

Money and It's Function According to Al-Ghazali's and Ibn Khaldun's Thought (Comparative Study)

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Abstract

This research is motivated by problems that arise around us, even in the world in general. The author has the hypothesis that the function of money was not in line when money was first created, which causes money to have shifted from its original function. This paper aims to describe and reconstruct the thoughts of Al-Ghazali and Ibn Khaldun about money and its functions. The method used in this research is qualitative by using literary review and comparative studies taken from several books, journals and some relevant reading sources. The results of this study state that money according to them is of no intrinsic value, cannot be traded, and only as a medium of exchange. The function of money according to them is to be a unit of calculation and a medium of exchange for non-commodity activities and others as they already have in dinars and dirhams. So in Islam, the activity of hoarding money and misusing the function of money is not justified and is contrary to the main function of money itself. While there are some differences between the two of them, such as Al-Ghazali permitting the use of paper money without any guarantee of gold or silver provided the government states that paper money is an official payment instrument, the government must maintain its value, and ensure there is no money trading. While Ibn Khaldun permits the use of paper money on condition that there are gold reserves or collateral in the bank.

Keywords: money, function of money, medium of change

Introduction

Money is a medium of exchange used in economic transactions. Money as a substitute for barter trade which is found many problems in it. The big mistake in the conventional economic system is to make money as a commodity, so that the existence of money is now more traded than used as a medium of exchange in trade. Before the start of the use of money, humans have started to deal with the barter system. But the longer, barter is no longer effective in transactions. So that a barter exchange made of gold and silver was created. This is where money began to be used as a medium of exchange until now. In this day and age, gold and silver coins are very rarely used anymore and even almost extinct. Now the majority of people use paper money, and upper class people already use digital money as a medium of exchange.

The exchange rate of the rupiah, each year getting worse against the US dollar. From 1 rupiah per 1 US dollar, until the time of this writing, the exchange rate of 1 US dollar has reached more than 15,159 rupiah¹. This causes prices to rise significantly, so that many people feel burdened and unable to buy their basic needs.

In the national scope, inflation has happened several times, even up to the monetary crisis in 1998. Things like this certainly have a cause. there's no way smoke without fire. So the authors try to explore a little of the factors causing various problems above. One way is to learn about Al-Ghazali and Ibn Khaldun's views on money and its functions, so that it can be a material for reflection and evaluation of the concept of money and its functions.

Al-Ghazali and Ibn Khaldun are two Islamic classical 'scholars who are famous for the depth of their knowledge. Al-Ghazali was even called by *Hujjatul Islam*, and Ibn Khaldun was known as the father of Sociology. Their views about money and its functions are recognized by various groups, both Muslims themselves, to non-Muslims such as Mark Zukenberg, and so on.

Seeing money that should be a solution to problems that occur in society, but precisely this time money is a source of global problems, the author wants to know the opinion of Ibn Khaldun and Al-Ghazali about the meaning of money and its function, as well as the location and similarities and differences between the two

¹<https://www.xe.com/currencyconverter/convert/?Amount=1&From=USD&To=IDR>. Retrieved at 2nd of May 2020.

opinions. there will be no smoke if there is no fire.

From this research, the researcher wants to now about: a) What is Al-Ghazali's and Ibn Khaldun's concept about money and its functions? b) What are the similarities and differences between Al-Ghazali's and Ibn Khaldun's thoughts about money and its functions?

Research Method

The method used by the author is the literary and documentary method to find out the life history of Ibn Khaldun and Al-Ghazali, his essays, as well as the thoughts of both those concerned with the discussion of this paper. The main source is taken from their compositions, such as Ibn Khaldun's *Muqoddimah* book, and Al-Ghazali's *Ihya Ulumuddin*.

Then analyzed by the inductive method of drawing conclusions from their views on the general understanding of economics, then by the deductive method of drawing conclusions about money and its functions according to both of them. Then with a comparative method to compare the opinions of both so that the similarities and differences between the two are clear.

