

**SOCIOECONOMIC AND POLITICAL  
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# Socioeconomic and Political Dynamics in Ibn Khaldūn's Thought

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This article explores Ibn Khaldūn's theories and ideas about the causes that lead to the rise and fall of civilizations. By emphasizing the dynamic and interdisciplinary character of Ibn Khaldūn's methodology, it systematically shows how moral, social, political, economic, geographical, and cultural factors find their appropriate place in Ibn Khaldūn's schemata. Unlike other studies of Ibn Khaldūn's contributions, this article recasts his ideas in contemporary terminology and at once making Ibn Khaldūn's analysis and prescriptions relevant. The article also examines the central role of welfare, justice, and development in statecraft, and provides a lucid model of a contemporary Islamic welfare state whose *maqasid* include the material and moral well-being of its citizens.

Ibn Khaldūn lived at a time (1332-1405) when the Muslim civilization was already in the process of decline and disintegration.<sup>1</sup> The Abbasid Caliphate had come to an end after the pillage, burning, and destruction of Baghdad and the surrounding areas by the Mongols in 1258, around seventy-five years before Ibn Khaldūn was born. The Mamluk dynasty (1250-1517), during whose period Ibn Khaldūn's ideas crystallized, was only contributing to an acceleration of this decline by its corruption and inefficiency, except for a brief initial period in its history.<sup>2</sup> Being a conscientious Muslim, he was keen to see a reversal of this tide. However, he was well aware as a social scientist that such a reversal could not be envisaged without first drawing lessons from history to determine the factors that lead a great civilization to bloom out of humble beginnings and to decline thereafter,

The *Muqaddimah*, which was completed in November 1377, was the outcome of this desire.<sup>3</sup> It literally means "introduction," and it constitutes the introductory volume of a seven-volume history, the title of which may be freely translated as "The Book of Lessons and the Record of Cause and Effect in the History of Arabs, Persians and Berbers and their Powerful Contemporaries." The *Muqaddimah* tries to lay down the principles that govern the rise and fall of a ruling dynasty (*dawlah*) or civilization (*'umran*). However, this is not all that it does. It also contains a considerable discussion of economics, sociology, and political science, a significant part of which is Ibn Khaldūn's original contribution to these sciences. He also deserves credit for a clearer and more elegant formulation and expression of the contributions made by his predecessors and contemporaries. Ibn Khaldūn's insight into some economic principles (the main concern of this paper) was so deep and far-sighted that a number of the theories propounded by him nearly six centuries ago could undoubtedly be considered the forerunners of some of the more sophisticated modern formulations of these theories.

## An Interdisciplinary, Dynamic Model

Ibn Khaldūn's entire model is condensed to a substantial extent, even though not fully, in the following advice extended by him to the monarch:

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The strength of the sovereign (*al-mulk*) does not become consummated except by the implementation of the *Shari‘ah*

The *Shari‘ah* cannot be implemented except by a sovereign (*al-mulk*); The sovereign cannot gain strength except through the people (*al-rijal*);

The people cannot be sustained except by wealth (*al-mal*);

Wealth cannot be acquired except through development (*al-‘imarah*);

Development cannot be attained except through justice (*al-‘adl*);

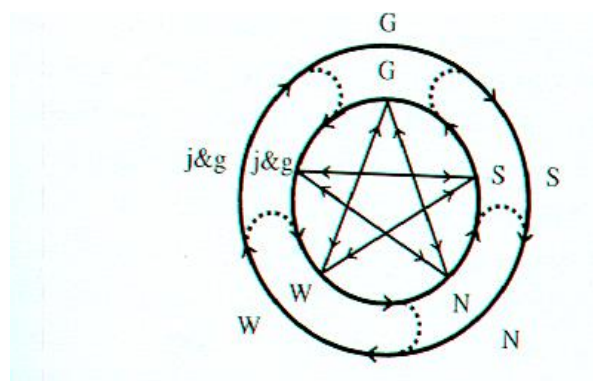
Justice is the criterion (*al-mizan*) by which God will evaluate mankind;

and

The sovereign is charged with the responsibility of actualizing justice.

(p. 39)<sup>4</sup>

The advice consists of (in Ibn Khaldūn’s own words) “eight wise principles [*kalimat hikamiyyah*] of political wisdom, each one dovetailed with the other for mutual strength, in such a circular manner that the beginning or the end is indistinguishable” (p. 40). It reflects the interdisciplinary and dynamic character of Ibn Khaldūn’s analysis. It is interdisciplinary because it does not attribute the decline to a single cause; rather, it links all important socioeconomic and political variables, including the *Shari‘ah* (S), political authority or wazi‘ (G), people or *rijal* (N), wealth or stock of resources or *mal* (W), development or *‘imarah* (g), and justice or *‘adl* (j), in a circular and interdependent manner, each influencing the other and in turn being influenced by them. Since the operation of this cycle takes place through a chain reaction over a long period of nearly three generations or almost 120 years, a dimension of dynamism gets introduced into the whole analysis and helps explain how moral, psychological, political, social, economic, and demographic factors interact with each other over time to lead to development and decline, or rise and fall, of civilizations. In a long-term analysis of this kind, there is *no ceteris paribus* clause because none of the variables remains constant. One of the variables acts as the trigger mechanism, but the others may, or may not, react in the same way. If the others do not react in the same direction, then the decay in one sector may not spread to the others and either the decaying sector may get reformed over time or the decline of the civilization may be much slower. If, however, the other sectors react in the same way as the trigger mechanism, the decay may gain momentum through an interrelated chain reaction such that it may become difficult over time to distinguish the cause from the effect. This circle of causation became referred to later on as the circle of equity (see figure below).<sup>5</sup>



Two of the most crucial links in this chain of causation are development (g) and justice (j). Development is essential because the normal tendency in societies is not to remain stagnant; they either advance or decline. Development does not refer here to merely economic growth. It encompasses all-round human development such that each variable enriches the others (G, S, N, and W) and in turn gets enriched by them, contributing thereby to true well-being or happiness of the people (N), and ensuring not only the survival but also the rise of the civilization. Development is, however, not possible without justice (j). The two are so closely interlinked in Ibn Khaldūn's analysis that they have been shown together in the following diagram. Justice, like development, is also not conceived by Ibn Khaldūn here in its narrow economic sense, but rather in the more comprehensive sense of justice in all spheres of human life. Justice in this comprehensive sense may not be fully realized without creating a caring society through brotherhood and social equality, and ensuring security of life, property, and honour for every individual, honest fulfilment of all socioeconomic and political obligations, due reward to everyone for whatever he or she has done, and prevention of cruelty and injustice to anyone in any form.

