

## AN INTRODUCTION TO ISLAMIC ECONOMIC THOUGHT (IET)

With this item, I intend to present a few points, more largely developed in a work published in 2009 on the IET<sup>1</sup>. Then, my one purpose was to expose the main features of the IET, a topic, practically unknown to the public, and even too many scholars in France. I did not pretend to give a thorough analysis of the IET, which I would have been, and I am always, still today, incompetent to do, because I am not an Arabic-speaking person. It was mostly an overview of the IET made from translations of original texts, but also from articles or books on this topic, existing in French, English or Spanish, essentially available in France, systematically reported in the work. This is the reason why it was simply an “introduction” to the IET presented briefly but however methodically, replacing the thought of the authors into their historical, economic and social context.

My purpose today is the same, but it is presented in a still more limited way, in two parts, exposing initially why the IET is relatively unknown (Part I), and then examining the various contributions of this thought by setting as example of innovative analysis, among others, cycles theory by Ibn Khaldûn (Part II).

### I - A RELATIVELY UNKNOWN THOUGHT

Islam is an outstanding civilization brilliant in many well known fields:

- Astronomy: Bagdad school of astronomy
- Mathematics: Al-Khwarizmi, Al Battani...
- Physics, Hassan Ibn Al-Haytham...
- Life and Earth Sciences: Al-Malik Ibn Yusuf, Ibn Wafid, Al-Ansari,...
- Medicine: Razes, Ibn sina, Abu cassis, Ibn Zohar...
- Philosophy: Al-Kindi, Al-Farabi, Ibn Sina, Ibn Rochd...
- Literature: Ibn Hazm...
- History and Geography: Ibn Battuta, Al-Idrisi, Al-Biruni, Tabari, Miskaway, Makkari...

But what about economics? This field is not really covered in the works on the contributions of Islam, or is put aside, except of course, by Islamic Economics Research Center King Abdulaziz University. Even in works expressly written to underline the contribution of the Muslims to civilization, no trace of any contribution in economy is found. For instance:

- “*Muslim contribution to civilization*”, Haidar Banmate, Tawhid,
- “*A universal muslim civilization*”, Tajeddine Kenani Karim, Tawhid.

#### 1. The relative absence of contributions in this field

It would be wrong to say that nothing was written on this topic. There are papers and works, of limited number certainly, dealing with IET.

##### 1.1. Some papers and works

Among the most interesting items to be quoted at random, are the following scholars: S.M. Ghazanfar and A.A. Islahi (1990), S.M. Ghazanfar (1991), Hamid Hosseini (1995), Yassin Essid (1992), or A. El Cohen (1994), etc.

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<sup>1</sup> VERRIER Ramon, *Introduction à la pensée économique de l’Islam du VIII<sup>e</sup> au XV<sup>e</sup> siècle*, L’Harmattan, Paris 2009.

In the same way, there are certain works, or parts of books, about one scholar or group of scholars, and often dedicated to one or a few specific topics. Among these, we can distinguish:

- The monographic essays, like many books on Ibn Khaldûn (Yves Lacoste, A. Cheddadi, Himmich B., K. Pomian, S. Goumeziane...), on Ibn Sina/Averroes or Ibn Rochd/Avicenna. But the economy is very little discussed.
- Contributions in the field of history or philosophy are very numerous: E. Renan and M. Asin Palacios Y. Lacoste, M. Arkoun, R. Amaldez, M. Urvoy or M. Hernandez Cruz, for example.
- But in the simple economic field, few scholars have distinguished themselves from the tradition initiated by J.A. Schumpeter. History of economic thought textbooks mentioning, or a fortiori presenting a synthesis of the economic contributions of Islam, are very few.

In addition to K. Pribram<sup>2</sup> and T. Lowry<sup>3</sup>, some scholars did not want to reduce the economic thinking of Islam to an ignored link of the history or useless intellectual turning. They fully integrated it, although to differing degree, in their works. Those will be briefly presented, by distinguishing the European contributions on one hand, and the Arab contributions on the other hand.

## 1.2. Europeans contributions

No exhaustive census of the books on History of the Economic Thinking, or comparable works, excludes the monographs or works devoted to only one author, like that from Yves Lacoste<sup>4</sup> devoted to Ibn Khaldûn for example. The objective is to help the reader to find a synthesis or a synoptic table, even incomplete, of the literature concerning the economic thinking of Islam.

