

**CONTRIBUTIONS OF  
MUSLIM SCHOLARS TO  
ECONOMIC THOUGHT  
AND ANALYSIS**

**(11-905 A.H. / 632-1500 A.D.)**

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## FOREWORD

It was in early 1423 AH/2002 that King Abdulaziz University invited scholars of various fields to come forward with works that highlight those aspects of their disciplines that may provide a basis for dialogue, promote cultural discussion and help in mutual understanding between East and West. This provided a context to examine the contributions of Muslim scholars to evolution and development of economic thought. Dr. Islahi undertook this task. The findings have been very encouraging. The present study documents the multidimensional linkages and influences in general and in the area of economic thought in particular, up to the 9th/15th century, between the Islamic civilization and Medieval European culture.

The book highlights Muslim contributions to economic thought, an area which has received little attention by economists. Earlier works by Islamic economists, some of them sponsored and published by this Center, have heightened, not lessened, the need for further research as they indicated possible linkages with mainstream economic thought. The present work seeks to determine the role of medieval Muslim scholars in the evolution of mainstream economics and to find out their impact on the scholastic doctors and mercantilists.

In defining the place and importance of Muslim scholars in the medieval period, the present work may also likely benefit Western economists, who admit on their part the existence of a great gap between ancient Greek thought and scholastic thought but are unable to explain it. The author's conclusion highlights the importance of further research on the link between Islamic economics and Western economic thought.

The list of references will be helpful to economists interested in further research on the subject.

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## PREFACE

The present study reports and analyzes economic ideas of Muslim scholars upto the end of 9<sup>th</sup>/15<sup>th</sup> century. It also discusses various channels through which their ideas reached the European West and influenced the scholastic scholars. Thus, they formed the connecting link between Greek philosophers and scholastic economists and became one of the ancestors of modern economics and part of its family tree. The paper addresses students and historians of economic thought. It provides materials that could be used to make up existing deficiency – the great gap – in the literature on the history of economic thought. It also aims to provide support for those who are in search of common grounds in sciences and culture for mutual understanding and inter-civilization dialogue.

The contributions of Muslim scholars to economic thought and analysis have been briefly noted and lengthy quotations have been avoided to enlist and accommodate maximum number of scholars. I have adopted an eclectic approach in this study and hope that this would generate curiosity among the readers to further investigate and carry deep and detailed study of the works of past scholars. It may also draw their attention to the works of Muslim scholars in later centuries that largely remain unexplored.

I owe special obligations to Professor Muhammad Nejatullah Siddiqi and to Dr. Ishtiaq Ahmad Zilli, Professor of History, Aligarh Muslim University, who were kind enough to go through an earlier draft of the manuscript and gave their valuable comments for improving it. My thanks are also due to the two anonymous referees of this work. Their comments have been helpful in revising the draft. However, I am alone responsible for any deficiencies that still remain.

Last but not the least, I am thankful to Dr. Mohammed Najeeb Ghazali, Director of the Islamic Economics Research Centre, for providing me peaceful and pleasant research atmosphere. Finally I would like to acknowledge secretarial assistance that I received from Mr. Syed Anwer Mahmood throughout the preparation of this work. *Wa akhuru da'wana ani'l hamdu li'llahi Rabbi'l alamin.*

A.A. Islahi  
Jeddah  
Rabi' al-Awwal, 1425  
April, 2004



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***CHAPTER I***

**INTRODUCTION**

- **Missing Link in the History of Economic Thought**
- **Literature Review**
- **Scheme of the Study**



# INTRODUCTION

## 1. Missing Link in the History of Economic Thought

A search for solutions to economic problems has been a common concern of all societies. This is the cause of economic thinking. Economic practices existed long before there was any theorizing on the subject. Members of human society thought over economic problems in isolation, in closed societies or together with the other groups, and were influenced by their thinking and ideas. Interaction and convergence of thought provided the necessary basis for continuity of sciences and development of ideas. Thus, economics 'evolved historically from many minds and temperaments' and economic thought is 'a cumulative accretion of human knowledge' (Eklund and Hebert, 1983, p. 3). No doubt, a sense of common heritage brings various groups closer and gives rise to mutual understanding and due regard to each other resulting into cooperation and joint efforts to refinement and furtherance of such thinking and research in these areas. It also provides suitable environment for cultural dialogue between various nations that fell apart with the passage of time. With this objective in mind it would be interesting and, hopefully, also fruitful to investigate the contribution of various nations to development of economic thought and analysis. The present study aims to discuss contributions of Muslim scholars that played an important role in continuity and growth of mainstream economics.

