The Contribution of Ibnu Khaldun’s Economic Thoughts

Ahmad Ajib Ridlwan*  
Universitas Negeri Surabaya  
ahmadajibridlwan@unesa.ac.id

Imam Mawardi**  
Universitas Islam Negeri Sunan Ampel  
ai_mawardi@yahoo.co.id

Abstract

This article examines Ibnu Khaldun’s economic thought in his literature entitled Muqaddimah. Discussing this idea is crucial due to his great contribution to the future development of Islamic economy. In addition, Ibnu Khaldun’s thought has contributed further to an economic science until becoming a prominent theory in 18th and 19th century far before many experts such as Adam Smith, David Ricardo, Leon Walras, Karl Marx, and the others established their theories. Ibnu Khaldun’s thought is considered fundamental, not only due to the fact that he precedes any Western economists but he is also an expert of extensive sciences besides Economics so he possess an outstanding ability to to write his Economics in a complete perspective. Among his contributions to both macro and micro Economics, Ibnu Khaldun occasionally proposed his Economics in 14th century when Europe was still in pre-modern era. This study concludes that, historically, Ibnu Khaldun’s Economics have existed far before modern Western scholars defined their ideas. It is not exaggerating therefore to call Ibnu Khaldun as Father of Economics in the case of his ideas of taxes, international trades, political and civilization developments are all crucial to be taken into account in current context for prosperity in society and state.

Keywords: Contribution, Ibnu Khaldun, Thought, Economic, Muqaddimah.

Abstrak

Makalah ini membahas pemikiran ekonomi Ibnu Khaldun di literaturnya yang berjudul Muqaddimah. Mendiskusikan pemikiran ini krusial terkait dengan kontribusi besar untuk perkembangan ekonomi Islam lebih lanjut. Lebih dari itu, pemikiran Ibnu Khaldun juga

* Surabaya State University, Jl. Ketintang, Ketintang, Gayungan, Kota SBY, Jawa Timur 60231.
** Universitas Islam Negeri Sunan Ampel, Jl. Ahmad Yani No.117, Jemur Wonosari, Wonocolo, Kota SBY, Jawa Timur 60237.

Keywords: Kontribusi, Ibnu Khaldun, Pemikiran, Ekonomi, Mukaddimah.

Introduction

Literatures of modern economy generally state that no economic thought existed in Arab between the seventh and 16th century. Adam Smith, for instance, a Scottish philosopher who became the prominent of modern economy science this far and popular as the father of economy. He was born in 1723 and passed away in 1790. His very first work, the Theory of Moral Sentiments was published in 1759. In this book, he introduced the theory of political economy. Smith tried to explain the foundation of human’s capability to construct moral values, as well as initiating an idea that “unseen hand” led people to optimally use sources in any economy facets. His second work, the Wealth of Nation, was published in 1776 and it described the moral implications of economy in free market.¹

However, this belief contradicted to evidence showing Arabian researchers’ thoughts about economic problems and the related subjects, commonly termed as political economy. Historically, it suggested that the term political economy was found by a French, Antonie de Montchretien, in the early of 17th century. In fact, that term was initially used by Abu Nasr al-Farabi, a prominent philosopher and politician in 10th century.²

Before discussing Ibn Khaldun’s contribution to economy, we need to put the historical path of economic thought back on the right track. Some chapters on its history have missed. Almost all history books of Western economy do not mention any names of Moslem scholars. Whereas, many Moslem scholars had established their economic thoughts since the era of Rasulullah SAW up to the era of Turkey’s heyday by Usmani.

Far before Adam Smith established his ideas, many Moslem scholars had introduced their very phenomenal economic thoughts. They were Abu Ubaid (838 M) and Jamaluddin al-Afghani (1762),3 Abu Yusuf (8th century), Abul-Fadl al-Dimishgi (9th century), al-Farabi (10th century), al-Ghazali (11th century), Nasiruddin Tusi (13th century), Ibnu Taimiyah (14th century), and Ibn Khaldun (14th century).4

Those scholars were historically empirical evidence that far before the Western economic thoughts developed, Moslem scholars had introduced their ideas. One contribution by Adam Smith to economy is the theory of labour division. However, he was not the pioneer of this theory. Rather, Ibn Khaldun had introduced the theory of production, values, money and price far before Adam Smith and other economic scientists published their works.5

Ibn Khaldun had found some theoretical concept of economy and used those theory to construct a dynamic and coherent system,6 which were then rediscovered by modern economists. This article, therefore, analyzes Ibn Khaldun’s thoughts in a literature entitled Muqaddimah. It is important to discuss his thoughts given his significant contribution to the development of Islamic economy in the future.