- **“Early Economic Thought in Spain 1177-1740” by Marjorie Grice-Hutchinson (1978)**<sup>5</sup>

In a paragraph entitled “Some early Islamic economists”, Marjorie Grice-Hutchinson approaches, perhaps too briefly, Al-Fârâbî, Al-Ghazâlî, Al-Dimashqî, Al-Turtûshi, Averroès. Many authors are absent from the roll call, owing to the fact that M. Grice-Hutchinson is only interested in the authors with an influence on the Spanish thought. Although of a remote Andalusian origin of which he was very proud, Ibn Khaldûn does not appear in the list.

- **“The Economic Thoughts” by Jacques Wolff (1988)**<sup>6</sup>

It is probably the only book of history of thought in France with ten (great) pages devoted to Islam. The aim of the author is to consider all phenomena, facts and political, social, demographic thoughts, and psychological techniques to understand the evolution of economic thought. Islamic thought, continuator of Greek founders thought, naturally finds its place. One by one he presents works, excerpts and short biographies of authors as Al-Farabi, Ibn Sina, Al-Biruni, Al-Ghazali, Al-Dimashqi Ibn Khaldûn and Al-Maqrizi. He exclusively focuses on the analysis and policy of the authors, distinguishing between those of the 10<sup>th</sup>–13<sup>th</sup> (“partial notions and overviews”), and those of the 14<sup>th</sup>-15<sup>th</sup> (“new visions”).

- **“The Mediterranean Tradition in Economic Thought” by Louis Baeck (1994)**<sup>7</sup>

In this book, L. Baeck argues that the pre-classical economic thought is the “Mediterranean tradition” as opposed to the “Atlantic tradition” that will prevail from the

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<sup>2</sup> PRIBRAM K, *A history of Economic Reasoning*, The John Hopkins Univ. Press, Baltimore, 1983.

<sup>3</sup> LOWRY S, Todd, *Pre-Classical Economic Thought*, Kluwer Academic Pub., Boston, 1987.

<sup>4</sup> LACOSTE Y., *Ibn Khaldun, naissance de l’histoire, passé du tiers monde*, F.Maspero, Paris, 1966, réédité en 1998, éd. La Découverte, Paris.

<sup>5</sup> GRICE-HUTCHINSON M., *Early Economic Thought in Spain 1177-1740*, Allen & Unwin, London, 1978.

<sup>6</sup> WOLF J., *Les pensées économiques, tome1, Des origines à Ricardo*, Montchrestien, Paris, 1988.

<sup>7</sup> BAECK L., *The Mediterranean Tradition in Economic Thought*, Routledge, London and New-York, 1994. We can also read : *La pensée économique de l’Islam classique, Storia del Pensiero Economico, Bolletino di informazione*, XIX, 1990.

Classics. He studies the Greek philosophers to the classical school, and includes a chapter on the thought of classical Islam. After outlining the main sources of this thought, he reviews without lingering the authors concerned with law and public finance, as Zaid Ibn Ali Ibn Taymiyyah, Ibn al-Qayyim, Al-Maqrizi, and then authors under the Persian tradition as Al-Muqaffa, Al-Biruni and Al-Dimashqi, and finally the philosophers and theologians such as Ibn Sina, Al-Farabi, just quoted, and a little longer (two pages maximum), al-Ghazali and Ibn Rushd, to conclude on the overall vision of Ibn Khaldûn.

- **“Spanish Economy and Economists” (Economía y economistas españoles) directed by E. Fuentes Quintana (1999)<sup>8</sup>**

Volume II, entitled "Origins in Mercantilism," devotes a hundred pages to economic thought in Muslim Spain, and approaches three themes: - "The meaning of Al-Andalus in Spanish economic thought", by Antonio Garcia Lizana and Maria Isabel Calero Secall,

- "The Andalusian economic thought", by Antonio Garcia Lizana, where many Islamic writers are much more quoted than studied, such as Al-Satibi, Al-Farabi, Ibn Sina, Ibn Rushd, Ibn Bayya, Ibn Hazm, Al-Turtûshi Ibn Al-Jatib, Ibn Jaldun (Spanish spelling for the last two), and some others. The objective is basically to understand the foundations of economic andalusian thought, and to give an overview of the contributions of the authors.

