

Global Economy Journal

Volume 10, Issue 2

2010

Article 2

How Islamic are Islamic Countries?

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Abstract

In the post 9/11 era, there is growing interest in the complex relationship between religion, economics, finance, politics, law, and social behavior. This has brought with it a disagreement on how to investigate the impact of religiosity, whether religion affects the economic, political, and social outlook of countries or whether these factors affect religiosity? In other words, should religion be viewed as a dependent or an independent variable? In this paper we ask what we believe to be the precursor question to such linkages, namely, do self-declared Islamic countries, as attested by membership in the OIC (Organization of Islamic Conference), embrace policies that are founded on Islamic teachings? We believe that only once this question is addressed can one begin to estimate how Islam adherence to Islam may affect economic, political and social behavior. In the first part of the paper we present what we believe should be the characteristics and scaffolding of an “Islamic” country. We base our depiction on the Quran, and the life, practices and sayings of the Prophet Mohammad – the two principal channels that provide Muslims with the road map. In the second part, we develop an index to measure the “Islamicity” of Islamic and non-Islamic countries. This IslamicityIndex (or I^2) measures 208 countries adherence to Islamic principles using four sub-indices related to economics, legal and governance, human and political rights, and international relations.

KEYWORDS: Islam, economic development, index, religion, economics, finance, politics, law, social

Erratum

Following publication on May 21, 2010, the article was updated with a table that should have been included in the original article in the section 'Results of the IslamicityIndex,' below Table VI. The table 'Overall Islamicity Index Rank,' is now provided in the Appendix (labeled 'Appendix 2: Addendum'), and was added on September 8, 2010.

INTRODUCTION

There is considerable and growing interest on how religion impacts economic, financial, social, legal, and political development of countries. Most economists generally agree that there are many determinants of economic growth and that "...successful explanations of economic performance have to go beyond narrow economic variables to encompass political, [legal], and social forces. Religion is one such force and ... currently there been considerable attention on the role of religion in economics¹." There is a general agreement among sociologists that daily decisions of individuals are in part influenced by their belief systems. Since late 2001, academics such as Bernard Lewis² and Robert Barro³ have endeavored to assess the relationship between religion and economic, legal, and social development of countries. Unfortunately, this is riddled with limitations as, for example, Islam is judged by what those that are labeled as Muslims do and not by the actual message of Islam—based on the Quran and the practice and the sayings of the Prophet.⁴

In academic research, while sociologists have long investigated the impact of religion on human behavior, economists have only more recently attempted to investigate and define the linkages between religion and economic behavior. There is limited research to assess the relationship between religion and government polices, including rule of law.

While it is generally agreed that religion affects economic, social, political and legal decisions, academics, however, are struggling between two opposing schools of thought. The heart of the disagreement of how to investigate the impact of religion on economic development is whether religion should be the dependent or independent variable in such a relationship. If religion is a dependent variable: then it would imply that the level of economic development e.g. standard of living, or government interference in the marketplace, impacts the adherence to religious teachings and rituals e.g. church or mosque attendance and other faith based activities. If religion is an independent variable: then it is the religion that influences the political economy i.e. economic performance, productivity, work ethics, and resulting social developments. But there is a missing element in this debate. That is no matter which hypothesis one adopts, one must first ascertain whether the country in question follows the teachings and

¹ Iannaccone, Laurence, "Introduction to the Economics of Religion", *Journal of Economic Literature*, Vol. 36, No. 3, (September 1998), pp. 1465-1496.

² Lewis, Bernard, *Root Causes: What Went Wrong: Western Impact and Middle Eastern Response* (New York: Oxford University Press, 2002).

³ McCleary, Rachael and Robert Barro, "Religion and Economy", *Journal of Economic Perspectives*, Vol. 20, no. 2, (Spring 2006).

⁴ Mirakor, Abbas and Hossein Askari, *Islam and the Path of Human and Economic Development* (New York: Palgrave Macmillan, forthcoming 2010).

doctrines of the religion it claims and to what extent. Then one can assess the correlation between Islam and economic performance, standard of living, and development in general.

In this paper, our goal is twofold. First, to examine what we believe to be important Islamic teachings that should shape the policies of a country that is labeled as “Islamic”; and, second, we propose a preliminary measure of the extent of adherence to religious teachings and doctrines in countries that we label as Islamic i.e. to develop an index measuring the degree of “Islamicity” of countries, based on Islamic teachings⁵.

MEASURING ISLAMICITY

In the recent past, the religion under the microscope is Islam. But we must be careful how we assess Islam, by the behavior of those that are labeled as Muslim or by Muslim teachings? To what extent do self-declared Islamic countries actually behave as Islamic countries i.e. following Islamic teachings from the Quran and the life and sayings of the Prophet? In other words, are these countries truly Islamic or are they Islamic in name only? We believe that only once this question is addressed can one begin to measure and/or claim empirically that Islam either deters or enhances human development, human solidarity and economic performance.

When asking the question of “how Islamic are the Islamic countries?” it is to be expected that the question could be seen as complex and controversial, but perhaps unreasonable, if not outright immeasurable. However, given that the Western mass media has generically portrayed that any, or at least most, shortcomings of self-declared Islamic countries and their governments stem from, or are a sign of, some deficiency in Islam-despite the understandable controversy-the necessity of such research can be underscored for this reason alone. Even, Barack Obama, installed as the President of the United States in 2009, went to great lengths and expense to distance himself from any association with Islam during his political campaign. Moreover, our examination of Islamic teachings shows that Islam’s guidelines for economic, social, legal, and political practices are in line with today’s best practices and recommended institutional structures. Moreover, it is our belief that the conception of human and economic development in Islam is similar to the “modern” conception in the West.⁶ These notions underscore the necessity for further investigation, how Islamic (i.e. their

⁵ This paper is in part based on and is a continuation of a previous study conducted by Rehman, Scheherazade and Hossein Askari, “An EconomicIslamicity Index,” Working Paper Series, GW Center of for the Study of Globalization, The George Washington University (2008).

⁶ This is discussed in depth in Abbas Mirakhor and Hossein Askari, *Islam and the Path to Human and Economic Development* (Palgrave Macmillan, forthcoming 2010).

“Islamicity”) are Islamic countries so that shortcomings are appropriately partitioned.

Some may argue that if countries identify themselves primarily as a republic built on the tenets of a specific religion then some accountability may be in order, using traditional methods of political, economic and social performance. This seems especially appropriate for those countries whose initial and/or current existence was based on religion, for example, Iran, Pakistan and Saudi Arabia. But even this is problematic as what constitutes a religious state is open to debate—a government’s adoption of religious laws as its legal system, the establishment of an official state religion, or more than 50 percent of the population declaring their devotion to a particular religion?

