit Ghazali, 1990; Syed Farid Alatas, 1997, Ahmad Shukri Mohd. Nain & Rosman Yusoff, 2003), epistemology of tawheed (Masudul Alam Choudhury & Al-Hallaf, 2001), Quranic epistemology (Masudul Alam Choudhury, 1997, Ghosh, 1997) and Islamic epistemology (Osman Bakar, 1991).

Although various terms have been recommended, Muhammad Abdullah and Muhammad Junaid Nadvi (2011) stated that the philosophy of tawheed, paradigm of tawheed, epistemology of tawheed and Quranic epistemology altogether are encompassed in the Islamic tasawwur. In addition, the paradigm and epistemology of tawheed both are entailed in the Islamic tasawwur (Masudul Alam Choudhury & Al-Hallaf, 2001; Masudul Alam Choudhury, 2007). In addition, Osman Bakar (1991) concluded that the paradigm of tawheed is the premise of Islamic epistemology. Position and the relationship between the paradigm and epistemology with the Islamic tasawwur are illustrated in Figure 1.

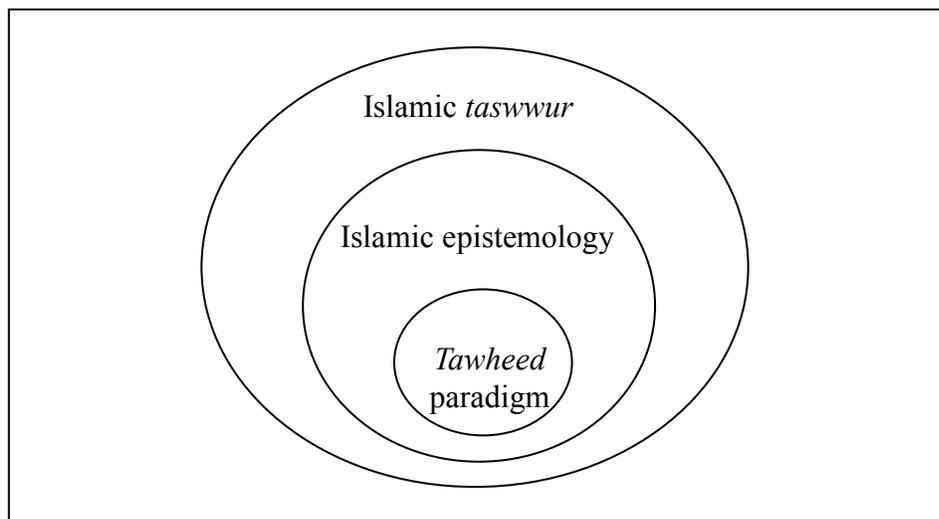


Figure 1: Tawheed paradigm and Islamic epistemology entailed in the Islamic tasawwur

Figure 1 shows the paradigm of tawheed as the premise of Islamic epistemology while Islamic epistemology itself is a premise of tasawwur Islam. The figure also shows that the tawheed paradigm is the premise of Islamic tasawwur thus operates as the nucleus of the Islamic tasawwur as whole (Muhammad Abdullah & Muhammad Junaid Nadvi, 2011).

According to Osman Bakar (1991), Syed Muhammad Naquib Al-Attas (2005), Md. Yousuf Ali (2006) along with Muhammad Abdullah and Muhammad Junaid Nadvi (2011), the paradigm of tawheed in

Islamic tasawwur stated that Allah SWT is the only God worthy to worship. Khurshid Ahmad (1979) and Abu'l A'la Mawdudi (2002) noted that paradigm of tawheed involves faith on the oneness and power of Allah SWT. These authors state that the attestation of the paradigm of tawheed is based on the phrase of "La ilaha illallah" meaning, "there is no God except Allah". According to Sayyid Qutb (1988), the paradigm of tawheed in Islamic tasawwur consists of two elements. The first element involves the acknowledgment and belief that Allah SWT is the Creator, Owner and Ruler of the universe. The second element involves the recognition that Allah SWT as only the God and should be worshiped, obeyed and followed completely (taken from Mohd Shukri Hanapi, 2012). Osman Bakar (1991:2) summarizes the paradigm of tawheed as the basic truth in the Islamic-based development, hence the basis of Islamic epistemology.