- "Ibn Jaldun: an economist of the fourteenth century" by Fabian Rodriguez Estape that delivers a somewhat more exhaustive analysis, but based on articles of J.D. Boulakia (1971), S. Andic (1965) and L. Haddad. The analysis is very interesting and well documented, even though, except that of Ibn Jaldun, and to a lesser extent, that of Ibn Rushd, we may regret that the thought of islamic scholars is insufficiently developed, and that, like M. Grice Hutchinson, it is exclusively oriented towards Spain because of its objective (hence the absence of some Arab and Muslim scholars).

### 1.3. Muslim and Arabic contributions

The selection criteria are identical to those of the preceding paragraph. However, are only retained books in non Arabic language, i.e. translated books, thus limiting the scope of the survey.

- **"Political economy, a social science" by M.H. Dowidar (1977)<sup>9</sup>**

Its aim is to present political economy as a science, and especially a social science, and then the writer presents a summary of the history of economics as a science, He does not write a history of economic thought in general. The author discusses economic thought in its pre-capitalist stage that will lead to its status as a real science. On this occasion, on fifteen pages, he deals with Arabic economic thought of the 14<sup>th</sup>; however, he limits it to that of Al-Maqrizi and Ibn Khaldûn only.

- **“The Great Gap of Joseph Schumpeter” (1991)<sup>10</sup> and “History of Economic Thought in Islam from the 8th to 12th Centuries” (1998) by Omar Akalay<sup>11</sup>**

Both books are entirely devoted to the economic thought of Islam. The first one is, as mentioned in its subtitle, "A Short History of Economic Thought in Islam" which the author denounces as the "great gap" of Schumpeter with great conviction and with some sense of humor. In the second one, the "Brief History" has become a short history of economic thought in Islam, much less controversial, but much more complete in terms of authors. It is therefore a very personal work in which we will not find a systematic and orderly "French" presentation of the theories or systems of explanation of the authors. The subtitle of his "History" is eloquent: *"The Merchant and the philosopher"* evokes more the

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<sup>8</sup> FUENTES QUINTANA E. (dir), *Economía y Economistas Espanoles*, T.1 et T.2, Galaxia Gutemberg, Barcelona, 1999.

<sup>9</sup> DOWIDAR M.H., *L'économie politique, une science sociale*, François Maspero, Paris, 1974.

<sup>10</sup> AKALAY O., *Le grand vide de Joseph Schumpeter. Brève histoire de la pensée économique en Islam*, Wallada, Casablanca, 1991.

<sup>11</sup> AKALAY O., *Histoire de la pensée économique en islam du 8<sup>e</sup> au 12<sup>e</sup> siècle*, L'Harmattan, Paris, 1998.

tale or the fable than the arid philosophical university textbook. Scholars studied by O. Akalay are quite different and even surprising in comparison to those usually quoted in other books: Al-Muqaffa, Al-Jahiz, Miskawayh, Hariri, Al-Ghazali, Al-Mawardi, Ibn Rushd, without forgetting Aladdin and Sinbad! He stopped his survey about the 12<sup>th</sup>, and scholars such as Ibn Khaldûn and Al-Maqrizi are not included.

- **"The Economic Thoughts" by Abdelmajid El Cohen (1994)<sup>12</sup>**

In this general work, covering the period from Antiquity to Keynes, the author proposes to examine the Arabic contribution to economic thought. He makes use of O. Akalay works when dealing with the Arabic economic thought until the 12<sup>th</sup> century, and in turn denounces "the great gap of Schumpeter," but he usefully adds the study of Ibn Khaldûn and Al-Maqrizi. However, the first volume of the new edition of "Economic Thought" begins in 2002 with mercantilist.

- **"History of Economic Thought" by Brahim Rachidi (2002)<sup>13</sup>**

The book deals with the pre-scientific phase and begins with the economic ideas in Mesopotamia (4000-2000 BC). In part two (the book includes eight parts) twenty-five pages are devoted to "the problem of Arabic-Muslim economic thought in the 16<sup>th</sup> century," but it is dedicated, exclusively and curiously, to two scholars of the 14<sup>th</sup> and 15<sup>th</sup>: Ibn Khaldûn and Al-Maqrizi before considering the mercantilist thinking in a third part.

All the history textbooks of economic thought, or equivalent, have not totally ignored the contribution of Islam. However, the objectives of the authors are often quite different and complementary. Consequently, none of them deals completely with the contribution of Islam to economic thought.