Of the other variables, the *Shari'ah* (S) refers to values and institutions or rules of behaviour for making people (N) fulfil their obligations toward each other and curbing socially harmful behaviour to ensure justice (j), development (g), and the well-being of all. These rules may be formal or informal and written or unwritten. All societies have such rules of behaviour based on their own value systems. The primary basis of these rules in a Muslim society would be the *Shari'ah* (S). The *Shari'ah* (S) may not be able to play a meaningful role unless it gets implemented fairly and impartially. It is one of the responsibilities of the society (N) and the government (G) to ensure this. Wealth (W) provides the resources that are needed for ensuring justice and development, the effective performance of its role by the government (G), and the well-being of all people (N).

If one were to express Ibn Khaldūn's analysis in the form of a functional relationship, one could state that

$$G = f(S, N, W, g \text{ and } j).$$

This equation does not capture the dynamics of Ibn Khaldūn's model, but it does reflect its multidisciplinary character by taking into account all of the major variables he discussed. In this equation, G has been shown as a dependent variable because one of the main concerns of Ibn Khaldūn is to explain the rise and fall of dynasties (states) or civilizations. According to him the strength or weakness of the dynasty depends on the strength or weakness of the political authority which it embodies. The political authority (G) must, in the interest of its own long-run survival, ensure the well being of the people (N) by providing a proper environment for the actualization of development (g) as well as justice (j) through the implementation of the *Shari'ah* (S) and the development and equitable distribution of wealth (W).

However, while a normal cause and effect relationship may not necessarily be reversible, the circular and interdependent causation in human societies emphasized by Ibn Khaldūn generally tends to be so. Any one of the independent variables may be treated as a dependent variable, with the others being considered independent. This implies that the trigger mechanism for the fall of a society, which is the failure of G in Ibn Khaldūn's analysis, may not necessarily be the same for all societies. It could be any of the other variables. It could, for example, be the disintegration of the family, which is an integral part of the N in the model. This may lead first to a lack of proper

upbringing of children and then to a decline in the quality of human beings (N), who constitute the bedrock of any civilization. It could also be the weakness of the economy (W) resulting from a wrong economic system (S), as was the case in totalitarian economies, or unhelpful values and institutions (S), as in many developing countries.

### **The Role of the People (N), Justice (j), and the State (G)**

Human beings are social by nature and prefer to live together (p. 41). This is because, in their individual capacity, they are unable to fulfil all their basic needs or even to defend themselves. They are in dire need of the help and cooperation of others. They cannot, however, live together and cooperate with each other in a state of conflict, hostility (*'udwan*), and injustice (*zulm*) (p.43). These would make social life impossible. It is, therefore, necessary to have '*asabiyyah* (group feeling) and *wazi*' (restraining power or government) to prevent conflict and injustice and to keep the people together.

Linguistically the term '*asabiyyah* is used in Arabic in two senses. One of these is good and in harmony with the concept of brotherhood in Islam. This is what makes people (N) cooperate with each other for common objectives, rein their self-interest, and fulfil their obligations toward each other, thereby promoting social harmony and serving as a decisive force in the rise and development of a civilization. In this sense it has been extolled and encouraged by the *Shari'ah* (S). The other sense in which the term '*asabiyyah* is used refers to the blind and prejudiced loyalty to one's own group. This leads to the favouring of one's own group, irrespective of whether it is right or wrong, and promotes inequities, mutual hatred, and conflict. In this sense it is against the teachings of the *Shari'ah* and has been condemned by the Prophet, may the peace and blessings of Allah be on him.<sup>6</sup> Both of these connotations are reflected in the Qur'anic verse: "And cooperate with each other in furthering righteousness and piety, but do not cooperate with each other in furthering evil and transgression" (5:2). Ibn Khaldūn uses the word '*asabiyyah* in the first sense,

However, '*asabiyyah* is itself dependent on a number of variables which Ibn Khaldūn has included in his circular causation. It develops and gets strengthened if there is justice (j) to ensure the well-being of all through the fulfilment of mutual obligations and an equitable sharing of the fruits of development (W and g). The absence of justice would tend to generate discontent among the people, dishearten them, and adversely affect their solidarity. This will in turn not only adversely affect their motive to work but also sap their efficiency, innovativeness, entrepreneurship, drive, and other good qualities, leading ultimately to the society's disintegration and decline. Justice, however, necessitates a code of behaviour. The *Shari'ah* (S) provides such a code. But no moral code may become effective unless the people know what it stands for and an efficient political authority (O) or *wazi*' ensures compliance by the high and the low (p. 43). Political authority has the same relationship to a civilization as form has to matter (pp. 371 and 376). "It is not possible to conceive of political authority (*dawlah*) without civilization (*'umran*) and of civilization without political authority" (p. 376). Ibn Khaldūn classifies political authority into three kinds. The first is the "natural or normal" (tab 1) authority which enables everyone to satisfy self-interest (*al-ghard*) and sensual pleasures (*al-shahwah*); the second is the "rational political" authority (*siyasah 'aqliyyah*) which enables everyone to serve worldly self-interest and to prevent harm in accordance with certain rationally derived principles; and the third is the morally based political authority (*siyasah diniyyah* or *khilafah*) which

enables everyone to realize well-being in this world as well as the hereafter in accordance with the teachings of the *Shari'ah* (pp. 190-91). If one were to use modern terminology for these three different states, one could perhaps call them the secular *laissez faire* or passive state, the secular welfare state, and the Islamic welfare state or *khilafah*.

It would be imperative for the Islamic welfare state to make the people (N) follow the intent of the *Shari'ah* (S) in their worldly as well as other worldly affairs (pp. 190-91). It would have to keep in check all behaviour that is harmful for socioeconomic development - dishonesty, fraud, and unfairness. It may also have to ensure the fulfilment of contracts and respect of property rights and to inculcate in the people qualities that are necessary for social harmony and development with justice.<sup>7</sup>

This raises the related question of whether the Islamic welfare state would realize its goals by means of coercion or persuasion? In a chapter titled "Excessive Harshness Harms the State and in Most Cases Leads to Its Decay" (pp. 188-89), Ibn Khaldūn advises the state not to try to fulfil its role in a harsh and oppressive manner (p. 188). He stresses that "a kind and benevolent ruler serves to make the people happy and to accelerate their creative and developmental activity" (p. 301). This is fully in conformity with two *hadiths* of the Prophet which say: "Whoever is deprived of gentleness is deprived of goodness"; and "God is gentle and likes gentleness; He rewards for gentleness what he does not reward for harshness or any thing else"<sup>8</sup> The Islamic welfare state may, therefore, have to place primary reliance on education, persuasion, and creation of a proper enabling environment for the realization of its goals (pp. 39, 43, 157). However, the existence of incentives and deterrents cannot be ruled out. In two other chapters<sup>9</sup> he emphasizes that the sovereign must have all the noble qualities of character required by religion and politics. He must be tolerant, moderate and fair, and avoid cunning, fraud, and falsehood. He must fulfil all his obligations, contracts, and promises; be accessible to the people; attend to their complaints; remove their grievances; fulfil their needs, particularly of the poor and lowly persons; and remove injustice and oppression. He argues that the sovereign is by himself weak and needs the help of others. Therefore, if he wishes to carry out his responsibilities fully, he must appoint sincere and competent persons to assist him (pp. 235-43).