A. MONEY AND ITS FUNCTION ACCORDING TO AL-GHAZALI

1. His Life

Abu Hamid Muhammad ibn Muhammad ibn Muhammad ibn Ta'us Ahmad al-Tusi al-Shafi'i, generally known simply by his nisbah al-Ghazālī.² The believed date of al-Ghazali's birth, as given by Ibn al-Jawzi, is AH 450 (1058/9). Modern estimates place it at AH 448 (1056/7), on the basis of certain statements in al-Ghazali's correspondence and autobiography.³

After the death of his father, he spent his childhood in Sufi guidance, namely ar-Razakani who was still his father's friend until the Sufi advised him to study with other teachers. The process of searching for knowledge did not stop there, he then continued his journey to the Jurjan to deepen the knowledge he has gained and also add new knowledge such as the basics of Sufism to Imam Nasir

²D. B. Macdonald, "The Name Al-Ghazzali," *Journal of the Royal Asiatic Society*, 1902, p. 18-22.

³Griffel, Frank. *Al-Ghazālī's Philosophical Theology*. (Oxford: Oxford University Press, 2009). p. 16.

al-Isma'ili and Shaykh Yusuf an-Nassaj.⁴ Furthermore, he continued his knowledge search in an-Nizhamiyyah a madrasa which one of the instructors was a great scholar at that time namely al-haramain Diauddin al-juwaini who later became his teacher in the field of *kalam* and *manik*. In this madrasa, he learned a lot of kinds of disciplines that have never been found before, such as theology, Islamic law, philosophy, logic, mysticism and the science of *kalam*.⁵

He death on Monday, the 14th of the final 505H / 1111M he returned back to the creator (Allah) at the age of 55 years. According to 'Abd al-Ghafir al-Farisi, he had several daughters but never had a son. Even though he has been gone a long time, his big name will be remembered in the hearts of Muslims until now.⁶

The Imam lived more than 55 years and he began writing books from an early age, when he was only 20 years old. He travelled for nearly 10 to 11 years and spent most of his time in reading, writing and teaching. In addition, he sometimes has to reply to thousands of letters that always come from far and near places for his decisions and opinions. He wrote nearly 400 books, and the famous one is *Ihya Ullumuddin*.

2. Definition of Money According to Al-Ghazali

Al-Ghazali, even though the truth does not explain at length about the definition of money. However, what Ghazali did was to explain money in accordance with the provisions of the Shara'. Al-Ghazali argued that money is something that is very important in business activities because money is one of the favors of Allah, both (*dinar* and *dirham* money) are world enforcers, and humans will always need it which must be placed according to God's rules.⁷ The following is the expression:

مِنْ نِعَمِ اللَّهِ تَعَالَى خَلَقَ الدَّرَاهِمَ وَالِدِّنَارِي رَ وَبِمَا قَوَّامُ الدُّنْيَا وَهِيَ حَجَرَانِ لَا
مَنْ فَعَلَهُ فِي أَعْيَانِهِمَا وَلَكِنْ يَضْطَرُّ الْخَلْقُ إِلَيْهِمَا مِنْ حَيْثُ إِنَّ كُلَّ إِنْسَانٍ
مُحْتَاجٌ إِلَى أَعْيَانٍ كَثِيرَةٍ فِي مَطْعَمِهِ وَمَلْبَسِهِ وَسَائِرِ حَاجَاتِهِ.

⁴Euis Amalia, *Sejarah Pemikiran....* p. 163.

⁵Ibid. p. 164.

⁶Euis Amalia, *Sejarah Pemikiran Ekonomi Islam*. (Depok: Gramata Publishing, 2010) . p. 164.

⁷أبو حامد الغزالي، إحياء علوم الدين، (دار الخير : ١٩٩٣) ص. ٨٨.

"One of God's favors is that dinars and dirhams have been created so that with both the world stands. Both are inanimate objects (stones) which have no benefit in essence. However, humans definitely need it in order to have goods, food, clothing, and all other needs."⁸

Further al-Ghazali stated:

الدَّرَاهِمُ وَالْدِّنَارِيُّ رُفَايَاهُمَا خَادِمَانِ وَلَا خَادِمٌ لَهُمَا وَمُرَادَانِ لِعَاجِرِهِمَا وَلَا يَرَادَانِ

Meaning: "Dinars and dirhams are intermediaries of something that is meant, in itself, there is no benefit"⁹