## **2. Reasons of the discretion**

Despite efforts by some scholars since the years 1960, the Economic Thought of Islam remains, even today, relatively, if not largely, unknown. Why so many scholars have been induced to overshadow such a chapter of history of thought?

### **2.1. A non scientific thought**

#### **2.1.1. The IET is not an economic science in the strict sense**

For a majority of economists, the origin of economic science is linked to autonomy, not only in relation to other sciences (sociology, demography, geography, history), but also in relation to ideologies, doctrines or philosophical systems or political ones, through the use of specific methods of approach (rationalism, empiricism, critical positivism, dialectical logic). In its pre-capitalist stage there was no independent economic thought, Islamic or not Islamic:

- Greek thought is closely related to philosophy;
- The thought of the Middle Age in Europe is inseparable from theology;
- Islamic thought is also inseparable from theology, history and philosophy of history.

Until the mid-18<sup>th</sup> century, the economy has never been perceived as a discipline. It is only on the beginning of the industrial revolution, or at best with the mercantilists, it started to become a science in itself, conscious of itself, its methods and its goals. That's because, some European and Arabian authors (M.R. Amrani<sup>14</sup> as example), in strict accordance with their conception of economics as a science, do not hesitate to eliminate any thought previous to European Mercantilists, even previous to the 18<sup>th</sup>, because of non-scientific or non-

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<sup>12</sup> EL COHEN A., *Les pensées économiques*, Marrakech, 1994.

<sup>13</sup> RACHIDI B., *Histoire de la pensée économique*, IDGL, Rabat, 2002.

<sup>14</sup> AMRANI M.R., *Histoire de la pensée économique et théorie économique contemporaine*, Toubkal, Casablanca, 1988.

concordance of the object studied, whether of Islamic thought, or thoughts of ancient Greek or Roman, or medieval scholasticism.

### 2.1.2. The IET is a pre-scientific thought

A broader conception of economic thought led some authors to back up their studies of Ancient Greece for two reasons: the intellectual contribution of the former seems indispensable, or at least useful to understand better the path that led Classic to the economy which is its first heir. So many books mention at more or less the contributions of Greek and Roman antiquity and the medieval scholastic period. Such are, for example, the approaches of J.A. Schumpeter whose study began in Ancient Greece, K. Pribram in his history that recognizes the influence of the Arab contribution to the Scholastics, or M.H. Dowidar who however, begins his study at the 15<sup>th</sup> century with Al-Maqrizi and Ibn Khaldûn.

The fact remains that, while recognizing the contribution of "prescientific" economic thought and by mentioning them, most authors are silent on the IET.

## 2.2. The influence of "great gap" of Schumpeter?

"As regards our subject, we can safely cross a bound five hundred years, until the time of Saint Thomas Aquinas (1225-1274) whose *Summa Théologique* is for the history of thought what the southwest arrow of the Cathedral of Chartres is for the history of architecture " In these lines, Schumpeter<sup>15</sup> simply eliminates five centuries, of economic thought in Islam, and even more. This sentence brings to an end to the first section of chapter two, entitled "*The Great Gap*," a very short section indeed (less than one page), because of great gap, of course!

Already in 1957, G.H. Bousquet<sup>16</sup> was pointing this oversight about "non European-Christians" authors of past centuries. In 1964, J. Spengler<sup>17</sup> published a paper on Ibn Khaldûn quoting some Islamic authors. First survey of muslim economy seems to fall to M.N. Siddiqui in 1980<sup>18</sup>. In 1991, in Morocco, Omar Akalay<sup>19</sup>, specifically in his essay entitled "The great gap of Joseph Schumpeter," in his turn, denounced the heavy silence that missed out the economic contribution of Muslim civilization. Other voices had also raised to challenge the thesis of "great gap", for example, SM. Ghazanfar and AA. Islahi (1990)<sup>20</sup>, SM. Ghazanfar (1991)<sup>21</sup>, Hamid Hosseini (1995)<sup>22</sup>, Yassine Essid (1992)<sup>23</sup>, or A. El Cohen (1994)<sup>24</sup>. The problem is not new, but it is not yet really settled. The few lines, or omission, on this theme in most histories of economic thought textbooks, particularly in France, even recent ones, show the persistence of this oversight. But is it just really an ordinary omission?

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<sup>15</sup> SCHUMPETER J.A., *Histoire de l'analyse économique*, nrf, Gallimard, Paris, 1983.