The playing of such a role has been considered by Ibn Khaldūn like all other Muslim scholars writing on the subject, to be a necessity and not optional (p. 202).<sup>10</sup> He devotes to this subject a whole chapter titled "Human Development Requires Political Leadership for Its Proper Ordering" (pp. 302-11) in addition to substantial discussion in several other chapters. According to him, the state could provide such leadership by creating an enabling environment, making proper arrangements for upbringing and education to create the needed qualities in the people (p. 429), promoting sciences and industries (*al-'ulum wa al-sana'i'*) (pp 400, 430, and 434), constructing infrastructure (roads, bridges, etc.) (p. 347), and ensuring law and order (p. 347), healthy physical environment (pp. 302 and 347), social security, an efficient judicial system, and orderly and equitable operation of the markets (p. 225). If the political organization performs its role effectively, it will contribute positively to development or *'imarah* (g). People's needs will be fulfilled and they will be properly motivated toward hard, conscientious, and efficient work, If not, there will be decay.

The resources that the state needs for this purpose may be raised through a "just" and "efficient" tax system. The principles that the state must observe while raising

revenues through taxes have been clearly elaborated by Ibn Khaldūn. These are discussed later under the subheading “Public Finance.”

Thus, unless an efficient political organization implements the *Shari‘ah* (pp. 43, 188, 191-92, 218), there will be no justice. Unless there is justice there will be no ‘*asabiyyah*, and unless there is ‘*asabiyyah*, there will not be a proper environment for the implementation of the *Shari‘ah*, and thus for law and order, development, and prosperity (pp. 158, 159, and 202). The absence of ‘*asabiyyah*, law and order, development and prosperity will in turn make the political administration (G) weak and ineffective. This will become reflected in a weakening of all the other major socioeconomic variables (S, N, W, and j) and lead to decay and downfall.

However, while the state plays an important role in Ibn Khaldūn’s circular causation, it does not acquire the character of a monolithic or despotic state resorting to a high degree of regimentation (p. 188). The government should not, in the interest of its own survival, exercise absolute power. It should not feel that, just because it has authority, it can do whatever it wants (p. 306). Rather, it should use its powers to enable the markets to function smoothly<sup>11</sup> and to create a proper environment for the realization of development (g) and justice (j) (p. 306). His concept of the state, like that of other Muslim scholars, is one where the state is welfare oriented, moderate in its spending, respects the property rights of people, and avoids onerous taxation (p. 296). By its spending and just policies, it promotes development, and by its excessive taxation and unjust policies, it discourages development (pp. 279-81). In other words, Ibn Khaldūn stands for a state whose powers as well as fruits of power are equitably shared (p. 168), and which promotes justice, development, and prosperity (pp. 43, 151, 152, 158, and 167).

While he considers the state to be the greatest market (pp. 286 and 403) as a result of its large spending for the well-being of the people, he considers it undesirable for the state to get directly involved in economic activity (p. 281).<sup>12</sup> This not only reduces opportunities for the people (N),<sup>13</sup> but also ultimately hurts the state (pp. 281-83). Rather, the state must do things that would help people carry on their business more efficiently and prevent them from committing excesses and injustices. Thus the state has been visualized by Ibn Khaldūn as neither a *laissez faire* state nor a totalitarian state; rather, it is a state which ensures the prevalence of the *Shari‘ah* and serves as an instrument for human development and well-being.

### **The Role of the *Shari‘ah***

The code of conduct that societies need for their development is most effective when there is unchallenged acceptance and willing compliance by all. Both the acceptance of, and compliance with, the code of behaviour tend to be best when the code of behaviour has a Divine origin (p. 157).’ The *Shari‘ah* serves the interests of the people (p. 143). It promotes cooperation and reduces differences (p. 157)<sup>14</sup> and has proved to be the most powerful cement for holding a large group together (pp.39, 151, 152, 157, 158). It helps inculcate in the people socially desirable qualities like diligence, honesty, integrity, frugality, and group feeling, which can contribute to development, justice, mutual care, cooperation, and social peace and harmony and also keep in check socially harmful behaviour.<sup>15</sup> It can exert a moderating influence on the use of resources and thereby contribute to resource balance. Without all these qualities in people (N), there may be inequities, imbalances, discontent, and disorder, which may lead ultimately to economic decline and the disintegration of society. Its concept of human accountability in the hereafter before the Supreme Being, from

whom nothing can be hidden, can serve as a powerful mechanism for reducing clandestine ways of increasing personal gain at the expense of others without getting caught. It may not be possible for law-enforcement authorities to eliminate all such practices by themselves. If they try to do so, the cost would be unbearably high.

The making of *Shari'ah* (5) a dependent variable by Ibn Khaldūn in his model may seem a little odd to most Muslims. Being based on the revealed word of God, they would feel, even as Ibn Khaldūn does, that the *Shari'ah* is “the guide to everything that is good and leads toward it” (p. 304). Ibn Khaldūn’s position, however, becomes clear once we realize that the *Shari'ah* gives only the broad principles, which need to evolve in accordance with the changing needs of the people (N) through space and time. It also needs to be implemented. Both the evolution and the implementation of the *Shari'ah* may not take place if the ‘*ulama*’ (the learned people, and in particular religious scholars) are either too liberal or too rigid and unrealistic, the political authority is secularist and corrupt and not willing to play its role in the implementation of the *Shari'ah* (S), and the people (N) are too poor, ignorant, and suppressed to be able to exert a significant influence. The *Shari'ah* (S) may not thus be effective if both G and N (including the ‘*ulama*’) do not play their roles properly. In this sense it may not be difficult to visualize the *Shari'ah* (S) also as a dependent variable.

This does not, however, necessarily challenge either its supremacy or the immutable parts of its contents. This is nothing but a reflection of the Prophet’s sayings, which state that “God restrains through the sultan [what He does not restrain through the Qur’an]”<sup>16</sup> and that “poverty may lead to the brink of disbelief?”<sup>17</sup> One may also realize the truth behind al-Mawardi’s assertion that injustice leads to the corruption (*fasad*) of human society and the decay (*kharab*) of its civilization due to non-actualization of the *maqasid al-Shari'ah*, or the goals of the *Shari'ah* (p. 39). Ibn Taymiyyah (d. 1328) was also, therefore, right in believing that Islam and injustice can not coexist one of the two would become weakened by the presence of the other.<sup>18</sup>

History also bears out this aspect of Ibn Khaldūn’s model. The development of *tafsir* and *fiqh* have been affected by the changing socioeconomic and political conditions of the Muslim world, even though the core of the *Shari'ah* has been punctiliously preserved. This also explains, at least partly, why *fiqh* did not develop significantly, and got involved in some highly unproductive discussions, during the period of Muslim decline and why the *Shari'ah* did not get sufficiently implemented when the other crucial variables, whose strength serves as a pedestal for such implementation, suffered a continued setback. Hence, there may be little room for doubt in any one’s mind that the strength of the *Shari'ah* (S) does depend to a great extent at any given time on the understanding, strength, and attitude of the political authority (G) and the people (N) as well as the promotion of wealth (W), development (g), and justice (j).