Al-Ghazali also realized that money not found just like that, its use in the economic system through quite a long process. The theory of evolution money in al-Ghazali's view can be stated as follows:

"The most important need is food, place of residence, and other vital places, like markets and agricultural land as the source of livelihood. As well as other material, including clothing, household appliances, transportation, hunting equipment, agriculture, and war. From there then arises the need for buying and selling, because sometimes a farmer who lives in the village not providing agricultural equipment, on the side another blacksmith and carpenter do not allow to grow crops. So inevitably farmers need a blacksmith, and vice versa like that. So, there must be a "judge fair" (hâkim mutawasith) as an intermediary between two people between the two people who transact, who can compare the needs of one another. Thus, an object is needed which lasts long because the transaction will last forever. And resistant objects long time between are metal materials. Then the money from gold, silver, and copper "¹⁰

According to al-Ghazali printing money, endorsement, and determination, the price is only allowed by the government or the official institution established. In his statement al-Ghazali explained: "... then the need for property which is durable as a currency material from mining goods, namely gold, silver, and copper, then printing is needed, stamp and determination exchange rate. For this reason, a place is needed money printing ... "¹¹

Imam al-Ghazali allows the use of fiat money which is not

⁸Ibid.

⁹Ibid, p. 220.

¹¹Ibid.

¹⁰أبو حامد الغزالي، إحياء.... ٢٢٢ص.

associated with gold or silver on the condition that the government declares that money is an official payment instrument, the government must maintain its value, and the government ensures that there is no trade in money.¹²

According to al-Ghazali, money is only made as a price and exchange standard, then money doesn't have intrinsic value or rather intrinsic value of a currency shown by real existence it is considered there never was. Money made from gold with a value of one US Dollar is the same value with banknotes with the nominal value the same one.

Al-Ghazali reasoned if money has intrinsic value, it cannot function as a medium of exchange, because of its value will vary depending on the material making it. Every item may be needed the object to fulfill a need, but money is not needed in the sense that is the motive of his request is the purchasing power capability contained in the money.¹³

In addition to thinking about money, there are some interpreters that are closely related to money, namely the use of counterfeit money, the practice of usury, and the hoarding of goods for too long. About the use of counterfeit money, he argues:

"Entering counterfeit money in circulation is a great tyranny. All who hold it are harmed ... the circulation of a fake dirham is worse than stealing a thousand dirhams because the act of stealing is a sin, which ends immediately after the sin is committed; has an impact on many people who use it in transactions for long periods of time."¹⁴

About usury, he thought that both forms (*riba al-nasiah* and *riba al-fadl*) of the transaction are illegal. If exchanges involve commodities of the same type, such as metals (gold and silver) or foodstuffs (wheat or barley), only *riba al-nasiah* is prohibited, while usury (*riba*) *al-fadl* is permitted. If the exchange between commodities of different types (metal and food) is both allowed.¹⁵

And about hoarding, he said :

¹²Adiwarman A. Karim, *Ekonomi Makro Islam* (Jakarta: Rajawali Pers, 2015), p. 20.

¹³Murthada Muthahari, *Pandangan Islam Tentang Asuransi dan Riba* (Bandung: Pustaka Hidayah, 1995), p. 29.

¹⁴أبو حامد الغزالي، إحياء ٧٣ ص.

¹⁵Adiwarman A. Karim, *Sejarah Pemikiran* p. 339.

"If someone hoards dirhams and dinars, he sins. Dinars and dirhams have no direct effect on him. Dinars and Dirhams are created to circulate from hand to hand, to regulate and facilitate the exchange ... (as) symbols for knowing the value and class of goods, whoever turns them into gold and silver equipment means that they are not grateful to their creators and worse than hoarders of money, because such people are like people who force the government to perform functions that are not suitable (appropriate) - like weaving cloth, collecting taxes, etc. Hoarding coins is still better than changing it, because there are metals and other materials such as copper, bronze, iron, clay that can be used to make equipment. cannot be used to replace the function run by dinars and dirhams."¹⁶

3. The Function of Money According to al-Ghazali

According to al-Ghazali, there are several functions of money, including being:

a. *Qiwam al-Dunya* (unit of calculation)