<sup>16</sup> BOUSQUET G.H., *L'économie politique non européenno-chrétienne. L'exemple de Dimachqi*, R.H.E.S., Paris, 1957. We can read also *La monnaie selon un mystique musulman du XI<sup>e</sup> siècle*, R.E.P., 1953 ; *Les textes économiques de la Mouqaddima*, Maisonneuve, Paris 1962.

<sup>17</sup> SPENGLER J., *Economic Thought of Islam: Ibn Khaldun*, *Comparative Studies in Society and History* VI, n° 3, Cambridge UP, 1964.

<sup>18</sup> SIDDIQI M. N., *Muslim Economic Thinking*, Jeddah, International Center for Research in Islamic Economics and Leicester (UK), Islamic Foundation, 1980.

<sup>19</sup> AKALAY O., op. cit.

<sup>20</sup> GHAZANFAR S.M. and ISLAHI A.A., *Economic thought of an Arab Scholastic: Abou Hamid al-Ghazali*, H.O.P.E., vol.22, n°2, 1990.

<sup>21</sup> GHAZANFAR S.M., *La science économique scholastique et les savants arabes. Une remise en question de la thèse du »grand vide«*, *Diogène*, n°154, avril- Juin, 1991.

<sup>22</sup> HOSSEINI T., *Understanding the market mechanism before Adam Smith: thought in medieval Islam*, H.O.P.E., vol.27, n° 3, fall1995.

<sup>23</sup> ESSID Y., *Greek economic thought in the Islamic milieu: Bryson and Dimashqi*, in *Perspectives on the History of Economic Thought*, vol. VII, éd. S. Todd Lowry, 1992.

<sup>24</sup> EL COHEN A., op. cit.

The fact is that, hiding behind the reputation of J.A. Schumpeter, all the authors, or almost, have chosen to overlook the IET. As it is difficult to put forward a transmission defect in time and space of knowledge of Islam, can we hide behind the argument of lack of originality of the IET to justify ignorance of the Islamic link?

### 2.3. A single Muslim mediation of Greek culture?

The insufficient consideration of economic thought of Islam could be explained by its lack of originality. This thesis would follow a "tradition" developed in France in the 19<sup>th</sup> by scholars such as Hegel or Renan. For Hegel, Islam thought would be a "pre-knowledge or recovery of Greek which nothing would have been brought."<sup>25</sup> E. Renan says the same thing by writing that "philosophy among the Semites was never without a foreign loan and without high fecundity, an imitation of Greek philosophy"<sup>26</sup>. For D. Villey<sup>27</sup>, Arabian and Jewish philosophers are mere intermediaries of ancient pagan thought, came to renew the teaching in the universities.

Heirs to the Greeks, the Arabs would not therefore build on the inheritance. So why dwell on it?

The table below summarizes the key ideas and themes taken from Greek thought (Plato, Aristotle) by the Arabian-Muslim authors.

So, economic thought of Islam would only resume ideas already developed by the Greeks. Reduced to a simple mediating role, why go through this "useless turning"? Should we extend with a few more pages history of thought textbooks? A question may arise under the following observation: the economic and trade relations between different groups are factors that determine the economic thought and reflection. But the ancient Greek cities had little trade with the rest of the world, while Islamic countries had large flows. Caravans could reach up to five or six thousand camels (freight on a cargo ship!), says M. El Faiz<sup>28</sup>. Is it therefore reasonable to imagine that economic thinking of Islam is strictly identical to that of Ancient Greece?

Therefore we may think that the economic contribution of Islam goes beyond simple mediation of Greek culture. Going on would be the substantiate thesis of European ethnocentrism. That is why it seems worthy to emphasize the contributions of the IET.

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<sup>25</sup> Rapporté par El Cohen, op. cit. p.45.

<sup>26</sup> RENAN E., *Averroès et l'Averroïsme*, in *œuvres complètes* de E. RENAN, T.3, préface, p. 17.

<sup>27</sup> VILLEY D., *Petite histoire des grandes doctrines économiques*, M-T.H., Genin, Paris, 1964.

<sup>28</sup> EL FAIZ M., *Précis d'histoire des faits économiques*, Librairie papeterie El-Badii, Marrakech, 2000.