### **Wealth (W) and Development (g)**

W and g are also necessary for the well-being of a society, and its weakness or greatness depends on them. But how are these to be promoted? Ibn Khaldūn gives a categorical reply. They do not depend on the stars (p. 366) or the existence of gold and silver mines (p. 366);<sup>19</sup> rather, they depend on economic activity (pp. 360 and 366), size and division of labour (p. 360), largeness of the market (p. 403), incentives and facilities provided by the state (p. 305), and tools (p. 365), which in turn depend on saving or “surplus left after satisfying the needs of the people” (p. 365).<sup>20</sup> The greater the activity, the greater the income. Higher income will contribute to larger



saving and greater investment in tools (p. 365), which will in turn contribute to greater development (g) and wealth (W) (p. 360).<sup>21</sup> He also emphasizes the role of investment: “And know that wealth does not grow when hoarded and amassed in safes; rather, it grows and expands when it is spent for the well-being of the people, for giving them their rights, and for removing their hardships” (p. 306). This makes “the people better off, strengthens the state, makes the times prosperous, and enhances the prestige of [the state or *dawlah*]” (p. 306). Factors that would serve as catalysts are low rates of taxes (pp. 286-87), security of life and property (p. 347), and a healthy physical environment, amply provided with trees and water and other essential amenities of life (pp. 347-49). Wealth also depends on division of labour and specialization; the greater the specialization the higher the growth in wealth (p. 360). Division of labour cannot, however, materialize unless there are well-regulated markets which enable people to fulfil their needs (pp. 360-62).

The rise in incomes and wealth contributes to a rise in tax revenues and enables the government to spend more on the people’s well-being. This leads to an expansion in economic opportunities (p. 362) and greater development, which, in turn, induces a natural rise in population and also migration of skilled and unskilled labour and of learned people from other places (p. 363), thus further strengthening the human and intellectual capital of that society. Such a rise in population boosts the demand for goods and services and thereby promotes industries (*al-sana’i*), raises incomes, promotes sciences and education (pp. 399 and 429), and further accelerates development (pp. 363 and 403). In the beginning, prices tend to decline with the rise in development and production (p. 363). However, if demand keeps on rising and the supply is unable to keep pace with it, scarcities develop, leading to a rise in the prices of goods and services (p. 363). Prices of necessities tend to rise faster than those of luxuries, and prices in urban areas rise faster than those in rural areas (pp. 364-65). The cost of labour also rises and so do taxes. These lead to a further rise in prices, which creates hardship for people and leads to a reversal in the flow of population (p. 364). Development declines and along with it prosperity and civilization.

While a rise in population and development leads to prosperity, it also leads to greater pollution of air and the physical environment and to the spread of epidemics and a rise in deaths (p. 302). Development and prosperity also tend to breed luxury (p. 167). While luxury may initially contribute to a rise in demand and incomes and thus to greater development and strengthening of the state (pp. 174-75), it ultimately corrupts morals (pp. 157, 357, and 399) and loosens the moral restraint on spending. Moderation loses ground in favour of extravagance.<sup>22</sup> People then tend to spend all their energies on the acquisition of luxury goods. When it becomes impossible for them to acquire these goods through rightful means, they resort to corruption. The good qualities and the creative powers, which led to solidarity and prosperity, get weakened (pp. 167, 174, and 373). The fruits of development do not get distributed equitably (p. 168). This impairs the incentive for work and creativity and leads to a decline in prosperity.

The decline in income leads to a decline in tax revenues, which are no longer sufficient to cover state spending. The state tends to impose more and more taxes and also tries to gain excessive control over all sources of power and wealth. The incentive to work and earn is adversely affected among the farmers and the merchants, who provide most of the tax receipts (p. 282). Incomes decline and so do the tax revenues (p. 282).<sup>23</sup> The state is in turn unable to spend on development and

well-being. Development declines, the recession deepens further, and the forces of decay get accelerated and lead to the end of the ruling dynasty (pp. 168 and 280-81).

### **Other Contributions of Ibn Khaldūn**

Ibn Khaldūn thus seems to have had a clear vision of how all the different moral, social, economic, and political factors operate in an interrelated and dynamic manner to promote the development or decline of a society. However, this is not all that he does. In the process of this discussion, he makes a number of valuable contributions to economic theory. According to Boulakia, Ibn Khaldūn elaborated “a theory of production, a theory of value, a theory of distribution, and a theory of cycles, which combine into a coherent general economic theory which constituted the framework of his history.”<sup>24</sup> Although it is not possible to provide a comprehensive coverage of all these, some of his contributions in the field of supply and demand, price determination, and public finance are described below.

### **Supply and Demand**

Ibn Khaldūn recognized the influence of both supply and demand in the determination of prices (p. 396).<sup>25</sup> This is highly significant because the role of both supply and demand in the determination of value was not well understood in the West until the late nineteenth and the early twentieth centuries. The pre-classical English economists like William Petty (1623-1687), Richard Cantillon (1680-1734), James Steuart (1712-1780), and even Adam Smith (1723-1790), the founder of the classical school, generally stressed only the role of the cost of production, and particularly of labour, in the determination of value. The first use in English writings of the notions of both supply and demand was perhaps in 1767.<sup>26</sup> Nevertheless, it was not until the second decade of the nineteenth century that the role of both demand and supply in the determination of market prices began to be appreciated fully.<sup>27</sup>

Ibn Khaldūn emphasized that both an increase in demand or a fall in supply leads to a rise in prices, while a decline in demand or a rise in supply contributes to a fall in prices (pp. 393 and 396). He believed that while continuation of “excessively low” prices hurts the craftsmen and traders and drives them out of the market, continuation of “excessively high” prices hurts the consumers. “Moderate” prices in between the two extremes were, therefore, desirable, because they would not only allow the traders a socially accepted level of return but also lead to the clearance of the markets by promoting sales and thereby generating a given turnover and prosperity (p. 398). Nevertheless, low prices were desirable for necessities because they provide relief to the poor who constitute the majority of the population (p. 398). If one were to use modern terminology, one could say that Ibn Khaldūn found a stable price level with relatively low cost of living to be preferable from the point of view of both growth and equity in comparison with bouts of inflation and deflation. The former hurts equity while the latter reduces incentive and efficiency. Low prices for necessities should not, however, be attained through the fixing of prices by the state; this would destroy the incentive for production (pp. 279-83).

The factors which determined supply were, according to Ibn Khaldūn: demand (pp. 400 and 403), the relative rate of profit (pp. 395 and 398), the extent of human effort (p. 381), the size of the labour force as well as their knowledge and skill (pp. 363 and 399-400), peace and security (pp. 394-95 and 396), and the technical background and development of a whole society (pp. 399-403). All these constituted important elements of his theory of production. If the price falls and leads to a loss, capital gets

eroded and the incentive to supply declines, leading to a recession. Trade and crafts also consequently suffer (p. 398).