There is an increasing awareness now that the 'root of modern economic analysis extends much further back in time than a good many contemporary students of economics are led to realize' (Gordon, 1975, p. xi). But even those writers who realize that history of economic thought is 'a continual progression of ideas made up of epochal contributions of new list of knowledge added to the accumulated legacy of the past' (Eklund and Hebert, 1983, p. 4), leave a gap in their writings and feel no concern to support their stand by facts<sup>1</sup>. The present

study aims to provide material that could be used to make up the existing deficiency in the literature on history of economic thought. By reporting and analyzing economic ideas of Muslim scholars, it will also explore various channels through which their ideas reached the European West and influenced the scholastic scholars. Thus, they became a part, though yet to be recognized, of the family tree of economics. It is hoped that this would strengthen the feeling of the unity of knowledge and an acknowledgement that may enhance mutual understanding and cooperation. The work addresses historians of economic thought in general and students of Islamic economic thought in particular. It also seeks to draw the attention of those who are in search of common grounds in sciences and culture for mutual understanding and cooperation.

## **2. Literature Review**

Since the very beginning, writers on history of economic thought had tended to ignore the contribution of Muslim scholars to the subject. They start with the Greek philosophers and Roman jurists and administrators. They also mention opinions of some Christian fathers who lived in the early centuries of the Christian era. Then they jump to middle ages when Europe came out from darkness to light and thinking on different natural and social sciences began, leaving a wide gap of about five centuries. This was exactly the period when Muslims ruled the greater part of the known world, established powerful empires, developed economies and contributed to the promotion of culture and science including economics.

Modern development of Islamic economics began during the second quarter of the 20<sup>th</sup> century. Writings on contribution of Muslim scholars of the past were part of this development. Perhaps the first article to introduce economic thought of Muslim scholars was written by Salih (1933) in Arabic entitled 'Arab Economic Thought in the Fifteenth Century' in which he discussed economic ideas of Ibn Khaldun<sup>2</sup>, al-Maqrizi<sup>3</sup>, and al-Dulaji<sup>4</sup>. Next, al-Hashimi (1937) published his paper on "Economic Views of al-Biruni"<sup>5</sup> again in Arabic. The same year Rif at (1937) wrote on 'Ibn Khaldun's Views on Economics' in Urdu. The first paper in English was written by Abdul-Qadir (1941) entitled "The Social and Political Ideas of Ibn Khaldun". And the first Ph.D. on the subject was awarded by Cairo University to Nash'at (1944) on 'Economic Thought in the Prolegomena of Ibn Khaldun' written in Arabic.

In the first half of the 20<sup>th</sup> century most of works on economic thought in Islam were written in Urdu or Arabic. Moreover, they were authored by non-

professionals and only a few were in English, so they remained unnoticed by the mainstream conventional economists.