There are only seven declared Islamic countries (Afghanistan, Bahrain, Iran, Mauritania, Oman, Pakistan, Yemen) and only twelve countries that have declared Islam as the state religion (Algeria, Bangladesh, Egypt, Iraq, Kuwait, Libya, Malaysia, Maldives, Morocco, Qatar, Tunisia, United Arab Emirates). In developing our Islamicity Index we have chosen an all-encompassing approach which is to include all countries whose governments profess Islamic teaching as the guiding, or one of the primary, principle for governance. To this end we decided that the Organization of Islamic Countries (OIC) provides a good representation of countries that profess Islam at the national level. The fifty-seven countries that are members of the OIC have either (a) governments that has adopted Islam as the official state religion, or (b) Islam as their primary religion, or (c) a significant Muslim population, or (d) simply declared themselves as an Islamic republic⁷. In our Islamicity Index we look at two-hundred-and-eight countries and compare them to a subset of the OIC countries. We attempt to measure the economic, social, legal, and political development of OIC countries, not only by Western standards, which is well documented in various well-known index rankings⁸, but by what we believe to be Islamic standards.

ISLAMIC TEACHINGS AND THE ISLAMICITY INDEX

How Islamic are Islamic countries or what is their degree of “Islamicity”? In attempting to answer this question one must agree on the broad content of Islamic

⁷ Please note that we have not made the distinction between Sunni and Shia Muslim countries. Approximately 10-15% of the world’s Muslims are Shia with the largest representation in Iran and Iraq.

⁸ For example, United nations Human Development Index (UNHDI), Economist Intelligence Unit’s (EUI) Democracy Index, Heritage Foundation’s Index of Economic Freedom, Fraser Institute’s Economic Freedom Index (Economic Freedom of the World Index), Transparency International’s Corruption perceptions Index and Freedom House’s Freedom in the World Index, etc.

teachings and on the required conduct and behavior of those who could be legitimately classified as Muslim.

Nature of Islamic Teachings⁹

Unlike most other major religions, Islam is a rules-based system explicitly affording detailed rules and guidelines for crafting a successful and just economic system, good governance, respect for human rights, freedom of choice and protection under a specified code of law, and the code by which to manage external relations (with non- Muslims). Therefore, the task of creating an Islamicity Index is easier than constructing a “Catholicity Index.” While Western countries have, by and large and to differing degrees, advocated and adopted the principle that there should be a separation between church and state to promote social justice, religious freedom and good governance, this is problematic for countries that profess Islam. Islam, while advocating freedom of choice and freedom of religious practice, gives its followers much more detailed rules of conduct than Christianity, including a legal code, and the details for governance by the state and for management of economic and social affairs. Therefore, separating Islam [the religion] from the state is somewhat more problematic for a country that calls itself Islamic as compared to a country that embraces Christianity.

Two principal channels—the Quran, and the life, practices and sayings of the Prophet—provide Muslims with the road map. These two channels may be expanded to include the Ijma, which are the collection of the consensus of mujtahids or religious scholars, and Qiyas, which are opinions based on religious doctrine and analogy¹⁰. The prescriptions cover but are not limited to the importance of: work, market-based economy, sharing, competition, taxation, government finances, the behavior of financial institutions, eradication of poverty, social and economic expenditures affecting poverty, income distribution, private ownership, rule of law, sanctity of contracts, natural resource management including depletable resources, and codes of conduct towards non-Muslims, inheritance and child care, good governance, alms to the poor, human and civil rights of both men and women¹¹.

⁹ Certain segments are taken from Askari, Hossein. *Middle East Oil Exporters: What Happened To Economic Development?* (United Kingdom: Edward Elgar, 2006).

¹⁰ It should be noted that Shia Muslims make use of only the first three sources. Cummings, John Thomas, Hossein Askari, and Ahmad Mustafa. “Islam and Modern Economic Change” in Esposito, John L. (ed.), *Islam and Development: Religion and Sociopolitical Change* (New York: Syracuse University Press, 1980).

¹¹ This is true of Judaism as well because of the Torah’s explicit instructions of daily personal, financial, and commercial life.

We have chosen to divide Islamic teachings into five broad areas: first, the relation of man to God and the deeds of man according to the principles of human responsibilities; second, the economic systems and policies and economic-social justice; third, the legal system and governance; fourth, human and political rights; and fifth, the realm of international relations (especially that with non-Muslims).

In the first section of the paper we briefly examine all five areas of Islamic teachings, but in the second section, where we develop an Islamicity Index, we cover only four -- all the above areas except the first, "the relation of man to God and the deeds of man according to the principles of human responsibilities in Islam", which is a subject that is best left to theologians.

A SUMMARY OF ISLAMIC TEACHINGS TO MEASURE ISLAMICITY

As we have said before, Islam is a rules-based system in the sense that the rules are prescribed by Allah, the Law Giver, and, as such, He ultimately monitors compliance and affords rewards for compliance and sanctions for non-compliance.¹² Accordingly, the prescriptions ordained by Allah and explained and implemented by His Messenger and Prophet are rules. There are four fundamental concepts supporting the rule-based system that is Islam. These are: first, *Walayahh*, the unconditional, dynamic, active, ever-present Love of the Supreme Creator for His Creation manifested through the act of creation and the provision of sustenance. For humans this means sufficient resources to sustain life and divine rules enabling humans to sustain and flourish on this plane of existence. Humans reciprocate this Love by extending their love to other humans and to the rest of Creation. The core activity of *walayahh* is love manifested through knowledge and the upholding of justice. Second is the concept of *karamah*, human dignity. The Quran considers humans to be the crowning achievement of Allah's Creation for whose personal and collective development everything else has been created. Humans are endowed with intelligence to know their Creator, to recognize and appreciate the universe and everything in it and to understand the reasons for their own existence as contingent on the Will of their Creator. Given the dignity that Allah has bestowed on humans and the sanctity of Allah's creation—humans—all humans must respect the dignity and human rights of others. To harm a human is to harm all humanity. If a human kills another human not in retaliation of murder, it would be as if he killed all mankind, and if anyone saved a life, it would be as if he saved the life of all mankind. If Allah had wanted the automatic observance of His rules, He would not have given humans the freedom of choice. Humans are even free to chose their religion as stated in a

¹² This section is adapted from Abbas Mirakhor and Hossein Askari, *Islam and the Path to Human and Economic Development* (Palgrave Macmillan, forthcoming 2010).

well-known verse of the Quran; *Let there should be no compunction in religion (2:256)*.

The third concept is the *meethaq*, the primordial covenant in which all humans are called before their Supreme Creator and asked to testify that they recognize in Him the One and Only Creator and Sustainer of the entire Creation and all other implications flowing from this testimony. The fourth concept is that of *khilafa*: agency-trusteeship. Jointly, *Walayahh* and *karamah* provide the basis for *khilafa*. The Love of the Creator endows humans with dignity and intelligence so as to manifest *Walayahh* through the instrumentality of *khilafah*. *Khilafah* is the empowerment of humans by their Creator as agent-trustees to extend *walayahh* to one-another, materially through the resources provided to them by the Creator, and non-materially through the manifestation of unconditional love for their own kind as well as for the rest of creation.