The factors which determined demand were income, the size of the population, the habits and customs of the people, and the general development and prosperity of the society. While Ibn Khaldūn went far ahead of conventional economists, he did not probably have any idea of demand and supply schedules, elasticities of demand and supply, and most important of all, equilibrium price which plays a crucial role in modern economic discussions.

Ibn Khaldūn ruled out the feasibility or desirability of self-sufficiency and emphasized division of labour and specialization by indicating that “it is well-known and well-established that individual human beings are not by themselves capable of satisfying all their individual economic needs. They must all cooperate for this purpose. The needs that can be satisfied by a group of them through mutual cooperation are many times greater than what individuals are capable of satisfying by themselves” (p. 360).<sup>28</sup> In this respect he was perhaps the forerunner of the theory of comparative advantage.

### **Public Finance**

Ibn Khaldūn clearly stresses the role of both private entrepreneurship and the state in economic development. For him the state is also an important factor of production. By its spending it promotes production, and by its taxation it discourages production (pp. 279-8 1). Since the government constitutes the greatest market for goods and services and is a major source of all development (pp. 286 and 403), a decrease in its spending would lead not only to a slackening of business activity and a decline in profits but also to a decline in tax revenue (p. 286). The more the government spends, the better it may be for the economy (p.286). Higher spending enables the government to do the things that are needed to support the population (pp. 306 and 308) and to ensure law and order and political stability. Without order and political stability, the producers have no incentive to produce. He states that “the only reason for [the accelerated development of cities] is that the government is near them and pours its money into them, like the water [of a river] that makes green everything around it, and fertilizes the soil adjacent to it, while in the distance everything remains dry” (p. 369).

Long before Adam Smith (d. 1790), who is famous, among other things, for his canons of taxation (equality, certainty, convenience of payment, and economy in collection),<sup>29</sup> Ibn Khaldūn stresses his principles of taxation very forcefully in the *Muqaddimah*. He quotes from a letter written by Tahir ibn al-Husayn, Caliph al-Ma'mun's general, advising his son, Abdullah ibn Tahir, governor of al-Raqqah (Syria): “So distribute [taxes] among all people making them general, not exempting anyone because of his nobility or wealth and not exempting even your own officials or courtiers or followers. And do not levy on anyone a tax which is beyond his capacity to pay” (p. 308).<sup>30</sup> In this particular passage he stresses the principles of equity and neutrality, while in other places he also stresses the principles of convenience and productivity. Even before him, jurists had stressed these principles, particularly the need for the tax system to be just and not oppressive.<sup>31</sup>

The effect of taxation on incentives and productivity was so clearly visualized by Ibn Khaldūn that he seems to have grasped the concept of optimum taxation. He anticipated the gist of the Laffer curve, nearly 600 years before Professor Arthur Laffer, in two full chapters of the *Muqaddimah*.<sup>32</sup> At the end of the first chapter, he

concludes that “the most important factor making for business prosperity is to lighten as much as possible the burden of taxation on businessmen, in order to encourage enterprise by ensuring greater profits [taxes]” (p. 280). He explains this during the course of the chapter by stating that “when taxes and imposts are light, the people have the incentive to be more active. Business therefore expands, bringing greater satisfaction to the people because of low taxes ..., and tax revenues also rise, being the sum total of all assessments” (p. 279). He goes on to say that as time passes the needs of the state increase and rates of taxation rise to increase the yield. If this rise is gradual people get accustomed to it but ultimately there is an adverse impact on incentives. Business activity gets discouraged and declines and so does the yield of taxation (pp. 280-81). A prosperous economy at the beginning of the dynasty thus yields higher tax revenue from lower tax rates while a depressed economy at the end of the dynasty yields smaller tax revenue from higher rates (p. 279). He explains the reasons for this in the other chapter by stating: “Know that acting unjustly with respect to people’s wealth, reduces their will to earn and acquire wealth ... and if the will to earn goes, they stop working. The greater the oppression the greater the effect on their effort to earn ... and, if people abstain from earning and stop working, the markets will stagnate and the condition of people will worsen” (pp. 286-87); tax revenues will also decline (p. 362). He, therefore, advocates justice in taxation (p. 308).

Ibn Khaldūn also analyzes the effect of government expenditure on the economy and is, in this respect, a forerunner of Keynes. He says: “A decrease in government spending leads to a decline in tax revenues. The reason for this is that the state represents the greatest market for the world and the source of civilization. If the ruler hoards tax revenues, or if these are lost, and he does not spend them as they should be, the amount available with his courtiers and supporters would decrease, as would also the amount that reaches through them to their employees and dependents [multiplier effect]. Their total spending would, therefore, decline. Since they constitute a significant part of the population and their spending constitutes a substantial part of the market, business will slacken and the profits of businessmen will decline, leading also to a decline in tax revenues... .Wealth tends to circulate between the people and the ruler, from him to them and from them to him. Therefore, if the ruler withholds it from spending, the people would become deprived of it” (p. 286).

### **Later Developments**

Ibn Khaldūn thus adopted the approach of socioeconomic dynamics to show how societies rise and fall over the long-term period of three generations, or nearly 120 years, through the interrelated impact of moral, psychological, political, social, economic, and demographic factors. He did not thus commit the neoclassical economists’ mistake of being concerned primarily with the short-term static analysis of only the markets by assuming unrealistically that all other factors remain constant. Even in the short run everything may be in the process of change through a chain reaction to various changes constantly taking place in human society, even though these changes may be so small that they may be imperceptible. Therefore, even though economists may adopt the *ceteris paribus* assumption for convenience and ease of analysis, Ibn Khaldūn’s socioeconomic dynamics approach may perhaps be more helpful in formulating socioeconomic policies that could help improve the overall long-run performance of a society and raise the well-being of its people. Neoclassical economics is unable to do this because, as North has rightly asked, “How can one prescribe policies when one doesn’t understand how economies

develop?” He, therefore, considers neoclassical economics to be “an inappropriate tool to analyze and prescribe policies that will induce development.”<sup>33</sup> Since Ibn Khaldūn formulated a brilliant model for explaining the rise and fall of a society, Toynbee was right in declaring that in terms of “both breadth and profundity of vision as well as for sheer intellectual power,” Ibn Khaldūn has, in the *Muqaddimah* to his *Universal History*, “conceived and formulated a philosophy of history which is “undoubtedly the greatest work of its kind that has ever yet been created by any mind in any time or place.”<sup>34</sup>