### Greek culture and Muslim mediation

Themes and ideas	Greek scholars	Arabian Muslims « takers » and followers
Production of goods necessary for satisfaction of human needs	Aristotle	Al-Fârâbî, Ibn Sînâ, Al-Ghazâli
Life in society, specialization and division of labor to make production growth	Plato, Aristotle	Al-Dimashqî, Al-Ghazâli, Ibn Khaldûn
Exchange from specialization is facilitated by money	Aristotle	Ibn Rushd/Averroès
The three functions of money	Aristotle	Al-Dimashqî, Ibn Rushd, Ibn Taymiya, Ibn Khaldûn
Disapproval of wealth or poverty excess	Plato	Miskawayh, Ibn Taymiya
Justice in exchange and middle way society ( <i>société du juste milieu</i> )	Plato	Miskawayh
Equality identity and reciprocity by the money	Aristotle	Miskawayh, Ibn Rushd
Developments on use and exchange value	Aristotle	Ibn Taymiya, Ibn Khaldûn
Sentence of monopolist practices	Aristotle	Ibn Taymiya, Al-Tilimsani
Disapproval of salaried activities	Aristotle	Ibn Khaldûn
Sentence of interest	Aristotle	Tous les auteurs
The birth of the society and state because of the incapacity of the man to meet his needs alone	Plato	Ibn Khaldûn
Organization in the ideal city	Plato	Al-Fârâbî

## II CONTRIBUTIONS AND IMPROVEMENTS OF THE IET

### 1. Contributions of the IET

#### 1.1. Main authors and works to the 15<sup>th</sup> century

Can we distinguish different characteristic periods in the history of economic thought in Islam? While there are in the legal field, that of *fiqh*, many schools, it is difficult to detect trends in the economic field, let alone schools of thought. The scholars take up, in varying degrees, features themes of the various currents of European thought

- They are Scholastics by their theological-religious speculation and by their concern for a just price;
- They are Mercantilists by the importance of the place given to the enrichment by trade;
- They are Physiocrats when they seek to liberate agriculture from an oppressive tax system to make it more productive;
- They are Classics when they make labor as the most important production factor

In fact, whether these scholars are more Mercantilist than Classic or Scholastics, that does not make sense in the case of Islam. Any division is arbitrary and opens to criticism. One solution may be that adopted by J. Wolff who distinguishes between two major periods: the notions and partial views of the whole 10<sup>th</sup> to the 14<sup>th</sup> century, and new visions of the 15<sup>th</sup>. The option chosen in our presentation is to operate sections according to major areas of concern and the main topics discussed by the scholars, leading to the following distribution:

#### a) Precursors (8<sup>th</sup> - 9<sup>th</sup>)

- Ibn Al-Muqaffa or *how to get rich*
- Abu Yousuf or "*too much tax kills tax*"
- Al-Jahiz or *how to keep his wealth and redistribute wealth?*
- Ibn Hanbal or *ideas of a theologian - lawyer*
- Al-Dimashqi or *the merits of trade*

#### b) Enrichment and Society (10<sup>th</sup> - 12<sup>th</sup>)

- Al-Farabi or *solidarity and specialization in the City*
- Ibn Sina / Avicenna or *how to manage domestic life*
- Miskawayh or *how to find a happy medium in society*
- Al-Biruni or *another precursor of Malthus*
- Al-Mawardi or *how to support the caliphate and economic activity*
- Ibn Hazm or "*to each according to his work*"
- Kay Kavus or *advices for home economics*

#### c) Theorists and practitioners prices (12<sup>th</sup> – 13<sup>th</sup>)

- Al-Ghazali or *Natural Order and the economic and social order*
- Al-Turtûshi or *no prosperity without justice and security*
- Ibn Rushd / Averroes or *market economy and theology*
- The Andalusian muhtasibs or *market practitioners*
- Ibn Taymiyyah or *market economy and role of the state*
- Ibn Al-Qayyim or *popularizer of Ibn Taymiyah*

#### d) Economy and dynamic of Societies (14<sup>th</sup> – 15<sup>th</sup>)

- Ibn Khaldûn or *the economy, factor and product of social evolution*
- Al-Tilimsani or *bad money and inflation*
- Al-Maqrizi or *bad money drives out good money*

## 1.2. Approach and originality of the IET

Beyond simple mediation of Hellenic thought, what could be the contributions of Islam to economic thought? Are they really original? Are they going beyond religious norms in home economics? These questions need to be examined. With this aim in view, we can consider three stages in the contribution of Islam to the economy:

- Rediscovery and translation of Greek texts (briefly discussed above)
- Adaptation and islamization of Hellenic thought,
- Improvement by innovative contributions.