In addition, this article is endeavoring to show that Ibn Khaldun is the actual father of economy given his huge contribution to economic science and his prominent theory in 18th and 19th century far before Adam Smith David Ricardo, Leon Walras, Karl Marx and

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other economists introduced their ideas to the world.\textsuperscript{7} Ibnu Khaldun’s thoughts are fundamental, not only due to the fact that he precedes any Western economists but also having expertise on extensive science making him competent to write economic thoughts in full perspectives.\textsuperscript{8} Among his contributions to economic field, he had developed the theory of price and value, the theory of production, and modern analysis of government roles.\textsuperscript{9}

**Biography and the Impact of Ibnu Khaldun Thoughts**

Inevitably, Ibnu Khaldun’s thought stemmed from his surroundings and teachers constructing his intellectual thoughts. He was a Moslem thinker in 14\textsuperscript{th} century writing many courses.\textsuperscript{10} He was considered as one of the most brilliant ulama in history.\textsuperscript{11} He was born in 732 H or 1332 M in Tunis\textsuperscript{12} with a full name Abdurrahman Abu Zaid Waliuddin Ibnu Khaldun. He was an Arabian historian and statesman spending almost his entire life in African ocean and Egypt.\textsuperscript{13} His life was colorful, from a noble family, a legal adviser, statesman, a minister, a presiding judge, a court official, a prisoner, an outcast, and a scholar.\textsuperscript{14}

He was known as “Ibnu Khaldun” given his kinship from his grandfather, the 9\textsuperscript{th} generation, Khalid bin Usman, the first man of this clan occupying Andalusia along with other Arabian conquerors. Khalid bin Usman was famous as Khaldun, given that the Andalusians and Maghribians commonly added “\textit{wawu}” and

\begin{footnotesize}
\textsuperscript{7} Suleiman Abbadi and Financial Sciences, “Ibnu Khaldun Contribution to The Science Economics,” \textit{Journal of al-Azhar University Gaza} 7, No. 1, (Cairo: al-Azhar University, 2004), 41-49.


\textsuperscript{14} El-Ashker and Wilson, \textit{Islamic Economics: A Short History...}, 67-69.
\end{footnotesize}
“nun” behind the prominent people as the symbol of respectfulness and *takzim*, such as Khalid became Khaled.

The life path of Ibn Khaldun was in three phases. *First*, in education. He went through this phase for 18 years (1332-1350 M) in Tunis, a runaway place for Andalusians and litterateurs due to political incidents. Under the guidance from his father and teachers, Ibn Khaldun learned the principles of religion and other disciplines of science such as language, logics, and philosophy. Some meritorious teachers for his intellectual development were Abu Abdillah Muhrnas bin Sa’ad al-Anshari and Abu al-Abbas Ahmad bin Muhammad al-Bathani. In the context of *qira’at*, he had Abu Abdillah bin al-Qashar. In the discipline of Arabic grammar, he had Abu ‘Abdillah Muhammad bin Bahr and Abu Abdillah bin Jabir al-Wadiyasyi. In literature, he had Abu Abdillah al-Jayyani, as well as Abu Abdillah bin Abd al-Salam in *fiqh*.\(^{15}\)

*Second*, in learning practical politic. This went through this phase for 32 years (1350-1382 M) in Fez, Granada, Bauge, and Biskara. His very first political career was as signature depositor for 2 years in the government of Abu Muhammad bin Tafrakhtn in Tunis. Then, he went to Biskara as a sultanate secretary in Fez, Marocco, for 8 years.

*Third*, in academic and judicial activities. In this final phase, he spent 20 years of his life (1382-1406 M) in Cairo, Egypt, in Mamluk Dynasty. Ibn Khaldun gave a course in Egypt educational institutions such as Al-Azhar University, Legal School of Qamhiyah, Zahiriyyah School, and Sharhat Musiyiyah School. On 8th of August 1384 M, Ibn Khaldun was appointed by the Sultan of Egypt, al-Zahir Barqa, as the Supreme Judge of Maliki Madzab in Egypt Court. With full of enthusiasm, Ibn Khaldun took this honor to conduct the reformation of law.

While Ibn Taimiyyah was the most prominent figure in his era, as well as Ghazali, Ibn Khaldun was the most unique. He had an unprecedented analyzing competence in Islamic science.\(^{16}\) His writings and thoughts stemmed from in-depth studies, observing various communities with very extensive knowledge and insights. He lived among them in a broad odyssey.