Rule-compliance promotes material growth through higher productivity. The three rules crucial to economic growth—property rights protection, the enforcement of contracts and good governance—are emphasized in both the Quran and in the traditions of the Prophet. However, the network of rules in Islam that guarantees development goes further; these are, as follows: the rule of seeking knowledge, no waste, no harm or injury, hard work and no fraud, cheating or abuse of property. The internalization of the rules of conduct governing market participation and compliance with them assures that the market will be an efficient mechanism to create a balance within an economy. Because fairness and justice are assured by rule-compliance, the price that emerges will be a just price. Rules regarding the fair treatment of others assure that those who participate in the act of production receive just payment for their effort. Thus, market-based distribution guided by the price mechanism would also be fair. Rules governing income redistribution assure that the rights of others in access to resources are preserved before income becomes disposable. All economic transactions are governed by rules requiring strict faithfulness to the terms and conditions of contracts and promises. Hence, the probability of asymmetric information and moral hazard is minimized. Rules governing consumption assure that there is no opulent or wasteful consumption. Since consumers internalize these rules before entering the market, these rules also shape consumer preferences and thus demand. Rules governing the use of disposable income and wealth (that is, income and wealth after accounting for the rights and claims of others) assure that wealth is not hoarded and is made available in the form of investment and expenditures in the way of Allah. Prohibition of interest assures the direct participation of wealth-holders.

This is the outline of a market-based economy where everyone who is able to work works hard, using technical knowledge to combine with their own labor and the resources provided by the Creator to produce goods and services for

society. People in such an economy—having internalized the rules prescribed by the Law Giver and being fully and consciously aware of the ever-presence of the Creator—conduct their economic, social and political affairs in full compliance with the rules. Knowing that they are responsible and accountable, individually and collectively, they invest allegiance in a legitimate authority to carry out their affairs, with the legitimacy of the authority established by rule-compliance.

The rule “commanding the good and forbidding evil,” applicable to individuals and society, assures the full and active participation of all in the affairs of society. The Prophet warned that failure by members of society to comply with this rule and to correct ineffective governance would lead to a totalitarian nightmare. The consequences of non-compliance are so severe that the Prophet warns that in such a situation prayers will not be answered. Rules stemming from the *Walayahh* of the Creator and reflected in the *walayahh* of the believers for one another and for the rest of humanity and creation, as well as rules prescribing participation in ritual acts of worship that are mostly public, promote human solidarity and unity. Among these are rules that ordain cooperation, consultation, reciprocity, close contact and caring relations with others. The economic instruments that fortify *walayahh* relationships are those of redistribution and extend to providing for the material needs of future generations through the laws of inheritance as well as through the instrument of *waqf*, through which wealth-holders establish endowments that create and maintain social infrastructure. In the end, the existence of absolute and relative poverty, along with significant income inequality, are prima facie evidence of rule violation and governance failure, for which members of society are, individually and collectively, responsible no matter how strong their pretensions to Islamicity.

Islam unites ethical principles with institutional measures (laws and rules) to create a framework for how an Islamic inspired economy and society should function. Institutions proposed by Islam relating to governance, social solidarity, cooperation and justice are designed to achieve economic development and growth. The essence of an Islamic society is that it is rules-based system, centering on the concept of justice (*Al’adl’*). Broad measures to address perceived resource scarcity and achieve an equitable distribution of wealth and resource under the rubric of justice are three-fold, and include: a) the fostering of ethical and moral values such as justice, equality, honesty, etc.; b) economic tools and instruments such as *zakah*, *sadaqah*, and inheritance and property laws; and lastly c) the development of the institutional capacity and political will to insure that these principle and norms are adequately upheld. At the core of the model is the principle of justice while the principle equity, fiscal prudence, respect of property rights and hard work branch out from this central theme.

Insistence on justice became the hallmark of the institutional scaffolding of governance, a structure with full transparency and accountability. Authoritative

and scholarly biographies of the Prophet and books of traditions (*ahadeeth*) reporting his actions and words are replete with examples of how freely accessible he was to all citizens, how easily he fielded questions regarding the Quran, Islam and his own behavior. There are numerous examples of how aggressively and directly he was addressed and questioned about his own action-decisions as the temporal, political and administrative authority and how patiently, tolerantly and comprehensively he responded by giving full account of his behavior.

While justice and equity are at the foundation of an Islamic society and economy, it is also widely recognized that free markets, however functioning under certain prescribed laws, should play prominent role in the distribution of good and services. The laws of Islam unambiguously call for transparent and free markets, commercial fairness and ethical business as basic standards of economic activities. After the conquest of Mecca and the rest of Arabia, rules governing the market and its participants were institutionalized and generalized to all markets in Arabia. These rules included no restrictions on international or interregional trade (including no taxation of imports and exports); the free spatial movement of resources, goods and services from one market to another; no barriers to market entry and exit; free and transparent information regarding the price, quality and quantity of goods, particularly in the case of spot trade; the specification of the exact date for the completion of trade where trade was to take place over time; the specification of the property and other rights of all participants in every contract; guaranteed contract enforcement by the state and its legal apparatus; the prohibition of the hoarding of commodities and productive resources for the purpose of pushing up the prices (*ihthakar*); the prohibition of price controls (*Ta'seer*); a ban on sellers or buyers harming the interests of other market participants, for example, by allowing a third party to interrupt negotiations between two parties (called *najsh*) in order to influence the negotiations to the benefit of one of the parties; and a ban on the short changing of buyers, for example, by not giving full weight and measure (*tatfeef*). Moreover, sellers and buyers were given the right of annulment of a deal: (i) seller and buyer could terminate negotiation before leaving the location in which it was taking place (*Khyar Majlis*); (ii) if a buyer had not seen the commodity and after seeing it found it unacceptable (*Khyar Rou'yah*); (iii) if either the seller or the buyer discovered that the product had either been sold for less than, or bought for higher than, it was worth; (iv) if the buyer discovered that the quality of the product was not as expected (*Khyar Qashsh*); (v) if side conditions were specified during the negotiations which were left unfulfilled (*Khyar Shart*); (vi) if a delivery period was specified but the product was not delivered on time (*Khyar Moddah*); and (vii) when the subject of the negotiations were pack animals, the buyer had the right to return the animal up to three days after the deal was finalized (*Khyar Haywan*).

These rights of annulment ensured that market participants were protected against a lack of, or faulty, information.

According to Islamic teachings all able humans are encouraged to compete in business, work hard for economic gain, and own private property; however under a certain set of prescribed rules. It is widely recognized in Islam that the economic and psychological pressure of poverty may induce some individuals to seek unethical means of earning an income. Thus the principles of an Islamic economic system were designed with this in mind, ensuring the availability of education and equal opportunity for employment for all, poverty reduction and prevention, and continuous social and intellectual development for all individuals.¹³

According to Islam, as conveyed in both the Quran and in the *Hadith*, there is a strong precedence for high moral standards, ethics, values and norms of behavior, governing many aspect of economic life. Moreover, it has been clearly acknowledged that corruption and corrupt practices are un-Islamic and are specifically condemned in Islam. For example, according to one of the Prophet's sayings: "Damned is the bribe-giver (or 'corrupter'), the bribe-taker (or 'corrupted') and he who goes between them", illustrating the severity with which bribery and corruption are viewed.