Joseph Schumpeter (1997, pp.73-74) talked of 'the great gap' in evolution and development of economic thought in his monumental work *History of Economic Analysis*, first published posthumously in 1954. Siddiqi (1964) writing on economic thought of Qadi Abu Yusuf<sup>6</sup> ten years after publication of Schumpeter's work took notice of that assertion<sup>7</sup>. "Economic Thought of Islam: Ibn Khaldun" by a distinguished Western economist, Spengler (1964), drew the attention of the historians of economic thought to explore further in that direction<sup>8</sup>. By surveying *Muslim Economic Thinking* of the past and present up to 1975 (Siddiqi, 1980) and survey of "Recent Works on History of Economic Thought in Islam" in 1982, Siddiqi supplied more material for researchers<sup>9</sup>. In 1987, Mirakhor penned down a well-documented paper in which he questioned the Schumpeterian great gap thesis and pointed out to the 'serious omission in the history of economics of profound contribution made by Muslim scholars'. He showed that 'both motive and opportunity existed for the Medieval European scholars to be influenced by the economic ideas and institutions developed in medieval Islam and that based on the available evidences, they availed themselves of such an opportunity by using some of the available knowledge to advance their ideas'. (Mirakhor, 1987, p. 249) The echo of this paper was heard at the History of Economics Society Conference in Toronto, Canada, June 1988 in which Ghazanfar (2003, p. 19, footnote 1) presented his study on "Scholastic Economics and Arab Scholars: The Great Gap Thesis Reconsidered". The so-called gap in the economic thought motivated this writer in a joint work with Ghazanfar to show that a substantial body of contemporary economics is traceable to Muslim scholastics such as al-Ghazali<sup>10</sup> and others (Ghazanfar and Islahi, 1990). Ghazanfar (1995, p. 235) further reinforced it in his paper "History of Economic Thought: The Schumpeterian 'great gap', the Lost Arab-Islamic Legacy and the Literature Gap". While 'disputing the validity of the great gap thesis', the author has shown by survey of some major works on the subject, that the literature gap is 'manifest in almost all relevant works in economics'.

In the meantime a number of works appeared in English and Arabic that dealt with the economic ideas of individual Islamic scholars who lived in the period attributed as the blank centuries of economic thought<sup>11</sup>. These works may not have touched on the great gap thesis, but the very existence of such a great number of writings relating to that period was enough to discard it.

Our purpose in this study is to present a comprehensive picture of the development of economic thought in Islamic tradition right from the beginning

up to roughly the first-millennium Hijrah. Muslim civilization and its intellectual and political power, after reaching to its zenith, had by the early 10th/16th century begun to show clear signs of decadence while Western renaissance was in full swing. It was the time when writings on how to achieve economic progress and strengthen the country through foreign trade took the form of a movement in the West, known as *mercantilism* in economic literature. This, as we shall see below, was a reaction against Muslim conquests in the battle field. At that stage of history, Muslim scholars, after transmitting Greek ideas along with their own additions and interpretations, to the world at large, gradually receded into oblivion.

### **3. Scheme of the Study**

We shall distinguish three broad phases of the development of Islamic economic thought and Muslims' contributions. The first phase is the formation period, the second phase is the translation period. The third phase we characterize as translation and transmission period. While presenting the nature and characteristics of each phase we shall take note of the representative scholars belonging to that phase.

Next we shall systematically and extensively discuss various economic concepts that were analyzed or improved over Greek ideas by Muslim scholars. It will be a straight-line development of concepts and ideas with reference to those who had a part in formulating those ideas. Being the main theme of this work, Islamic tradition in economic thought spreads over many chapters.

We shall also examine the impact of Muslim scholars on the Western scholastics in the medieval period and various channels through which it passed.

Some textbooks give family tree of economics and its growth in diagrammatic form but they overlook the part played by the Muslim scholars in development of mainstream economics. We shall study a few such trees and point out the place of Islamic economics in the family tree of mainstream economics.

As will be clear from our analysis, the Western Scholastic scholars borrowed a lot from Muslim scholars but they seldom acknowledge it. We shall also examine the reasons why they did not admit it and why they did not refer to them in their discussions on economic issues.



But the trend is changing now. In recent years some writers have acknowledged contributions of Muslim scholars to economic thought and analysis and there is a growing admission of indebtedness to Muslim intellectual heritage in European renaissance. This is a healthy sign and praiseworthy development that should be welcomed by all. We shall conclude our study on a survey of such remarks. It is hoped that this would encourage those who are still hesitant to assign a chapter in their works on contributions of Muslim scholars to economic thought and analysis and rehabilitate them to their due place in the history of economic thought textbooks. We are optimistic that such efforts will open a cultural dialogue and create a sense of affinity and regard for past ideas as a common heritage of humankind.