The first movement is the rediscovery and translation of Greek texts, briefly discussed in first part.

The second movement is an interpretation of the Greek texts, which resulted in an Islamization of thought, that is to say an adaptation to Islamic values. While the Greek thought is closely related to philosophy, the thought of Islam is inseparable from theology and religion. The Qur'an, and Sunnah, which collects the sayings and acts of the Prophet (*hadiths*), contain revelations and rules of conduct which, at the same time, by their comments, have provided economic thinking, and served as a pretext for research in this field. Imbued with these sacred texts, the Arab-Muslim scholars approach could not be entirely based on that of their Hellenic predecessors. Three economic themes, among others, can attest to this Islamization of thought (not examined in this paper): monetary nominalism, freedom of market prices, and enrichment by trade.

The third movement is a step forward of the first two by innovative contributions.

## 2. The innovative contributions of the IET

Early Islam was facing major economic and social problems, which had a distant relationship with those known in Greece. Tax revenues were insufficient; the financial Administration of an empire stretching from the borders of India to the Atlantic Ocean was not an easy task! Economic and political cycles began to worry some scholars. Recurring phenomena of rising prices drew the attention. These various economic and social phenomena lead to considerations at the origin of innovative contributions in the economic field, particularly in the areas of public finances (not discussed here), cycles and economic growth, inflation and currency.

### 2.1. Economic cycles

One of the most notable examples of this new contribution is the theory of cycles and growth. It is true that Plato had described the golden age, then the era of decadence of the city. The Arab-Muslim thought resumes this theme, but by deepening it significantly.

#### 2.2.1. The perception of cycles

- **Miskawayh** (932-1030) in "History of Buyids" already sensed the existence of such cycles.
- **Al-Biruni** (973-1048/1050)<sup>29</sup> clarifies the concept a little further. Just like the transformation of the continents he observes as a geographer and geologist, the social history of man is experiencing cyclical repetitions. After the murderous disaster (influence of Plato) for the inhabitants of a region overpopulated compared to its provisions, life goes back and civilization develops again, leading to a new solidarity that links and strengthens men face to adversity, and removes any conflict. The end of each

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<sup>29</sup> Al-BIRUNI, *Le livre de l'Inde*, extraits choisis, trad. Fr. V.-M. Monteil, Unesco, Sindbad, 1996.

period is characterized by high materialism, important corruption, causing the destruction of the culture cycle. Another cycle of history will begin with a new prophet sent by God.

- **Al-Turtûshi** (1059-1126)<sup>30</sup>, begins to describe, but very briefly, the phases of the cycle. In an era of prosperity, the Sultan is fair and equitable, laws are respected, mutual trust favor trade and business, with the help of weather conditions (Heaven) agriculture produces in abundance, cropland extend, multiply the goods, prices are low, the standard of living increases, taxes fit easily and alms are easily distributed. In a period of decline, the Sultan becomes unfair, and his tyrannical behavior is growing, laws are no longer respected, fraud grows in the market and in business, bad money appears. Moreover, the weather conditions (Heaven) begins to reduce agricultural production, goods become scarce, taxes no longer paid, prosperity fled when everyone just wants to increase its material wealth. Each phase is characterized first by a pulse effect (the behavior of the Sultan), then followed by an effect of imitation on the part of his subjects. Al-Turtûshi does not indicate explicitly the causes nor the terms of the reversal, depriving us of a real cyclical analysis.

The author puts together the necessary elements, but does not use them to build a dynamic of economic evolution. Ibn Khaldûn will do it.

### 2.2.2. The dynamic analysis of cycles by Ibn Khaldûn<sup>31</sup>

Ibn Khaldûn is considering the future of civilization in its economic, political, social and cultural totality. Cycles of population-production and those of public finances he describes are reintegrated into a remarkable overall dynamics. That's the reason why I chose Ibn Khaldûn as example of advanced and innovative economic analysis.