The function of money as *Qiwam ad-Dunya* means that money is a tool that can be used to assess goods while comparing them with other goods. Al-Ghazali likens money to a mirror that does not have its own color but is able to reflect other colors. Likewise, with money, actually it does not have its own value but can show a comparison of the value of an item with other goods. This function also removes the difficulties that arise in barter, namely in the case of determining the comparison of the value of the goods to be exchanged.

b. *Hakim mutawasith* (measuring the value of goods)

Hâkim mutawasith, the point is none other than money can be used as a clear standard in determining the value of different goods. According to Muhammad Abduh this is also the purpose of printing money. For example, one kiligram of rice is worth one kilogram of wheat. this can be clearly known if expressed in units of money values, for example, five thousand rupiahs. In conventional economics this function is called measure of value.

c. *Al-Mu'awwidlah* (tool exchange/medium of exchange).¹⁷

While the function of money as a tool *at-tabadul* or *al-mu'awwidah*

¹⁶*Ibid.*, p. 336.

¹⁷*Ibid.*, 89-91.

is that money is a means of exchanging goods in a transaction or serially referred to as the medium of exchange. This function is related to the first function. By knowing the comparison of the value or price between the goods to be exchanged, the goods can be represented by money in the delivery.

The function of money as stated in above cannot be separated from the concept he put forward regarding the basic concept of money itself, namely, money is just a medium of the exchange transaction. In conventional economic systems, apart from the described functions by al-Ghazalî, money has another function, namely additional functions/ derivatives (derivatives function) or function as a storage device store of value and function as a formidable payment instrument (standard of deferred payment).¹⁸ Both additional functions this is not known in that function said al-Ghazalî and the economic system Islam.

B. MONEY AND ITS FUNCTION ACCORDING TO IBN KHALDUN

1. His Life

Ibn Khaldun was born in Tunis on Ramadan 1, 732 (May 27, 1322).¹⁹ He has the full name Abdurrahman Abu Zaid Waliuddin Ibn Khaldun. Abdurrahman is his childhood name and Abu Zaid is a family nickname, while Waliuddin is a title given when he was *qadhi* (judge) in Egypt. Furthermore, he is more popularly known as Ibn Khaldun.²⁰

In his young age, Ibn Khaldun had memorized the Qur'an and mastered several Islamic disciplines such as *tajwid*, *tafsir*, *hadith*, *ushul fiqh*, *tauhid*, and *fiqh* Maliki schools. He also studied *aqliyah* sciences such as philosophy, Sufism, and metaphysics and linguistics such as *nahwu*, *sharaf*, *balaghah*. In addition, he was also interested in political science, history, economics, geography, physics, and mathematics. In all fields of study, he received very satisfying grades from his teachers.²¹

Ibn Khaldun passed away on 26th of Ramadan 808 H / 16th of March 1406 AD at the age of 74 years according to the count of the

¹⁸Indra Darmawan, *Pengantar Uang dan Perbankan* (Jakarta: Rineka Cipta, 1992), P. 5-6.

¹⁹Mohammad Abdullah Enan, *Ibn Khaldun, His Life and Work*, (Lahore: Khasmiri Bazar, 1946), p. 2.

²⁰Zainab Al-Khundairi, *Filsafat Sejarah Ibn Khaldun*, translated by Ahmad Rifa'i Usmani, (Bandung: Penerbit Pusaka, 1987), p.9.

²¹Azyumardi Arya, *Ensiklopedi Islam II*, (Jakarta: Intermasa, 1996), p.158.

Miladiyah year or 76 years in a matter of *Hijriyah*. During his 24-year stay in Egypt, he has revised his great work *Al-I'bar* by adding several articles and expanding the scope of his language, especially concerning the history of Islamic dynasties in the East, the history of the ancient countries and the history of Christian countries. In addition, he also completed the articles in the *Muqaddimah* and revised the autobiography of *At-Ta'rif*.