According to Fadzila Azni Ahmad (2010:31), epistemology refers to theory or study of knowledge. Syed Muhammad Naquib Al-Attas (2005) and Fadzila Azni Ahmad (2010) stated that the main distinction between conventional epistemology and Islamic epistemology lies on its source. Fadzila Azni Ahmad (2010) concludes that conventional epistemology limited to observation either by senses which have been encountered through experience or perceived by the mind alone. The position of conventional epistemological therefore marked the distinction between itself with the Islamic epistemology.

Based on the discussion in this section, tasawwur Islam can be summed up as "a pure form of Islam, which explains the basic principles of Islam as a whole and complete." Tasawwur Islam also contains three main points which are Allah SWT as the Creator, the human being are the creatures of Allah as well as natural resources (Muhammad Syukri Salleh, 2003). These three main points then forms the vertical and horizontal dimensions relationship in tasawwur Islam that act as the worldview of Islamic-based development.

The worldview of either conventional or Islamic-based development that has been discussed in this part in fact can be traced on the economic indicators entailed in HDI and MUDI. These indices is analysed in the subsequent section.

ECONOMIC INDICATORS OF HDI AND MUDI:

HDI as a conventional development index had not taken any religious let alone the tawheed element into account. As a well-known yardstick of wellbeing, HDI was a result of dissatisfaction with per capita income serving as the standard measurement of development (Klugman, Rodriguez & Choi, 2011). The index is closely related to the idea of human capabilities proposed by Sen (1983).

Sen (1983) emphasizes that development should contribute to the enhancement of human capabilities and qualifications. His arguments stated that development is not only to enable people to "work" but more importantly, to have the ability and freedom to reach their potential while increasing self-qualification (Sen, 1983; UNDP, 2007). UNDP (2007) also argues that development should aim to create an environment to enable people to yield their potential. According to Sen (1983) and UNDP (2007), this kind of environment allows people to live productively, creative and in line with their desire and interest.

As a result of these expectations, HDI incorporates three essential components of human life which are longevity, knowledge and decent standard of living (Klugman, Rodriguez & Choi, 2011). The economic indicator specifically positioned as proxy for decent standard of living. To be exact, this economic indicator is measured by income per capita.

Apart from income, MUDI on the other hand incorporate a lot more economic indicator to the index. There are at least seven indicators had been listed under the economy sub-index in MUDI. The seven indicators are income, Gini coefficient, jobless rate, poverty rate, ownership on corporate sector equity, deposit rate in the banking as well as non-banking institution and lastly, zakat collection per capita. Moreover, MUDI has also incorporated the depositor of Tabung Haji and number of zakat payer to be complimented with the existing economic indicators.

According to Jamil Osman (2012), MUDI was formulated on the basis of seven basic elements of development emphasized in Islam. The seven elements composed by worldview as the scope of development, human being as the development actors, the spiritual realm, the world and the hereafter incorporated as the time scale, fardhu ain and fardu kifayah as the frame work, development itself as

method of worship, natural resources as the source for development and success in the world and the Hereafter as the ultimate goal of development (Jamil Osman, 2012). Based on the listed economic indicators, MUDI shows it stand as the Islamic-based development index by integrating some of the Islamic pillar that have economic value as shown in Table 1.

Table 1: Economic indicator(s) of HDI and MUDI

| HDI | MUDI |
|--|--|
| <ul style="list-style-type: none"> • Gross national income per capita | <ul style="list-style-type: none"> • Average monthly household income • Gini coefficient • Rate of unemployment • Rate of poverty • Ownership of share capital in limited companies (%) • Ratio of deposit in Islamic banking system and non financial institution to total banking industry (%) • Zakat per capita |

CONCLUSION:

Discussion in this paper had shown the difference between conventional and Islamic-based development. One of the main differences between each development is on the element of tawheed embedded in the Islamic-based development worldview in which has not embedded in the conventional development worldview. This condition had also occurred in the economic indicators of the development indices discussed in this paper. This discovery had proven that worldview plays a crucial role in constructing a development index hence shows that an Islamic-based development index must be constructed via an Islamic-based development worldview.

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