Muqaddimah; a Phenomenal Work by Ibnu Khaldun

An empirical evidence that Ibnu Khaldun was a very intellectual figure\(^\text{17}\) with multidisciplinary knowledge and insight was found through his works, including *al-‘Ibr wa Diwān al-Mubtada’ wa al-Khabar fī Ayyām al-‘Arab wa al-‘Ajam wa al-Barbar wa man Asharuhum min dzawi al-Sultān al-‘Akbar* (i.e., a textbook and historical archive of early and later era including political affairs on the Arabians, non-Arabians, and Barbarians, as well as prominent kings in their eras), known as al-İbrar (i.e., the world history). This work is a trilogy with seven volumes; *Muqaddimah* (one volume), *al-İbar* (four volume), and *al-Ta’rif bi Ibnu Khaldun* (two volume).\(^\text{18}\) Interestingly, this literature is more popular than its original textbook. The introductory book entitled *Mukaddimah* makes his name prominent.

*Mukaddimah* is the most fundamental evidence for Ibnu Khaldun mastering various disciplines. His expertise on sociology, philosophy, economy, politic, and culture is so clear on that textbook. At the same time, Ibnu Khaldun seemed to be very expert on islamic disciplines by describing *hadits, fiqh, ushul figh*, and *others*. He explained about economy, while the theory and its description was on specific chapters. Ibnu Khaldun had specified the fifth chapter of *al-Muqaddimah* to discuss about “living with various income and economic activities.” In addition, he discussed about economy with some articles on the third and fourth chapters.\(^\text{19}\)

On those chapters, he explained about some topics such as economic problems, the power of demand and offering along with its impacts on prices, individual and social aspects in terms of wealth, free and economical goods, money and its characteristics, the dependence of price, employee, and value, productive and non-productive job, economic factors that affect the scale of population, the economic consequence of suppression, the stages of economic development, the system of economy in rural and city areas, the function of government, rate of taxes, the economic function of public expenses, prices in cities, industrial localization, motives of having industrial development and detriment, world primary industries,

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\(^{17}\) Saleh Muhammad et.al, “The Economic Thought of Ibn Khaldoun..., 42–47.


industrial training, farming, particular problems and how to solve them, the hoarding and monopoly, export goods, etc. All these topics represented few of what Ibn Khaldun had written about economy.

The Contribution of Ibn Khaldun’s Economic Thoughts

The primary source of Ibn Khaldun’s economic thoughts is found in *Muqaddimah* encompassing every aspect of science and life. This literature contains an original and complex discussion about various subjects such as history, sociology, politics, religion, state, public finance, economy, geography, meta-physic, education, etc. Ibn Khaldun also speculated about what was currently called social and history research method. This work makes him recognized as the father of social science.

Following Ibn Khaldun, household management involved some exchanging activities to one another for particular economic requirement. Thus, people should do some efforts for living and having their needs. With this motive, they may utilize every thing that Allah has created. This is a study of human efforts to seek for living and it, following Ibn Khaldun, may reveal economic problems. Ibn Khaldun sought to demonstrate an intimate relationship between economy and prosperity. The emphasis on household management or city was very reasonable and ethical. He believed that the truth he knew was not for himself, rather, it aimed to improve human prosperity.

Some of Ibn Khaldun’s thoughts in *Muqaddimah* are specifically described as follow. *First*, theory of production. Following Ibn Khaldun, production is mankind’s organized activities in social and international contexts. One theory of production is seen on division of labour. As individuals, mankind have limitation and thus needing others’ help (i.e., *ta’awun*). The limitation encourages them to cooperate to one another in order to meet their needs. Therefore, division of labour is necessary among individuals in a community,

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24 Ibn Khaldun, *Muqaddimah Ibn Khaldun,...*
as they may not be capable to get their needs by their own, but dependent on others. Ibnu Khaldun suggested that there were three primary categories in labour: farm, trade, and the other various activities. The simplest means of production is farm. This labour, in accordance to Ibnu Khaldun’s thought, needs less knowledge and seems to be “the livelihood of people in rural areas.” Hence, rich people and citizens rarely take this as their labour.

In this case, Ibnu Khaldun put farm lower than any other professions that citizens are likely to do. This perspective is due to three reasons. First, it needs less knowledge as anyone may become a farmer without needing any farming education background. He proposed this analysis on which people were still quite simple and no faculty of farm was organized, as like current days. Second, in term of income, farmers commonly gain less income rather than citizens. Third, farmers were obligated to pay taxes. Ibnu Khaldun claimed that the taxpayers were those with less power, while those with strong power were not willing to pay taxes. This third reason is conditional and different from nowadays.