Muqaddimah, which was completed in November 1377 was the work aspirations. Literally, *Muqaddimah* is the introduction and this is the first volume of the first seven volumes of the writings of history which translates freely into "Book of lessons and a record of the cause and effect in the history of the Arabs, Persians and Berbers, and people in line Their powerful". Ibn Khaldun in his book "*Muqaddimah*" clarifying the theory of Dynamic Model " " which has some clear view that the factors the dynamics of social, moral, economic, and political is different but interlinked to increase or decrease in the community or the State Government. Ibn Khaldun has provided production theory, theory of value, theory of market, and the solid cycle theory into a general theory of economics that is coherent and composed in history.²² This book is an introduction to the book *al-I'bar*. Then, because of the importance of this work, this book has been excluded from the book *al-I'bar*, edited separately.²³

2. Definition of Money According To Ibn Khaldun

Ibn Khaldun lives in an age where the currency has become an instrument of appreciation. At that time he had discussed the possibility that would occur about the next position of the currency. He wrote the following:

"After that, God also made and created two very valuable mining objects, namely gold and silver which are very valuable and useful in economic relations to meet the needs. Both according to custom become a means of transportation and storage equipment for the world's population. If it happens the means of communication with the other at some time, the main objective remains to have both objects in the circulation of market prices, because they are the furthest away from the market "²⁴

²²Nur Chamid, *Jejak Langkah Sejarah Pemikiran Ekonomi Islam*, (Yogyakarta: Pustaka Pelajar, 2010), p. 247-248.

²³Euis Amalia, *Sejarah Pemikiran* p. 231.

²⁴Zainal Abidin Ahmad, *Dasar-Dasar Ekonomi Islam*, (Jakarta: Bulan Bintang,

Finally, Ibn Khaldun predicted that these two metals would take the most important place in the world of economy, serving three interests, namely: first, being a tool exchangers and values, as business value (good); second, is a means of communication, such as denizen (*qaniah*); and thirdly, become a means of storage in banks (*zakhirah*).²⁵

The wealth of a country is not determined by the amount of money, but wealth is determined by the level of productivity and a positive balance of payments. According to Ibn Khaldun, a country rich in money should show the rapid growth of the production sector, so the level of production is the reference and determinant of a country's wealth.²⁶

Ibn Khaldun explained the importance of money printing, according to Ibn Khaldun, the printing of money included the duties of the Caliph. the king has the right to print and circulate money to his people, and the people will believe and feel safe with the money printed by the king. He said: "That (printing money) is the king's main duty because with that people can distinguish the pure and the mixed in the money."²⁷

Ibn Khaldun also said that money is what determines the level of prosperity. Therefore, protected prosperity is the result carried out by money in countries that can affect the acceleration of money circulation and increase trade transactions and so on increase the amount of money in circulation. He also suggested that the use of gold or silver standard money also suggested the constant price of gold and silver. Other prices may fluctuate, but not for gold and silver.²⁸

In addition to thinking about money, there are some interpreters that are closely related to money, namely the use of counterfeit money, the practice of usury, and the hoarding of goods for too long. About the use of counterfeit money, he argues:

"The printing office always supervises and pays attention to the existence of coins used by Muslims in a (commercial) transaction, and maintains the possibility of counterfeiting / forgery or low quality (reduction) if the

1979), p. 310.

²⁵ (بيروت : ١٩٠٠) ص. ٧٨. ابن خلدون، مقدمة

²⁶ Adimarwan Azhar Karim, *Sejarah Pemikiran*.... p. 400.

²⁷ ابن خلدون، مقدمة.... ٣٢٣ ص

²⁸ Azwar Karim, Adiwarman, *Ekonomi Islam, Suatu Kajian Kontemporer*, (Jakarta: Gema Insani Press. 2001). p. 56.

number of pieces (and not metal weight) is used in the transaction."²⁹

About usury practices, he argues:

"Therefore, there are many evils, ugliness, disgraceful behavior and fabrications in livelihoods, both in the way that they should or not. Someone turns to think about, explore and gather tactics to do it. Finally, you see people have the heart to lie, like to bet, cheat, persuade, steal, deviate from faith and usury in buying and selling."³⁰

And about hoarding goods for a long time, he argues: "Thus, the person known to be a hoarder is persecuted by the combined psychic powers of the people whose money he takes away."³¹

3. The Function of Money According to Ibn Khaldun

Ibn Khaldun hinted at money as a deposit. He stated, then Allah Ta'ala created from two mining goods, gold and silver as a value for every treasure. These two types are savings and the acquisition of people in the world most of them.³²

Ibn Khaldun lives in the second era according to this theory, is the era of currency has become a tool of appreciation. At that time, he also discussed the possibility that would occur about the next position of the currency. He was the first to present the major functions of money as:

- 1) a measure of value.
- 2) a store of value.
- 3) a "numeraire".