Unfortunately, the rich theoretical contribution made by Ibn Khaldūn did not get fertilized and irrigated further by later Muslim scholars to lead to the development of Islamic economics. This may perhaps have been because, as indicated earlier, Ibn Khaldūn (d. 1406) lived at a time when the political and socioeconomic decline of the Muslim world was already underway. He was perhaps “the sole point of light in his quarter of the firmament.”<sup>35</sup> According to Ibn Khaldūn himself, sciences progress only when a society is itself progressing (p. 434). This theory is clearly upheld by Muslim history. Sciences progressed rapidly in the Muslim world for four centuries from the middle of the eighth to the middle of twelfth centuries and continued to do so at a substantially decelerated pace for at least two more centuries, tapering off gradually thereafter. Once in a while there did appear a brilliant star on an otherwise unexciting firmament. Economics was no exception. It also continued to be in a state of limbo in the Muslim world. No worthwhile contributions were made after Ibn Khaldūn except by a few isolated scholars like al-Maqrizi (d. 1442), al Dawwani (d. 1501), and Shah Waliyullah (d. 1762). Their contributions were, however, only in specific areas and did not lead to a further development of Ibn Khaldūn’s model of socioeconomic dynamics. Islamic economics did not, therefore, develop as a separate intellectual discipline in conformity with the Islamic paradigm along the theoretical foundations and method laid down by Ibn Khaldūn. It continued to remain an integral part of the social and moral philosophy of Islam. Rosenthal has hence rightly observed:

We can hardly do better than to state simply that here was a man with a great mind, who combined action with thought, the heir to a great civilization that had run its course, and the inhabitant of a country with a living historical tradition — albeit reduced to remnants of its former greatness — who realized his own gifts and the opportunities of his historical position in a work that ranks as one of mankind’s important triumphs.<sup>36</sup>

### **Al-Maqrizi**

Ibn Khaldūn had already established the causal link between bad government and high grain prices by indicating that in the later stage of the dynasty, when public administration becomes corrupt and inefficient and resorts to coercion and oppressive taxation, the farmers have no incentive and refrain from cultivating the land. Grain production and reserves fail to keep pace with the rising population resulting from the prosperity which had continued so far. The absence of reserves causes supply shortages in the event of a famine and leads to price escalation (pp. 301-303) Al-Maqrizi (d. 1442) who, as *muhtasib* (market supervisor), had intimate knowledge of the economic conditions during his times, is an outspoken critic of the Circassians or Burji Mamluks (1382-1517). He applies Ibn Khaldūn’s analysis in his *Ighathah al-Uinmah bi Kashf al-Ghummah* (Helping the Community by Revealing the Causes of its Distress) to determine the reasons for the economic crises of Egypt during the period 1403-6.<sup>37</sup>

He points out that the political administration had become very weak and corrupt during the Circassian Mamluk period. Public officials were appointed on the basis of bribery rather than ability. To recover the bribes, officials resorted to oppressive taxation. The incentive to work and produce was adversely affected and output declined. The crisis was further intensified by debasement of the currency through the excessive issue of copper *fulus*, or fiat money, to cover state budgetary deficits. All these factors joined hands with the famine to lead to a high degree of inflation, misery of the poor, and impoverishment of the country. Hence, al-Maqrizi laid bare the socio-political determinants of the prevailing “systemic crisis” by taking into account a number of variables like corruption, bad government policies, and weak administration. All of these together played a role in worsening the impact of the famine, which could otherwise have been handled effectively without a significant adverse impact on the population. This is clearly a forerunner of Sen’s entitlement theory, which holds the economic mismanagement of illegitimate governments to be responsible for the poor people’s misery during famines and other natural disasters.<sup>38</sup> What al-Maqrizi wrote of the Circassian Mamluks was also true of the later Ottoman period.<sup>39</sup>

### **Shah Waliyullah al-Dihlawi**

Shah Waliyullah al-Dihlawi (d. 1762), popularly known only as Shah Waliyullah, was born 4 years before the death in 1707 of the Mogul emperor, Aurangzeb, in India.<sup>40</sup> Aurangzeb’s rule, spanning a period of forty- nine years, was followed by a great deal of political instability - ten different changes in rulers during Shah Waliyullah’s life span of fifty-nine years - leading ultimately to the weakening and decline of the Mughal empire. Shah Waliyullah analyzes the development of society through four different stages (*irtifaqat*), moving from the earliest forms of social existence to the development of a state for establishing law and order and justice, to the last stage of *khilafah*, which tries to ensure the spiritual as well as the material well-being of the people. While he considers political authority to be indispensable for human well-being, he feels that it must have the characteristics of the *khilafah* if it is to serve as a source of well being and not of burden and decay. He applies this analysis in various writings to the conditions prevailing during his lifetime. He finds that the luxurious lifestyle of the rulers, along with their exhausting military campaigns, increasing corruption and inefficiency of the civil service, and huge stipends to a vast retinue of unproductive courtiers, led them to the imposition of oppressive taxes on farmers, traders, and craftsmen, who constitute the main productive section of the population. These people have, therefore, lost interest in their occupations, output has sloped downward, state financial resources have declined, and the country has become impoverished.<sup>41</sup> Thus, in step with Ibn Khaldūn and other Muslim scholars, al-Maqrizi and Shah Waliyullah combine moral, political, social, and economic factors to explain the economic phenomena of their times and the rise and fall of their societies.

### **NOTES**

1. For a brief account of the general decline and disintegration of the Muslim world during the fourteenth century, see Muhsin Mahdi, *Ibn Khaldūn’s Philosophy of History* (Chicago: University of Chicago Press, 1964), pp. 17-26.
2. The Mamluk (Slave) Dynasty in Egypt is divided into two periods. The first period was that of the Bahri (or Turkish) Mamluks (1250-1382). The earlier part of this dynasty has generally received praise in the Chronicles of their contemporaries. The

second period was that of the Burji Mamluks (Circassians, 1382-1517). This period was beset by a series of severe economic crises. For details see Adel Allouche, *A Study and Translation of al-Maqrizi's Ighathah* (Salt Lake City: University of Utah Press, 1994).

3. All numbers given within parentheses in the text refer to page numbers in the *Muqaddimah*. Several different editions of the *Muqaddimah* are available in Arabic. In writing this article, I used the one published in Cairo by al-Maktabah al-Tijariyyah al-Kubra which does not indicate the year of publication. It has the advantage of showing all vowel marks, which makes the reading relatively easier. The *Muqaddimah* was translated in English in three volumes by Franz Rosenthal under the title, *Ibn Khaldūn: The Muqaddimah, An introduction to History* (London: Routledge and Kegan Paul, 1<sup>st</sup> ed., 1958, 2nd ed. 1967). Selections from the *Muqaddimah* by Charles Issawi were published in 1950 under the title, *An Arab Philosophy of History: Selections from the Prolegomena of Ibn Khaldūn, 1332-1406* (London: John Murray, 1950).

4. The same advice is repeated on p. 287. Ibn Khaldūn himself says that his book is a *tafsir* (elaboration of this advice) (p. 40), which was given by Mobedhan, a Zoroastrian priest, to Bahram ibn Bahram and reported by Abu al-Hasan Ali al-Mas'udi (d. 346/957) in *Muruj al-Dhahab wa Ma'adin al-Jawhar*, ed. M. Muhay al-Din 'Abd al-Hamid (Beirut: Al Maktabah al-'Asriyyah, 1988), vol. 1, p. 253. Ibn Khaldūn acknowledges this fact (p. 40) but also clarifies simultaneously that "We became aware of these principles with God's help and without the instruction of Aristotle or the teaching of Mobedhan" (p. 40).