Islam provides guidance on basic principle of ethical business practices – or a code of ethics. According to that code, engaging business and commerce is considered a lofty aim, contingent that does not lead to unjust accumulation of wealth (including through bribery, corruption, etc) to any of the actors, public or private, involved. It has been said that the Prophet Mohammed created the first market in Arabia, structuring its operations in accordance with the principles put forth in the Quran such that justice prevailed in exchange and trade. The Quran clearly annunciates just some of the provisions for ethic business practices in the following verse: *O YOU who have attained to faith! Do not devour one another's possessions wrongfully – not even by way of trade based on mutual agreement – and do not destroy another: for behold, God is indeed the dispenser of grace unto you (4:29)! And ...do not swallow up your property among yourselves by false means, neither seek to gain access thereby to the judges, so that you may swallow up a part of the property of men wrongfully while you know (2:188)*. These and other verses in the Quran make clear that prescribed rules require that economic transactions much be based on freedom of choice and of contract which in turn calls for the use of markets as a mechanism. While the state has the obligation to supervise and enforce rule compliance with regards to business practices, market participants that follow these principles are, however, free from any further interference.

¹³ See Askari and Taghavi, December 2005, for more details.

The Prophet clarified rules of property rights over natural resources. To protect the interests of society and maintain social order and stability, the Prophet enunciated rules, based on those already prescribed by the Quran, to give priority to the rights of society over those of the individual. These include the rule of no harm or injury, the prohibition of the waste and destruction of resources and products, of extravagance and opulence in production and consumption, of individual behavior that could create instability in the system and of illegal, immoral and unethical sources of income and wealth. These rules, while general, tangentially relate to property rights in that while these rights for the individual are recognized and protected, they are not allowed to harm the interests of society.

The rule of *no harm, no injury (la dharar wa la dhirar)* was promulgated by the Prophet based on the Quran to ensure that there is no adverse impact of private economic behavior on third parties or on society. The Prophet, in accordance with prescribed rules, prohibited theft, bribery, interest on money, the usurpation of the property rights of others by force and other ethically and morally forbidden activities as sources of income and wealth. These activities create instantaneous property rights without commensurate exertion of labor in production and are socially unproductive and harmful. These rules clearly establish the priority of the interests of society over those of the individual without adverse impact on private initiative in production, exchange and consumption.

The first principle of property rights acknowledged the permanent, constant and invariant ownership of all property by Allah. The second principle acknowledged, in consonance with the Quran, the transfer by Allah of the right of possession to all of mankind. The third principle acknowledged equal opportunity of access by all to the natural resources provided by the Creator, to be combined with their labor to produce goods and services. Ownership of natural resources (such as raw land, water, and mineral deposits) is considered to be a gift bestowed to humanity by God, and only God has absolute ownership.¹⁴ The logic here is that since humans did not actually create any of the world's natural resources they cannot exert unequivocal ownership over them. They may only privately own anything they produce with their work or gain through legitimate investment and inheritance. To ensure the community of property rights for all members of society, property rights over purely natural resources were placed in trust of either the state (such as mines) to be used for the benefit of all or in the hands of society at large as commons (for example, surface and underground water).

¹⁴ Cummings, John Thomas, Hossein Askari and Ahmad Mustafa. "Islam and Modern Economic Change." *Islam and Development*, John L. Esposito (ed.) (New York: Syracuse University Press, 1980).

A clear distinction was made between the right of *ownership* and the right of *possession*, particularly in the case of land. Any individual could combine labor, capital and available land to produce a commodity over which the person would have full property rights. The land would remain in the person's possession as long as the land was in production. However, if the land was not used for continuous production (for a designated period, for example, three consecutive years), the person would lose the right of possession, and another producer would have the right to take possession of the land to use labor and capital to produce a commodity. It is worth emphasizing that the Prophet underlined the rule that such opportunities were available to all members of society regardless of their beliefs. In making such opportunities available to all members of society, Islam implicitly admonishes corrupt practices. In cases of criminal violations, requiring judicial action, members of each faith were to refer to the procedures specified by their own faith, according to the Constitution of Medina.

In the case of exhaustible resources, such as oil and natural gas, ownership is clearly vested in the state to manage these in a way that affords equal benefits to every member of society, be they able to work or handicapped. This benefit applies equally to all future generations. An important manifestation of corruption in the oil-exporting countries of the Middle East is attributable to "rent-seeking" behavior associated with the depletion of these resources. Simply said, those that can shun hard work and go after getting a piece of the oil pie. This invariably requires involvement in corrupt practices in in clear violation of Islamic rules.

The notion of hard work on the part of any individual and society as a whole is considered by Islam to be one of the most critical drivers of economic development and social progress. The Islam law seeks to foster labor, production, and economic commerce, and emphasizes the prohibition of corruption, routine beggary and freeloading, and any vocations that may promote social instability or political, economic, or social oppression¹⁵. According to the *Hadiths*, the Prophet Mohammed emphasized productive work and, while he would use the public treasury to alleviate destitution and poverty, he would strongly discourage laziness and reliance by the able-bodied on handouts. He said that earning *halal* sustenance (from working in permissible occupation) for oneself and one's family is nine-tenths of *'ibadah* (everything that Allah loves). To encourage work, one of his policies was to enforce risk-reward sharing in production and/or trade projects. The lack of any dichotomy between the material and spiritual sides of life invests even the material pursuits with spirituality, and it is in this sense that earning one's living through honest means is also regarded as a form of worship in

¹⁵ See Quran 2:11—"...they are told, 'Do not spread corruption on earth...,'" 2: 205—"...and God does not love corruption..." 7:56—"do not spread corruption on earth after it has been so well ordered;" 7: 85—"...do not deprive people of what is rightfully theirs...;" 11:111—"And, verily, unto each and all will thy Sustainer give their full due..." Source: Ibid.

Islam.” The Quran clearly states: ... *Men shall benefit from what they earn, and women shall benefit from what they earn. Ask, therefore, God [to give you] out of his bounty: behold, God has indeed full knowledge of everything (4:32).*

Importantly for governments, no political authority can violate these prescribed rules and retain legitimacy and no community can claim that it has remained a believing community while being ruled over by an authority that is non-compliant with and in violation of the prescribed rules. In short, it is the non-compliance with and violation of the duty of commending rule-compliance and of forbidding non-compliance, that leads to the emergence of corrupt, unjust, dictatorial and totalitarian authority. The Prophet warned that non-observance of this duty by individuals and the community will indeed create the conditions that will result in Allah empowering the worst among the humans to rule over the community, and if non-compliance by the community and its members continues in the face of injustice by the illegitimate authority (that has lost legitimacy), this becomes a rule-violation. As a result, the community and its members will pray to be relieved from the oppression of the ruler(s) and Allah will not accept their prayers. Such a community heads toward destruction as those in authority continue to violate rules in the face of silence and inactive rule-compliance of the members of the community [16:17].