Following Ibnu Khaldun, there were three factors of production, including: nature, human resource, and assets. First, theory of price and the law of supply and demand. Ibnu Khaldun has specifically explained the theory of price in one chapter entitled “Prices in Town” of his work Muqaddimah. It shows that the theory of price has long existed far before Western modern economists initiated it. As previously discussed, Ibnu Khaldun has preceded Adam Smith, Keyneys, Ricardo and Malthus. This is the undeniable fact of history. From his perspective, the more developed a city and the more people living there, the more prosperous they are, and thus, the demand of goods may increase, as well as the price.

In this case, Ibnu Khaldun had empirically analyzed about the theory of supply and demand in community. From his perspective, the more developed a city and the more population within, the supply of basic needs may overwhelm, the offering increase, and the prices

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of those goods decrease.\textsuperscript{27}

The discipline of economic science theorized this Ibn Khaldun’s analysis of supply and demand as the increasing disposable income by citizens. This increase may lift up the marginal prosperity of citizens’ consumption on luxurious goods. It brings out a new demand or the increasing demand on luxurious goods, as well as its prices. Such likelihood is due to people increasing disposable income along with the development of their city.

\textit{Second}, tax and state expenditure. In relation to tax, Ibn Khaldun argues that tax is an important factor an individual should take into account for his/her business. They should always do their best to optimize their profit. The higher the rate of tax is, the less enthusiastic they are given the small profit. Therefore, the tax imposition should be fair to every taxpayer.\textsuperscript{28}

In relation to government expenditure (G), it is covered by taxes the government has collected to purchase some goods as procurement for public needs. The government may need many goods and services. Therefore, He argues that the government is the market of goods and services.

The fund of the state budget is actually collected from people through taxes. The state expenditure may increase on which the government increases the taxes to be paid. As the result, people will be charged with high fiscal. Eventually, the higher taxes may cause stagnancy on people economic activities, making them unwilling to organize any productive business.\textsuperscript{29}

Following Ibn Khaldun, the priority of the state expenditure is in social context, particularly for the poor, widows, the orphans, the retired, the blinds, and those with incapability on reading holy Qur’an. In addition, the government should also need to build hospitals and hire nurses, doctors, and the other medical staff.

\textit{Third}, theory of trade. Furthermore, Ibn Khaldun explains that farmers gain their crop more than what they need. Hence, they exchange their overwhelming crop with other products as their needs.

\textsuperscript{27} Ibn Khaldun, \textit{Muqaddimah}, (Beirut: Dar al-Qalam, 1983).
Such activity causes trade (i.e., *tijārah*). This labour chronologically happens due to farm products. As previously discussed, trade is an attempt to make an individual’s assets productive by purchasing goods and trying to sell them with higher prices. It is organized by whether waiting for the increasing market prices or selling them to in-needs places to gain more prices or, on the other hand, selling them with long-period credit.\(^30\)

He adds that less assets gains less profits, otherwise, more assets gains more profits. For him, trade is “purchasing goods with lower prices and selling them with higher prices.” This kind of labour, for Ibn Khaldun, needs particular behaviors such as hospitality and persuasiveness. However, traders often deny the actual facts that make them fall into dispute and end in court session.

Ibn Khaldun also criticizes some officials and rulers for having trades. It seems that he expects them to be fair among traders. This point is currently important to be implemented in order to prevent any monopoly by any rulers.

**Conclusion**

Overall, it concludes that Ibn Khaldun’s thoughts of economy include various economic problems, both micro and macro. Furthermore, he proposed his thoughts in 14\(^{th}\) century when Europe was still less developed. Ibn Khaldun had conducted many empirical reviews on Islamic Economy. He described the phenomena of economy in a community and state. This article suggests that, historically, his thoughts of economy existed far before many modern Western scholars expressed their ideas. Therefore, he deserved to be the father of economy, not Adam Smith. Ibn Khaldun’s thoughts about taxes, international trade, political and civilization development are all crucial to be taken into account in current context for the sake of prosperity in society and state.

Although his ideas were popular in Europe since 17\(^{th}\) century and his works had been translated since 9\(^{th}\) century, it seemed that his successors were not familiar with his thoughts of economy. As the result, although he was the pioneer for many economists, he was an accident of history with no impact on the evolution of economic thought. His thought existed with neither predecessor nor

successor, nor instrument, not prior concepts. However, he gave a very sophisticated explanation about economy to the world.

Bibliography