5. The circle of causation became shortened during the Ottoman rule (fourteenth to twentieth century) to read: "There can be no royal authority without the military; there can be no military without wealth; the people (*ra'iyyah*) produce the wealth; the sultan helps the *ra'iyyah* by ruling justly." (Reproduced by M.S. Meyer, "Economic Thought in the Ottoman Empire in the 14th - Early 19th Centuries," *Archiv Orientalni*, 4: 57, 1989, pp. 305-18, from N. Berkes, *Turkiye Iktisad Tarihi*, Cilt 2, Istanbul 1972, p. 325.) Note in particular the shift of emphasis to the military, which did not exist in Ibn Khaldūn's model.

6. The Prophet (570-632), may the peace and blessings of God be on him, was asked whether the love of one's own *qawm* (group, tribe, or nation) constituted '*asabiyyah*. He said: "No! '*Asabiyyah* is rather the helping of one's *qawm* in *zulm* (injustice)." (Reported by Ibn Majah, *Sunan ibn Majah* (Cairo: 'Isa al-Babi al-Halabi, 1952), vol. 2, p. 1302, no. 3949, from Abu Fasilah, *Kitab al-Fitan* (36), *Bab al-'Asabiyyah* (7)).

He also said, Whoever fights under a flag of blind prejudice (*'amiyyah*), invokes '*asabiyyah*. and gets worked up by '*asabiyyah*, his fighting is in the way of pre-Islamic ignorance (*jahiliyyah*)" (Reported by Ibn Majah, vol. 2, p. 1302, no. 3948, from Abu Hurayrah, *Kitab al-Fitan*, *Bab al-'Asabiyyah* .

When asked whether a person who fights for war spoils (*maghnam*) , fame (*dhikr*), or prestige (*li yara makanahu*), was fighting in the way of God, he replied "only that person who fights to make the word of God uppermost is in the way of God" (Reported by al-Bayhaqi from Anas ibn Malik in his *Shu'ab al-Iman* (Beirut: *Dar al-Kutub al-'Ilmiyyah*, 1990), vol. 4, p. 30, no. 4263, *Bab fi al-Jihad*).

7. It is only recently that the political dimension of economic reform and development has started receiving analytical attention. Douglas North emphasized that the only

way economies can develop optimally is to keep “nasty” behaviour in check. Governments are capable of doing this. If they don’t, individuals may behave in ways that could undermine the very foundations of the system and lead to social chaos and economic collapse. (See the chapter “Ideology and the Free Rider” in Douglas C. North, *Structure and Change in Economic History* (New York: W. W. Norton, 1981). John Williamson has also focussed on the political context of successful economic reform by analyzing eleven developed and developing countries. (See John Williamson, *The Political Economy of Policy Reform* (Washington: Institute for International Economics, 1993). What may be important within the Islamic perspective is not only the holding in check of nasty behaviour but also the promotion of desired behaviour by the creation of a proper enabling environment through effective educational, political, social, and economic reforms and building proper institutions for this purpose.

8. Reported from Jarir ibn ‘Abdallah and ‘A’isha respectively, by Muslim in his *Sahih*. ed., Muhammad Fu’ad ‘Abd al-Baqi (Cairo: al-Babi al-Halabi, 1955), vol. 4, p. 2004, nos. 2592 and 2593, *Kitab al-Birr wa al-Silah Wa al-Adab: Bab Fadl al-Rifq*.

9. These are “The sign of being qualified for political authority is the emulation of good qualities and vice versa” (pp. 142-44), and “Human civilization requires political authority to organize its affairs” (pp. 302-11).

10. Abu Yusuf (d. 798) pointed out to Caliph Harun al-Rashid (d. 809): “There is nothing that is liked by God more than reform and reconstruction (*al-islah*) and nothing that is detested by Him more than corruption, perversity and decay (*al-fasad*)” (Abu Yusuf, Ya’qub ibn Ibrahim (d. 182/798), *Kitab al-Kharaj* (Cairo: al-Matba’ah al-Salafiyyah, 2nd ed., 1352 A.H., p. 5), in the English translation of this book by Ben Shemesh, vol. 3, 1969, p. 5). It is hence the duty of the ruler to do everything that would contribute to the former and prevent the latter (*ibid.*).

11. Even before Ibn Khaldūn, there was a considerable understanding of the role of markets in economics. This is clearly evident in the writings of several scholars, including Ibn Taymiyyah (d. 1328). For Ibn Taymiyyah, see A. Azim Islahi, *Economic Concepts of Ibn Taymiyyah* (Leicester, UK The Islamic Foundation, 1988).

12. See also al-Dimashqi (d. after 1175), who is against the direct involvement of the state in business and says: “Some wise men have asserted that if the ruler participates with the subjects in their businesses, they are ruined.” (Abi al-Fadl Ja’far ibn Ali al-Dimashqi, *Al Isharah ila Mahasin al-Tijarah*, ed., Al-Bushra al-Shurbaji (Cairo: Maktabah al-Kulliyat Al-Azhar, 1977). p. 61.)

13. This phenomenon is now referred to as “crowding out” the private sector.

14. For similar views by modern historians, see Arnold J Toynbee, *A Study of History*, abridgement by D. C. Somervell, vol. 2: 380 and vol. 1, pp. 495; and Will and Ariel Durant, *The Lessons of History* (New York: Simon & Schuster, 1968), p. 51.

15. Social and institutional economics and economic history have now acknowledged that the rules of economics and social interaction determine economic outcomes more than the stock of resources and the level of technology.

16. Cited by Abu al-Hasan Ali al-Mawardi (d. 450/1058), *Adab al-Dunya Wa al-Din*, ed. Mustafa al-Saqqa (Cairo: Mustafa al-Babi al-Halabi, 1955), p. 121.