Commanding what is good and forbidding what is evil is a duty. This duty is incumbent on individuals as well as on the whole community. It is a promoter of solidarity and achievement, and a preserver of the social order in the community. The very existence of oppression, corruption, massive inequality and poverty in a community is prima facie evidence of non-compliance with or outright shirking of this duty on the part of the group’s members. Given the strength of the emphasis on rule-compliance by the individual, even the existence of a legitimate political authority does not absolve a human being from the necessity of performing the duty of commanding rule-compliance and forbidding rule-violation. Coupled with the prescribed rule of consultation [38:42], this duty gives every member of society the right, and imposes on him, or her, the duty, of participating in the affairs of the community. And, since the primary responsibility of the legitimate political authority is to enforce rule-compliance, the more active the individuals’ role in assuring that their own behaviors and those of others in the community are rule-compliant, the more limited the need for interference of the authority in the socio-economic life of the community. Consequently, the greater the strength of belief in the community, the more limited the size and the function of government and its apparatus.

AN ISLAMICITY INDEX

Although our task of creating an Islamicity Index is made remotely feasible because Islam is a rules-based religion, still it should be noted that there are serious disagreements when it comes to interpreting Islamic doctrines.¹⁶

Methodology of the Islamicity Index

The premise of this paper is that before the impact of religion on economic, political, or social performance or the impact of economic, political, or social performance on religion can be examined, one must first ascertain the extent of adherence of a country to its professed religion -- in this case “How Islamic are Islamic countries or what is their degree of “Islamicity?” We, therefore, attempt to discern if Islamic principles are conducive to (a) free markets and strong economic performance, (b) good government governance and rule of law, (c) societies with well formed human and civil rights and equality, and (d) cordial relations and meaningful contributions to the global community, or are they, in fact, a deterrent. If non-Islamic countries, such as the United States, Germany, or Japan, have performed well under laws, regulations and practices that are in conformity with the Islamic framework, then logic would dictate that Islam is not a deterrent to good economic, political, legal, and social and development. In our first study¹⁷ – creating an economic Islamicity index - we measured the adherence of 208 countries to Islamic economic principals by using 113 measurable variables as proxies (and not relying on generalized religious surveys as is commonly the current practice.) This paper is a follow-up to this earlier paper on “Economic IslamicityIndex” and presents a broader index with an expanded definition of Islamicity to more than just economic Islamicity.

We investigate 208 countries had been additionally broken into various sub-categories of countries for a more nuanced comparison: High, Upper-Middle, Lower-Middle, and Low Income Countries, OECD Countries, Non-OECD Countries, Persian Gulf Countries, OIC Countries, and Non-OECD Non-OIC Countries.

The following sections below provide a brief description and methodology of measurement of the individual four indices that make up the IslamicityIndex (I²):

- (1) Economic IslamicityIndex (EI²),
- (2) Legal and Governance IslamicityIndex (LGI²),
- (3) Human and Political Rights IslamicityIndex (HPI²), and

¹⁶ This is true of Judaism as well because of the Torah’s explicit instructions of daily personal, financial, and commercial life.

¹⁷ Rehman and Askari. “An EconomicIslamicity Index”.

(4) International Relations IslamicityIndex (IRI²).

With the above four indexes combined we create our IslamicityIndex:
 $I^2 = (EI^2) + (LGI^2) + (HPI^2) + (IRI^2)$.

(1) Economic IslamicityIndex (EI²)

The EI² index attempts to rank the self-declared Islamic nations as to the degree that their policies, achievements, and realities are in accordance with a set of Islamic economic principles. Essence of Islamic economic principals can be embodied into three fundamental goals; (a) achievement of economic justice and achievement of sustained economic growth, (b) broad-based prosperity, and job creation, and (c) adoption of Islamic economic and financial practices. Table I details these goals into their more specific objectives and Table II describes the various measurements, variables and proxies for the Economic IslamicityIndex.

Table I

The Economic IslamicityIndex's 12 Fundamental Islamic Economic Principles

- (1) Equal economic opportunities for all members of society & economic freedom,
- (2) Economic equity,
- (3) Personal property rights and sanctity of contracts,
- (4) Job creation for all that can and want to work & equal availability of employment,
- (5) Equal availability of education,
- (6) Poverty prevention and reduction; basic need fulfillment of food, shelter, clothing and rest; and alms giving to charity,
- (7) Taxation to meet the unfulfilled needs of society & to address social issues generally,
- (8) Appropriate management of natural and depletable resources to benefit all members of current and future generations,
- (9) Abolition of corrupt practices,
- (10) Establishment of a supportive financial system,
- (11) Financial practices that includes the abolition of interest, and
- (12) The effectiveness of the state in achieving the above (general economic prosperity).

TABLE II
Economic IslamicityIndex (EI²)

AREA	SUB-CATEGORY¹⁸
A	ECONOMIC OPPORTUNITY AND ECONOMIC FREEDOM A) Gender Equality Indicators B) Other Non-discriminatory Indicators C) Labor Market Indicators D) Ease of Doing Business Indicators E) Economic Freedom Indicators F) Business and Market Freedom Indicator
B	PROPERTY RIGHTS AND THE SANCTITY OF CONTRACTS A) Property and Contract Rights
C	JOB CREATION AND EQUAL ACCESS TO EMPLOYMENT A) Equal employment and Job Creation
D	EQUAL ACCESS TO EDUCATION A) Education Index Indicator B) Education Public Expenditures Indicator C) Education Equality Indicator D) Education Effectiveness Indicator
E	POVERTY, AID AND BASIC HUMAN NEED A) Poverty Effectiveness Indicator B) Provision of Healthcare Indicators C) Alms/Charity Indicator
F	ECONOMIC EQUITY N/A[1]
G	TAXATION AND SOCIAL WELFARE A) Fiscal Freedom Indicator B) Tax Level Indicator C) Taxation Level Indicator D) Freedom From Government Indicator
H	MANAGEMENT OF NATURAL AND DEPLETABLE RESOURCES A) Quality of Economic Spending B) Savings Indicator
I	CORRUPTION A) Transparency International Indicator B) Freedom from Corruption Indicator
J	SUPPORTIVE FINANCIAL SYSTEM A) Investment Freedom + Financial Freedom B) Banking Sector Indicator C) Financial Market Risk Indicator D) Investment, Portfolio, & Capital Flows Indicator
K	ISLAMIC FINANCIAL SYSTEM (FINANCIAL PRACTICES THAT INCLUDES THE ABOLITION OF INTEREST) A) Absence of Interest Indicator
L	OVERALL STATE EFFECTIVENESS IN ACHIEVING ECONOMIC PROSPERITY (GENERAL ECONOMIC PROSPERITY) A) Macro Economic Indicator B) Economic Development Success Indicator C) Degree of Globalization & Trade Indicator D) General Prosperity Indicator

¹⁸ Due to the numerous proxies in the Economic IslamicityIndex, we have listed them in Appendix A.