## Endnotes

1. We find remarks such as 'it is inconceivable that there was no economic thinking over so many years - even in the Dark Ages', (Newman et. al., 1954, p. 15) or statement like 'Historians of economic doctrine now recognize that modern theory is the product of continuous growth over a much longer period of time than was previously assumed' (Langholm, 1998, p.), but no trouble is taken to investigate economic thought in the gap period to establish continuity and substantiate this rightful claim.
2. Abd al-Rahman Ibn Khaldun (732-808/1332-1406) born in Tunis and died in Egypt where he was settled during last years of his life. Played a pivotal role in the politics of North Africa and Spain. His work *Kitab al-'Ibar* is of unrivalled value as a source of reference to the history of Arab and non-Arab nations until his time. His brilliant work '*Muqaddimah*' (An Introduction to the History), considered the most sublime and intellectual achievement of the Middle Ages, is a treasury of many sciences like history, psychology, sociology, geography, economics, political sciences, etc. Franz Rosenthal translated it into English in three volumes, first published in 1958 and an improved edition in 1967.
3. Ahmad b. Ali al-Maqrizi (766-845/1364-1442). Born and lived in Egypt, with multifarious career. Famous for historical works, dealt with questions of social history such as weights and measures and coinage. Some important works by him are '*al-Khitat*', '*al-Suluk li Ma'rifat al-Muluk*', '*Imta' al-Asma'*', '*Ighathat al-Ummah bi Kashf al-Ghummah*'. The last one has been translated and excellently edited with related additional information by Adel Allouche (1994) entitled *Mamluk Economics*.
4. Ahmed b. Ali al-Dulaji (770-838/1368-1435). Born in Dulajah a city in Egypt and died in Cairo. Author of many valuable works. His book *al-Falakah wa'l-Maslukun* (Poverty and the Poor) is of economic interest in which he addresses the poverty stricken people and discusses various manifestations of poverty and recommends remedy to get rid of it.
5. Abu Rayhan al-Biruni (362-442/973-1048). Born in what is today called Uzbekistan. The scope of his enquiries was vast and profound. With Sultan Mahmud Ghazanawi he traveled to India where he stayed for twelve years, learned Sanskrit and authored *Kitab al-Hind (India)* which has been translated by Edward C. Sachau (London, 1914). Al-Biruni often compares Indian and Greek views.
6. Yaqub b. Ibrahim Abu Yusuf (113-182/731-798) the student of Abu Hanifah and one of the co-founder of Hanafi school of jurisprudence became chief justice during Harun al-Rashid's era (170-194/786-809) the Abbasid Caliph, on whose request he authored *Kitab al-Kharaj* (the Book on Taxation). It is one of the earliest works on the Islamic system of taxation. Its

text was first printed in Cairo in 1302/1885. It has been translated into many languages. Shemesh (1969) rearranged the text and chapters and published under the title *Taxation in Islam* only that part which in related to economic matters. A complete translation was done by Ali (1979).