Some of the views of Muslim economic figures above are not one who states the function of money other than as a means of exchange and unit of calculation. Although, there are differences in views regarding the material from making the money. In Islamic economics itself, the function of money is recognized only as a medium of exchange (medium of exchange) and unit of account. The money itself does not give usefulness/benefits, but the function of money provides usefulness. Money becomes useful if exchanged

²⁹Adimarwan Azwar Karim, *Sejarah Pemikiran* p. 401.

ص ٦٦٧.... ابن خلدون، مقدمة

³¹Ibid., p. 300.

³²<https://albanjarirohman.blogspot.com/2014/11/uang-dalam-prespektif-islam.html>. Retrieved at 25th of October 2018.

with real objects or if used for buying services. Therefore, money cannot be a commodity/item that can be traded.³³

According to Ibn Khaldun, money is not always synonymous with prosperity but only the means by which prosperity will be achieved. Regarding the function of money, according to him money has two functions, namely as a measure of exchange (standard of exchange) and saving media at banks.³⁴

On the other hand, Ibn Khaldun added that the money does not have to contain gold and silver, only gold and silver are used as the standard value for money. While the government sets the price consistently. Therefore, Ibn Khaldun suggested that the price of gold and silver be constant even though other prices fluctuate.

Based on Ibn Khaldun's opinion above, the actual standard of currency that he suggests is still the gold standard or the gold bullion standard, namely when gold metal is not a medium of exchange but the monetary authority makes the metal as a parameter in determining the exchange rate in circulation. Gold coins are no longer directly used as currency. In this system is needed equality between banknotes in circulation and the amount of gold stored as a backup. Every person is free to trade gold, this system applies between 1890-1914 M.³⁵

According to Ibn Khaldun:³⁶

- 1) Currency as a measure of the price of goods
- 2) The first function of money as a means of exchange, and the second as saving media in banks.
- 3) The wealth of a country is not determined by the amount of money in a country but is determined by the level of production of a country. Increasing population will create work creativity, and increase community work needs. (Ibn Khaldun associates population growth and economic growth).

Ibn Khaldun's concepts and thoughts about economics, especially about money and its functions are highly recognized by Muslims, and even by non-Muslims even because of the depth of his

³³Pratama Rahardja, *Uang dan Perbankan*, (Jakarta: Rineka Cipta, 1997), p. 6.

³⁴Agustianto, (2005), "Pemikiran Ekonomi Ibnu Khaldun dan Signifikansinya dalam Konteks Kekinian", unpublished paper.

³⁵Euis Amalia, *Sejarah Pemikiran....* p. 201-202.

³⁶ابن خلدون، مقدمة. (بيروت : ١٩٠٠ : ١٨٣ ص).

knowledge. The book "Muqoddimah" has become very famous until now and has become a phenomenal book that is worth reading by everyone, regardless of religion or ethnicity.

C. Similar And Different Side Between Al-Ghazali's And Ibn Khaldun's Thought About Money And Its Function

1. Similar Side

- a. They both agreed that gold and silver money had no intrinsic value, but only as a medium of exchange, not for sale, or commodities.
- b. They both agreed on the definition of money. According to Al-Ghazali and Ibn Khaldun, the definition of money is what humans use as a standard measure of price values, exchange transaction media, and savings media.
- c. They both agreed that the government or king had the right to print and circulate money to the people. and the people will believe and feel safe with money printed by the government.
- d. They both agreed that money (gold and silver) are a favor from Allah given to humans as a means to fulfill and obtain needs.
- e. They both agreed on a measure of wealth, that the amount of money is not a measure of a country's wealth. Ibn Khaldun argues that wealth is determined by a country's level of production and a positive balance of payments. While al-Ghazali argued that this would encourage people to practice speculation with money.
- f. They both agreed on the prohibition of usury (*Riba*). Besides because usury has been banned in Al-Qur'an Surat Al-Baqarah verse 275, also because according to them in practice usury comes various kinds of problems that benefit certain parties and harm other parties. Including usury is a sign of *kufir* favoring Allah.
- g. They both agreed, that counterfeiting money was prohibited and sinful. Ibn Khaldun emphasized the importance of the government to oversee counterfeit money, while Al-Ghazali was more assertive, that according to him, one dirham of counterfeit money was worse than stealing a thousand dirhams.