(2) Legal and Governance IslamicityIndex (LGI²)

This index is an attempt to capture the two key areas of the legal and governance environment of a country. In doing so it measures degree of effectiveness and competence of government governance and legal integrity (including degree of military interference). Table III describes the various measurements, variables and proxies for the Legal and Governance IslamicityIndex.

TABLE III
Legal And Governance IslamicityIndex (LGI²)

AREA		Subcategory:	Measurement proxy
A	GOVERNANCE		
		A. Government Governance	
			Voice and Accountability Indicator
			Political Stability and Absence of Violence Indicator
			Government Effectiveness Indicator
			Regulatory Quality Indicator
			Rule of Law Indicator
			Control of Corruption Indicator
B	LEGAL INTEGRITY INDICATORS		
		A. Legal & Judicial Integrity Indicator	Judicial independence -- the judiciary is independent and not subject to interference by government or parties in dispute
			Impartial courts-- a trusted legal framework exists for private businesses to challenge the legality of government actions or regulations
			Integrity of the legal system
		B. Military interference Indicator	Military Interference in Rule of Law and the Political Process Index

(3) Human and Political Rights IslamicityIndex (HPI²)

This index represents an attempt to measure the degree of human and political rights in the 208 countries. It uses specific measurements for civil and political rights, women's rights, other rights, political risk, and genocide prevention, which can be found in more detail in Table VI.

TABLE VI
Human and Political Rights Islamicity Index (HPI²)

AREA		Subcategory:	Measurement Proxy
A	CIVIL AND POLITICAL RIGHTS		
		<i>A. Civil Rights Indicator</i>	Freedom Index
		<i>B. Political Rights Indicator</i>	Freedom Index
B	WOMEN'S RIGHTS		
		<i>A. Woman Rights</i>	Proportion of seats held by women in national parliament (%)
			UN HDI Seats in lower house or single house held by women (as % of total)
			UN HDI Seats in parliament held by women (% of total)
			UN HDI Seats in upper house or senate held by women (as % of total)
			UN HDI Women in government at ministerial level (as % of total)
			UN HDI the Year Women Received Right To Vote
C	OTHER RIGHTS		
		<i>A. Military Service Policy Indicator</i>	Use of conscripts to obtain military personnel
D	POLITICAL RISK		
		<i>A. Political Risk</i>	Political Risk-PRC Group- Country Risk
E	GENOCIDE PREVENTION		
		<i>A. Genocide Prevention</i>	UN HDI International Convention on the Prevention and Punishment of the Crime of Genocide

(4) International Relations Islamicity Index (IRI²)

This index is an attempt to capture a country's relationship to the global community with respect to several key areas of environmental contribution, globalization, military engagement, and overall country risk. Table V describes the various measurements, variables and proxies for a country's relationship to the global community as embodied in our International Relations Islamicity Index.

TABLE V
International Relations IslamicityIndex (IRI²)

AREA		Subcategory:	Measurement Proxy
A	ENVIRONMENTAL PERFORMANCE INDEX		
		<i>A. Environmental Index</i>	Environmental Health
			Air Quality
			Water Resources
			Productive Natural Resources
			Biodiversity and Habitat
			Sustainable Energy
B	GLOBALIZATION INDEX		
		<i>A. Economic Globalization Indicator</i>	Globalization Index
			Restrictions
		<i>B. Social Globalization Indicator</i>	Personal Contact
			Information Flows
			Cultural Proximity
		<i>C. Political Globalization Indicator</i>	Political Globalization index
C	MILITARY/ WARS		
		<i>A. Proportion of Military Spending Indicator</i>	(Military Expenditures % of GDP/Total Armed Forces) and Armed Forces Index
		<i>B. Military Spending Indicator</i>	Military Expenditure % of GDP/Military Personnel % of total labor force
D	OVERALL COUNTRY RISK		
		<i>A. Country Risk</i>	Overall Country Risk Index

RESULTS OF THE ISLAMICITYINDEX

In Table VI below, we present the summary results of the Islamicity I² Index, ranking 208 countries organized by the following subgroups: High, Upper-Middle, Lower-Middle, and Low Income Countries, OECD and Non-OECD Countries, OIC Countries, and Non-OECD Non-OIC Countries, and Persian Gulf Countries. The results of the IslamicityIndex I² of 208 countries were additionally disaggregated to the four individual index rankings of Economic IslamicityIndex (EI²), Legal and Governance IslamicityIndex (LGI²), Human and

Political Rights IslamicityIndex (HPI²), and International Relations IslamicityIndex (IRI²).

TABLE VI
Detailed Summary Results Of The IslamicityIndex (I²)

SUB-GROUPS (# OF COUNTRIES)	EI ²	LGI ²	HPI ²	IRI ²	OVERALL I ² RANK
ALL COUNTRIES (208)	104	96	104	75	104
OECD ¹⁹ (30)	24	28	29	37	25
HIGH INCOME ²⁰ (60)	60	40	84	40	60
UPPER MIDDLE INCOME ²¹ (41)	83	84	88	87	85
NON-OECD NON-OIC (123)	111	101	110	89	108
PERSIAN GULF (7)	94	104	138	109	112
LOWER MIDDLE INCOME ²² (55)	116	124	115	112	122
NON-OECD (178)	118	112	116	99	118
OIC ²³ (56)	133	136	130	115	139
LOW INCOME ²⁴ (54)	170	154	126	107	153

These are very preliminary results but they do tend to indicate that the so-called and self-declared Islamic countries have not by-and-large adhered to Islamic principles. As indicated in Table VI, the average ranking of the 56 Islamic countries is 139; well below the average ranking of the 208 countries measured.

If the Islamic countries (OIC) are compared with OECD countries, the disparities are even more pronounced. For example, the average I² rank among the OECD countries is 25 while (as mentioned above) it is 139 for the Islamic countries. One could argue that a fairer comparison would be to the group of non-OECD or Middle Income countries. However, even then the Islamic countries do not perform well as a group. When compared with the 178 non-OECD countries

¹⁹ They include: Australia, Austria, Belgium, Canada, Czech, Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, S. Korea, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Spain, Sweden, Switzerland, Turkey, United Kingdom, and United States.

²⁰ High Income countries are classified as US\$10,066 as per the World Bank.

²¹ Upper-Middle Income countries are classified as US\$826-\$10,065 as per the World Bank.

²² Lower-Middle Income countries are classified as US\$826-\$10,065 as per the World Bank.

²³ Only 56 of the 57 OIC countries are included in this data set. Significant data on the Palestinian Authority was not available and, as such, it was not included.

²⁴ Low Income Countries are classified as US\$825 or less as per the World Bank.

(average rank 118), the 41 Upper-Middle Income countries (average rank 85), and the 123 Non-OECD Non-OIC countries (average rank 108), the Islamic countries group (OIC) performance is the worst, with an average rank of 139. The degree of failure of the OIC countries performance is most clearly demonstrated by the fact that the Islamic countries fared even worse on the ranking than the 55 Lower-Middle Income countries, which ranked at an average of 132.