17. Reported by al-Bayhaqi, from Anas ibn Malik, in his *Shu‘ab al- Iman*, vol. 5, p. 267, No. 6612.



18. Ibn Taymiyyah (d. 728/1327), *Al-Hisbah fi al-Islam*, ed., ‘Abe al-Aziz Rabah (Damascus: Maktabah Dar al-Bayan, 1967), p. 94. This conclusion is based on Ibn Taymiyyah’s reporting of the ethos of his society in the form of two adages which were prevalent then and which said: “God upholds the just state even if it is unbelieving but does not uphold the unjust state even if it is Muslim,” and that “the world can continue with justice and unbelief but not with injustice and Islam.” This book has been translated by Muhtar Holland under the title, *Public Duties in Islam: The Institution of the Hisba* (Leicester, U.K.: The Islamic Foundation, 1982).
- 19 See also al-Dimashqi, 1977, pp. 23-24 and 28; he emphasized the role of gold and silver as a measure of value, means of exchange, and store of value.
20. Al-Dimashqi (1977) also states that “the development of wealth requires five things, the first of which is that a person does not spend more than what he earns and that what he spends is not equal to what he earns” (p. 8).
21. For the importance of investment, see also al-Dimashqi, 1977. p. 91.
22. Moderation in spending was emphasized by practically all classical Muslim scholars. See, for example, al-Dimashqi, 1977, pp. 80-96.
23. Long before Ibn Khaldūn, Abu Yusuf (d. 798) stated that the ensuring of fairness and the elimination of injustice, in addition to bringing greater reward from God, raise tax revenues and lead to accelerated development of the country and greater blessing (Abu Yusuf, 1352 A.H., p. 111).
24. Jean David C. Boulakia, “Ibn Khaldūn: A Fourteenth Century Economist,” *Journal of Political Economy* (September/October 1971): 1106.
25. Other scholars had indicated before Ibn Khaldūn the role of both supply and demand in the determination of prices. For example, Ibn Taymiyyah (d. 1328) wrote: The rise or fall of prices may not necessarily be due to injustice by some people. They may also be due to the shortage of output or import of the commodities in demand. If the demand for a commodity increases and the supply of what is demanded declines, the price rises. If, however, the demand falls and the supply increases, the price falls. (Ibn Taymiyyah, *Majmu‘ Fatawa Shaykh al-Islam Ahmad Ibn Taymiyyah*, ed., ‘Abd al Rahman al- ‘Asimi (Riyadh: Matabi’ al-Riyadh, 1st ed., 1961-63), vol. 8: 523). Even before Ibn Taymiyyah, al-Jahiz (d. 864) wrote nearly five centuries earlier: “Anything available in the market is cheap because of its availability, and dear by its lack of availability if there is need for it.” (*Amr ibn Bahr al-Jahiz, Kitab al-Tabassur bi a Tijarah* (Treatise Concerning Reflections on Trade), ed., Hasan Husayni ‘Abd al-Wahhab (Beirut: Dar al-Kitab al-Jadid, 1983), p. 13, and that “anything the supply of which increases, becomes cheap except intelligence, which becomes dearer when it increases.” (Ibid., p.13).
26. W.O. Thweatt, “Origins of the Terminology, Supply and Demand,” *Scottish Journal of Political Economy* (November 1983): 287-94.
27. P.D. Troenewegen, “A Note on the Origin of the Phrase, Supply and Demand,” *Economic Journal* (June 1973): 505-9.
28. Long before Ibn Khaldūn, a number of scholars had emphasized the need for division of labour. For example, al-Sarakhsi (d. 1090) said: “The farmer needs the work of the weaver to get clothing for himself, and the weaver needs the work of the farmer to get his food and the cotton from which the cloth is made ..., and thus everyone of them helps the other by his work.” (Shamsuddin Sarakhsi, *al-Kitab al-*

*Mabsut* (Beirut: Dar al-Ma'rifah, nd.), particularly "Kitab al-Kasb" of al-Shaybani in vol. 30, pp. 245-87,264.) Al-Dimashqi, writing about a century later, elaborates further by saying: "No individual can, because of the shortness of his life span, burden himself with all industries, if he does, he may not be able to master the skills of all of them from the first to the last. Industries are all interdependent. Construction needs the carpenter and the carpenter needs the iron-smith and the iron-smith needs the miners and all these industries need premises. People are, therefore, necessitated by force of circumstances to be clustered in cities to help each other in fulfilling their mutual needs" (1977, pp. 20-21).

29. Adam Smith (1776), *An Inquiry into the Nature and the Causes of the Wealth of Nations* (New York: The Modern Library, 1937), pp. 777-79.

30. This letter is a significant development over the letter of Abu Yusuf (d. 798) to Caliph Harun al-Rashid (d. 809) (1352 A.H. p. 3-17) It is more comprehensive and covers a larger number of topics.

31. All of the genuine caliphs (*al-Khulafa' al-Rashidun*), particularly Umar, Ali., and 'Umar ibn Abd al-Aziz, stressed that taxes should be collected with justice and leniency and should not be beyond the ability of the people to bear. Tax collectors should not under any circumstances deprive the people of the basic necessities of life (Abu Yusuf, 1352 An., pp. 14, 16, and 86). Abu Yusuf himself argued that a just tax system would lead not only to an increase in revenues but also to the development of the country (Abu Yusuf, 1352 AU., p. III; see also pp. 14, 16,60,85, 105-19 and 125); al-Mawardi (d.1058) also argued that the tax system should do justice to both the taxpayer and the treasury, "taking more was iniquitous with respect to the rights of the people, while taking less was unfair with respect to the right of the public treasury" (Abu al-Hasan 'Ali al-Mawardi (d. 450/1058), *Al-Ahkam al-sultaniyyah wa al-wilayat al-diniyyah* (Cairo: Mustafa al-Babi al-Halabi, 1960), p. 209, see also pp. 142-56 and 215. The English translation of this book by Wafa Wahba has been published under the title, *The Ordinances of Government* (Reading: Garnet, 1996). For a more detailed discussion of taxation by various Muslim scholars, see the section "Literature on Mirrors of Princes," in M. Yassine Essid, *A Critique of the Origins of Islamic Economic Thought* (Leiden: Brill, 1995), pp. 19-41.

32. "On Tax Revenues and the Reason for Their Being Low and High" (pp. 279-80) and "Injustice Ruins Development" (pp. 286-90)

33. Douglas North, "Economic Performance through Time," *The American Economic Review* (June 1994): 359.

34. Arnold J. Toynbee, *A Study of History* (London: Oxford University Press, 2nd ed. 1935), vol.3, pp. 321 and 322.

35. Toynbee, 1935, vol.3, p. 321.

36. Rosenthal, 1967 vol. 1, p. lxxxvii..

37. Taqi al-Din Ahmad ibn 'Ali al-Maqrizi (d. 845/1442), *Ighathah al-Ummah fi Kashf al-Ghummah*, ed., 'Abd al-Nafi' Tulaymat (Hams: Dar ibn al-Wahid, 1956). See its English translation by Adel Allouche, 1994.

38. A.K. Sen, *Poverty and Famines: An Essay on Entitlement and Deprivation* (Oxford: Clarendon Press, 1981).

39. MS. Meyer, "Economic Thought in the Ottoman Empire in the 14th - Early 19th Centuries," *Archiv Orientalni* 4, 57 (1989): 305-18.

40. Aurangzeb was born in 1618, was coronated in 1658, and died in 1707.

41. Shah Waliyullah (d. 1176/1762), *Hujjatullah al-Balighah*, ed. M. Sharif Sukkar (Beirut: Dar lhya' al- 'Ulum, 2nd ed., 1992), 2 volumes. An English translation of this book by Marcia K. Hermansen was published in 1966 by E. J. Bull (Leiden).