2. Different Side

- a. There is a slight difference from both of them about using paper money. Ibn Khaldun allowed the use of paper money (fiat) on condition that there was a gold or silver reserve or guarantee in the bank. Whereas Al-Ghazali allows the use of paper money (fiat) which is not related to gold or silver on the condition that the government declares that paper money is an official payment instrument, the government must maintain its value, and the government ensures that there is no trade in money.
- b. They both agreed on the function of money, that money has no value other than for media exchange. However, more than that there is little difference about the function of money. According to Ibn Khaldun, money has two functions, namely as a benchmark (standard of exchange) and as a store of value. Whereas according to Al-Ghazali, besides as a medium of exchange, money functions as *Qiwam al-Dunya* (unit of calculation), *Hakim Mutawasith* (measuring the value of goods), and *al-Mu'awwidlah* (tool of exchange/medium of exchange).
- c. There is little difference about the determinants of prosperity and welfare of society. Ibn Khaldun said that money is what determines the level of prosperity. Even money is not always synonymous with prosperity but only the means by which prosperity will be achieved. While al-Ghazali argues that the welfare of a society depends on the search and maintenance of five basic objectives, namely religion (al-dien), life or soul (nafs), family or descent (nasl), wealth or wealth (mall), and intellect or reason (aql).

Tabel 1: Money and It's Function According to Al-Ghazali and Ibn Khaldun

No	Problems	Al-Ghazali	Ibn Khaldun
1	Using paper money	Al-Ghazali allows the use of paper money (fiat) which is not related to gold or silver on the condition that the government declares	Ibn Khaldun allowed the use of paper money (fiat) on condition that there was a gold or silver reserve or guarantee in the bank

No	Problems	Al-Ghazali	Ibn Khaldun
		that paper money is an official payment instrument, the government must maintain its value, and the government ensures that there is no trade in money	
2	Function of Money	Money functions as <i>Qiwam al-Dunya</i> (unit of calculation), <i>Hakim Mutawasith</i> (measuring the value of goods), and <i>al-Mu'awwidlah</i> (tool of exchange/medium of exchange)	Money has two functions, namely as a benchmark (standard of exchange) and as a store of value
3	The determinants of prosperity and welfare of society	The welfare of a society depends on the search and maintenance of five basic objectives, namely religion (al-dien), life or soul (nafs), family or descent (nasl), wealth or wealth (mall), and intellect or reason (aql)	Money is what determines the level of prosperity. Even money is not always synonymous with prosperity but only the means by which prosperity will be achieved

Source: Thesis, Miftahuddin, Money and It's Function According To Al-Ghazali's and Ibn Khaldun's Thought (Comparative Study)

Conclusion

They both agreed in many things, such as: Gold and silver money had no intrinsic value, but only as a medium of exchange, not

for sale, or commodities; money is what humans use as a standard measure of price values, exchange transaction media, and savings media; The government or king had the right to print and circulate money to the people. and the people will believe and feel safe with money printed by the government; That money (gold and silver) are a favor from Allah given to humans as a means to fulfill and obtain needs; On a measure of wealth, that the amount of money is not only a measure of a country's wealth; They both forbade the practice of usury (*riba*) and counterfeiting money.

But despite some of their similarities of thought, there are several differences, such as: Ibn Khaldun allowed the use of paper money (fiat) on condition that there was a gold or silver reserve or guarantee in the bank. Whereas Al-Ghazali allows the use of paper money (fiat) which is not related to gold or silver on the condition that the government declares that paper money is an official payment instrument, the government must maintain its value, and the government ensures that there is no trade in money (although both allow the use of paper money);

from the discussion above, the authors conclude that at this time money is not used in accordance with its original function. Researchers hope that policy makers can act to correct this increasingly large and widespread problem. Stakeholders to always pay attention to this fundamental problem so that people can experience a prosperous life.

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