We are not unduly surprised by the fact that the OECD countries (and High Income countries) have performed better in this ranking. The average overall I² ranking of OECD countries was 25 while the High Income countries average rank was 60 compared to the OIC average rank of 139. It is to be expected that the OECD countries would perform better in our index as Islamic principles are not only compatible with, but also promote, free markets and good economic governance, economic systems and policies that encourage economic-social justice, legal systems and governance that are fair to all members of society and which include global standards of human and political rights, and, lastly, but equally important, promote and foster better international relations with the global community. Thus the industrialized countries high ranking in an IslamicityIndex underscores that Islamic law indeed promotes the notion that governments are duty-bound to provide good economic, financial, political, legal, social governance, policy and end results i.e. measurable performance.

CONCLUDING REMARKS

We have outlined what we believe to be the essential teachings of Islam on what constitutes an Islamic society and an Islamic economic system. A casual observer would conclude that the adoption and implementation of such a system—respect for human rights, social and economic justice, hard work, equal opportunity for all to develop, absence of corruption, absence of waste and hoarding, ethical business practices, well-functioning markets, a legitimate political authority—should result in flourishing economies. These teachings, not the actual practice of those that are labeled as Muslim, should be the basis for judging a society's pretensions to Islamicity.

Our very preliminary results show that Islamic countries are not as Islamic in their practice as one might expect; instead it appears that the most developed countries tend to place higher on our preliminary IslamicityIndex.

Given our results, one can surmise that the lack of economic, financial, political, legal, and social development can be attributed to age-old problems of developing countries, such as inefficient institutions, bad economic policies, corruption, underdeveloped rule of law and equity, economic and social systems failing woman and children, and other traditional developing country diseases. It is, in fact, the shortcomings of the governments and their respective policies, not

religion, that account for the dismal economic, financial, political, legal, and social developments and progress in the Middle East (even those blessed with oil). This is further reinforced by the Islamic economic, financial, political, legal, and social principles represented by 67 proxies used in the IslamicityIndex. If examined closely, all 67 proxies of the Index are standard practices of good governance and good economic, financial, political, legal, and social policies, applicable to any country regardless of religious orientation.

We do, however, strongly emphasize that these are preliminary results that not only require additional data for variables that represent Islamic principles but also require extensive refinement in methodology. It is difficult at this time to draw more concrete conclusions other than to say that it is our belief that most self-declared and labeled Islamic countries are not conducting their affairs in accordance with Islamic teachings – at least when it comes to economic, financial, political, legal, social and governance policies.

APPENDIX 1:

AREA	Economic Principals	Subcategory:	Proxy
A	ECONOMIC OPPORTUNITY AND ECONOMIC FREEDOM		
		A. Gender Equality Indicators	UN HDI Female economic activity rate (% ages 15 and older)
			UN HDI Gender empowerment measure (GEM) rank
		B. Other Non-discriminatory Indicators	UN HDI International Convention on the Elimination of All Forms of Racial Discrimination
			UN HDI The International Covenant On Economic, Social And Cultural Rights
		C. Labor Market Indicators	Impact of minimum wage
			Hiring and firing practices—hiring and firing practices of companies are determined by private contract
			Share of labor force whose wages are set by centralized collective bargaining
			Unemployment benefits—the unemployment benefits system preserves the incentive to work
			Labor freedom is a composite measure of the ability of workers and businesses to interact without restriction by the state.
		D. Ease of Doing Business Indicators	Starting a Business
			Dealing with Licenses
			Employing Workers
	Registering Property		
	Getting Credit		
	Protecting Investors		
	Paying Taxes		
	Trading Across Borders		

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				<i>Enforcing Contracts</i>
				<i>Closing a Business</i>
		E. Economic Freedom Indicators		<i>Price controls—extent to which businesses are free to set their own prices</i>
				<i>Burden of regulation</i>
				<i>Time with government bureaucracy—senior management spends a substantial amount of time dealing with government bureaucracy</i>
				<i>Starting a new business—starting a new business is generally easy</i>
				<i>Irregular payments—irregular, additional payments connected with import and export permits, business licenses, exchange controls, tax assessments, police protection, or loan applications are very rare</i>
		F. Business and Market Freedom Indicator		<i>Business freedom is the ability to create, operate, and close an enterprise quickly and easily. Burdensome, redundant regulatory rules are the most harmful barriers to business freedom.</i>
				<i>Monetary freedom combines a measure of price stability with an assessment of price controls. Both inflation and price controls distort market activity. Price stability without microeconomic intervention is the ideal state for the free market.</i>
				<i>Protection of intellectual property</i>
B	PROPERTY RIGHTS AND THE SANCTITY OF CONTRACTS			
		A. Property Contract Rights	and	<i>Property rights is an assessment of the ability of individuals to accumulate private property, secured by clear laws that are fully enforced by the state.</i>
C	JOB CREATION AND EQUAL ACCESS TO EMPLOYMENT			
		A. Equal employment and Job Creation		<i>Unemployment, total (% of total labor force)</i>
				<i>Labor force, female (% of total labor force)</i>
D	EQUAL ACCESS TO EDUCATION			

	A. Education Index Indicator	UN HDI Education Index
	B. Education Public Expenditures Indicator	UN HDI Public expenditure on education (% of GDP)
		UN HDI Public expenditure on education (as % of total government expenditure)
	C. Education Equality Indicator	Ratio of girls to boys in primary and secondary education (%)
	D. Education Effectiveness Indicator	Literacy rate, adult total (% of people ages 15 and above)
E	POVERTY, AID AND BASIC HUMAN NEED	
	A. Poverty Effectiveness Indicator	Malnutrition prevalence, height for age (% of children under 5) + Malnutrition prevalence, weight for age (% of children under 5)
		UN HDI Life Expectancy at Birth (years, HDI)
	B. Provision of Healthcare Indicators	UN HDI Health expenditure per capita (PPP US\$)
		UN HDI Physicians (per 100,000 people) + WDI Physicians (per 100,000 people)
		UN HDI Public expenditure on health (% of GDP)
		UN HDI Public health expenditure (% of GDP)
		UN HDI Tuberculosis cases - prevalence (per 100,000 people)
		Health expenditure per capita (current US\$)
		Health expenditure, private (% of GDP)
		Health expenditure, public (% of GDP)
		Health expenditure, total (% of GDP)
	C. Alms/Charity Indicator	Aid (% of central government expenditures)
F	ECONOMIC EQUITY	no data
G	TAXATION AND	