- **The cumulative process of expansion**

First, the interdependence of phenomena results in a cumulative and expansionary process composed of interrelationships between population and production. "*Prosperity is due to demographics*," wrote Ibn Khaldûn. The abundance of labor allows the division of labor, which generates productivity, and social surplus. This increased production must profit to the people: indeed, the increase of productive activity in turn requires a greater demand for labor. During this first phase of expansion, the lightness of the tax burden encourages productive activities, including agricultural ones and accordingly, the tax yield is high, providing sufficient public revenues to finance public spending still modest, but whose action benefits the whole society.

The analysis of Ibn Khaldûn therefore meets all the key elements of an explanatory theory of growth: population growth, division of labor, technical progress, productivity gains, and the need for the State to respect freedom of everyone both in terms of private profit as private property.

- **The cumulative process of depression**

Conversely, however, these same elements can cause a downward cumulative process: it is the phase of economic and political degradation. Ibn Khaldûn neglected nothing in his study the relationship between prosperity and population. With the increase in government spending, tax revenues become insufficient, and the state is forced on to increase them by all means; the fiscal inequities and damage to private property are growing, and will eventually return against their sponsor, State: reduction of agricultural production and trade (the most profitable activities for tax purposes), and therefore the tax base and tax revenues to come decrease. To cope with, the State is forced to increase further the tax burden ... The same causes produce the same effects, this vicious cycle goes on until the fall of the dynasty in place.

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<sup>30</sup> AL-TURTUSHI (ABUBEQUER de TORTOSA), *Lampara de los principes* (Siraj al-muluk), trad. esp. et éd. par M. Alarcon, Madrid, 1930.

<sup>31</sup> IBN KHALDUN, *Discours sur l'histoire universelle, Al-Muqaddima*, trad., présenté et annoté par V. Monteil, Sindbad, 1997.

### • The reversal phase

Ibn Khaldûn even offers a very modern explanation of the reversal occurring at the end of the boom. Indeed, he notes that economic growth has negative effects (negative externalities), leading to unbalanced development, manifested in several ways:

- Unbalanced development process in favor of large cities that attract workers and businesses to the detriment of small towns (a kind of agglomeration effect by Krugman)
- Unbalanced growth between the sector of consumer goods and that of public and private investment. In the analysis of Ibn Khaldûn the economist can still discern elements of a theory based on the unbalanced growth of both sectors, consumer goods and producer goods. Indeed, after the expansion process, we observe:
  - Insufficient growth of urban public spending, that is to say, investments, compared to the population, as well as private investment.
  - An uncontrolled growth of final consumption, both private and public, linked to the development of luxury, in fact the result of the delay investment.
- Relative overpopulation and epidemics in large cities, which have not developed enough public investment or infrastructure (to be differentiated from an absolute overpopulation).

But the explanation of the reversal by Ibn Khaldûn is also, and essentially, psychological and sociological. We have not time to develop it here, but in a few words the reversal lies in changing human behavior, lost of "esprit de corps" (*assabiya*), untoward effects of the taste for luxury (imitation effects, lavish spending fool increasing private and public deficits and debts).

This unbalanced growth between the sector of consumer goods and that of public and private investment, coupled with the disintegration of public finances, eventually precipitating the decline phase of economy and policy, and ultimately the fall of the dynasty in place. The theory of growth and cycles developed in the late 14<sup>th</sup> by Ibn Khaldûn, is miles away from considerations of Plato and the Greek.

Examining these themes (but it would have been the same with other themes as public finance, or money inflation), shows how the Arab-Islamic thought, especially from the 13<sup>th</sup>, could achieve an inclusive vision of economic and social phenomena. In contrast, Plato or Aristotle had only vague idea (zero in the opinion of Schumpeter!) of relationships between economic phenomena.

It is surprising that the scholars closest to Greek philosophy, like Ibn Sina / Avicenna and Al-Farabi seem relatively few concerned about interdependencies and effects of economic phenomena, in comparison with authors such as Ibn Khaldûn and Al-Maqrizi, further away from the Peripatetic.

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These numerous advances in economics illustrate how difficult it is today to defend simply the idea of "great gap" of J.A. Schumpeter, or even the "simple mediation" of Greek thought. The contribution of Islam to the development of economic thought is real and innovative in many areas, but the Christian West does not seem to have incorporated it in his quest for knowledge, as it did for philosophy. Reflection of Islam in the economic field will begin to fade away, unfortunately from the 13<sup>th</sup> to stay off in the early 15<sup>th</sup>. The "deep sleep" will take place after this "great gap" that has never existed.

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Diagram of the phase of decay according to Ibn Khaldûn