SOCIAL WELFARE		Fiscal Freedom	Fiscal Freedom:
	A. Fiscal Indicator		<i>Fiscal freedom is a measure of the burden of government from the revenue side. It includes both the tax burden in terms of the top tax rate on income (individual and corporate separately) and the overall amount of tax revenue as portion of GDP.</i>
	B. Tax Level Indicator		<i>Top marginal income tax rate (and income threshold at which it applies)</i>
			<i>Top marginal income and payroll tax rate (and income threshold at which the top marginal income-tax rate applies)</i>
			<i>Highest marginal tax rate, corporate rate (%)</i>
			<i>Highest marginal tax rate, individual (on income exceeding, US\$)</i>
			<i>Highest marginal tax rate, individual rate (%)</i>
			<i>Other taxes (% of revenue)</i>
			<i>Taxes on income, profits and capital gains (% of revenue)</i>
			<i>Taxes on income, profits and capital gains (% of total taxes)</i>
			<i>Total tax payable by businesses (% of gross profit)</i>
	C. Taxation Indicator	Level	<i>Tax revenue (% of GDP) : General government final consumption expenditure (% of GDP) + Gross national expenditure (% of GDP)</i>
	D. Freedom From Government Indicator	From	<i>Freedom from government: government: Freedom from government is defined to include all government expenditures—including consumption and transfers—and state-owned enterprises. Ideally, the state will provide only true public goods, with an absolute minimum of expenditure.</i>
H	MANAGEMENT OF NATURAL AND DEPLETABLE RESOURCES		
	A. Quality of Economic Spending		<i>General government consumption spending as a percentage of total consumption</i>
			<i>Government enterprises and investment as a percentage of total investment</i>
			<i>Adjusted savings: energy depletion (% of GNI)</i>
			<i>Private investment in energy (current US\$)</i>
			<i>Private investment in telecoms (current US\$)</i>
			<i>Private investment in transport (current US\$)</i>

			Private investment in water and sanitation (current US\$)
			Subsidies and other transfers (% of expense)
			Transfers and subsidies as a percentage of GDP
			Subsidies and other transfers (current LCU)
			Adjusted Savings: Net National Savings (% of GNI)
I	CORRUPTION		Transparency International Corruption Perception Index
		A. Transparency International Indicator	
		B. Freedom from Corruption Indicator	Freedom from corruption: Freedom from corruption is based on quantitative data that assess the perception of corruption in the business environment, including levels of governmental legal, judicial, and administrative corruption.
J	FINANCIAL SYSTEM		Investment Freedom Index: Investment freedom is an assessment of the free flow of capital, especially foreign capital
		A. Investment Freedom + Financial Freedom	Financial Freedom Index: Financial freedom is a measure of banking security as well as independence from government control. State ownership of banks and other financial institutions such as insurer and capital markets is an inefficient burden, and political favoritism has no place in a free capital market
		B. Banking Sector Indicator	Freedom to own foreign currency bank accounts domestically and abroad
			Difference between official exchange rate and black-market rate
			Foreign ownership/investment restrictions
			Restrictions on the freedom of citizens to engage in capital market exchange with foreigners— index of capital controls among 13 IMF categories
			Ownership of banks—percentage of deposits held in privately owned banks
			Competition—domestic banks face competition from foreign banks
			Extension of credit—percentage of credit extended to private sector
			Avoidance of interest rate controls and regulations that lead to negative real interest rates
			Financial information infrastructure index (0=less developed to 10=more developed)
			Recurring Earning Power, %

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			Bank capital to assets (%)
		C. Financial Market Risk Indicator	Country Financial Market Risk Index (PRS group)
		D. Investment, Portfolio, & Capital Flows Indicator	Domestic credit to private sector (% of GDP)
			Foreign direct investment, net inflows (% of GDP)
			Foreign direct investment, net outflows (% of GDP)
			Gross private capital flows (% of GDP)
			Portfolio investment, excluding LCFAR (BoP, current US\$)
			Portfolio investment, bonds (PPG + PNG) (NFL, current US\$)
			Portfolio investment, equity (DRS, current US\$)
			Stocks traded, total value (% of GDP)
K	ISLAMIC FINANCIAL SYSTEM (financial practices that includes the abolition of interest)		
		A. Absence of Interest Indicator	Non-Interest Income/Assets, % (from bankscope)
L	OVERALL STATE EFFECTIVENESS IN ACHIEVING ECONOMIC PROSPERITY		
		A. Macro Economic Indicator	Average annual growth of the money supply in the last five years minus average annual growth of real GDP in the last ten years
			Standard inflation variability during the last five years
			Recent inflation rate
			Total debt service (% of exports of goods, services and income)
			Multilateral debt service (% of public and publicly guaranteed debt service)

		Long-term debt (DOD, current US\$)
	B. Development Success Indicator	United Nations Human Development Index (HDI)
	C. Degree of Globalization & Trade Indicator	Revenue from taxes on international trade as a percentage of exports plus imports
		Mean tariff rate
		Standard deviation of tariff rates
		Non-tariff trade barriers
		Compliance cost of importing and exporting
		Actual size of trade sector compared to expected size
		Patent applications, nonresidents
		Patent applications, residents
		Taxes on international trade (% of revenue)
	D. General Prosperity Indicator	GDP (PPP) Growth (annual %) from 1994-2005
		GDP per capita PPP (in \$).

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APPENDIX 2 (Addendum):

OVERALL ISLAMICITY INDEX RANK

Countries {208}	Overall Islamicity Index Rank (OIC countries are highlighted)
New Zealand	1
Luxembourg	2
Ireland	3
Iceland	4
Finland	5
Denmark	6
Canada	7
U.K.	8
Australia	9
Netherlands	9
Austria	11
Norway	12
Switzerland	13
Belgium	14
Sweden	15
Portugal	16
Germany	17
Bahamas	18
France	18
Czech Rep	20
Estonia	21
Costa Rica	22
Spain	23
Barbados	24
U. S.	25
Slovenia	26
Hong Kong, China	27
Latvia	28
Japan	29

Malta	30
Hungary	31
Slovak Republic	31
Italy	33
Chile	34
Lithuania	35
Cyprus	36
Singapore	37
Malaysia	38
Panama	39
Trinidad and Tobago	40
Poland	41
Mauritius	42
Croatia	43
St. Vincent and the Gren	44
Namibia	45
Greece	46
Jamaica	47
Kuwait	48
Uruguay	48
South Africa	50
Botswana	51
St. Lucia	52
Ghana	53
Argentina	54
Brazil	55
Mexico	55
Bulgaria	57
El Salvador	58
Philippines	59
Dominica	60
Israel	61
Monaco	62

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Lesotho	63
Bahrain	64
Brunei	65
Romania	66
United Arab Emirates	66
Belize	68
Andorra	69
Cayman Islands	70
Seychelles	71
Fiji	72
Uganda	73
Tanzania	74
Antigua and Barbuda	75
Gabon	75
Jordan	77
Thailand	78
Grenada	79
San Marino	79
China	81
Nicaragua	81
Cape Verde	83
Macao, China	83
Tunisia	83
Colombia	86
Dominican Republic	87
Peru	88
India	89
Aruba	90
Russian Federation	91
Honduras	92
Greenland	93
Guyana	94
Netherlands Antilles	95
Mozambique	96

Mongolia	97
Macedonia, FYR	98
Oman	99
Suriname	100
Bosnia and Herzegovina	101
Ukraine	102
Turkey	103
Maldives	104
Liechtenstein	105
Korea, Rep.	106
Kazakhstan	107
Timor-Leste	107
Senegal	109
Albania	110
Moldova	110
Qatar	112
Puerto Rico	113
Armenia	114
Kiribati	115
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