7. Much earlier, Frank Knight, the Chicago economist, while reviewing the book in *Southern Economic Journal* pointed out to this deficiency of the work saying that 'if Schumpeter was writing to start with the Babylonians albeit with only a brief reference, he surely should have been able to make some, even if limited reference to Indian (and presumably other Asian) sources as well'. Quoted by Mark Perlman in his 'Introduction' (Schumpeter 1997, p. XXIII).
8. In the opinion of Professor Mirakhor (1987, p. 250) "Although the paper is riddled with an 'oriental attitude', it is a valiant effort by a distinguished historian of economic thought to deal, partially, with the economic thought of Islam. This indeed was the first attempt of its kind in the field. It contained a wealth of ideas for further research. However, the evidence suggests that this creditable work has been ignored by the profession".
9. In addition to Siddiqi's works cited above, Islamic Economics Research Center, Jeddah, published some other books and research papers related to the history of economic thought in Islam such as (in chronological order):
  - *Al-Islam wa 'l-Nuqud* (Islam and Money) by Rafic Yunus al-Misri (1981), 2<sup>nd</sup> edition (1990)
  - *Economic Thought of Ibn al-Qayyim* by Abdul Azim Islahi (1984)
  - "Ibn Taimiyah's Concept of Market Mechanism" by Abdul Azim Islahi (1986)
  - *History of Economic Thought in Islam: A Bibliography* by Abdul Azim Islahi (1997)
  - *Economic Thought of al-Ghazali* by S.M. Ghazanfar and Abdul Azim Islahi (1998)
  - *Fi'l-Fikr al-Iqtisadi al-Islami: Qira'at fi'l-Turath* (On Islamic Economic Thought: Readings in the Heritage) by Rafic Yunus al-Misri (1999)
10. Abu Hamid Muhammad b. Muhammad al-Ghazali (450-505/1058-1111). Lived during the Saljuq period. His scholarship extended to many diverse fields of learning. Most of his economic ideas are found in his famous work *Ihya' Ulum al-Din* and *al-Tibr al-Masbuk fi Nashihat al-Muluk*. For a detailed study of his economic ideas please see Ghazanfar and Islahi 1990 and 1998. He criticised philosophy in his work *Tahafut al-Falasifah*.
11. For such works one may refer to bibliographies prepared by Islahi (1997) in English and by Nuqli (1998) in Arabic.

## *CHAPTER II*

# **PHASES OF THE DEVELOPMENT OF ECONOMIC THOUGHT IN ISLAM**

- **Revealed Knowledge: The Starting Point**
- **First Phase: The Formation Period**
- **Second Phase: The Translation Period**
- **Third Phase: The Retranslation and Transmission Period**



# PHASES OF THE DEVELOPMENT OF ECONOMIC THOUGHT IN ISLAM

## 1. Revealed Knowledge: The Starting Point

The history of Islamic economics goes back to the Qur'an and Sunnah. The Qur'an as the Word of God revealed to the Prophet Muhammad (p.b.u.h.), and Sunnah as his practical demonstration and explanations, contain a number of economic teachings and principles applicable to various conditions<sup>1</sup>. Thought is a product of human mind, whereas the Qur'anic teachings and prophetic explanations are divine in character. It is, therefore, the human interpretations and inferences and their applications in various changing times, spaces and conditions that form the body of economic 'thought' of the people of Islam. Muslim scholars accepted the economic teachings of the Qur'an and Sunnah as the basis and starting point. Then they used their own reason and applied the principles derived from the basic sources of Islam to solve the emerging problems in the changing historical and economic conditions. They never hesitated to benefit from the experience of other nations. More or less this process continued throughout Islamic history. Under our study period, we can divide this process into three broad classifications:

- I- First phase, the formation period This will cover the period just after cessation of the revelation to the end of the Companions<sup>2</sup> era. (11–100 A. H./632–718 A.D.)\*.
- II- Second phase, the translation period when foreign ideas were translated into Arabic and Muslim scholars got an opportunity to benefit from the intellectual and practical works of other nations (2nd–5th/8th–11th century).

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\* Henceforth the first figure would mean A. H. and after / A.D.

- III- Third phase, the re-translation and transmission period, when Greco-Arab Islamic ideas reached Europe through translation and other contacts (6th–9th/12th–15th century).

## 2. First Phase: The Formation Period

Economic ideas, in written form existed long before the advent of Islam. Especially the Greek ideas are considered as the fountain spring of conventional Western economics. However, Islamic economic thought, in its early formation period, was not influenced by any outside elements. No doubt, since pre-Islamic times, Arabs had some commercial relations with neighboring countries but this did not lead to the establishment of cultural and intellectual contacts. There is no evidence of translation activities during that early period. Nor were the means of communication so developed to get acquaintance with foreign ideas. On the other hand, the very basic sources of Islam – the Qur'an and Sunnah – contained a number of economic principles and many detailed economic teachings. There was, therefore, no need to look for alien sources. The early Islamic economic thought was based on its internal sources.

The Qur'anic teachings on economic matters are specific and few in number. The Qur'an mostly gave principles and stressed on use of mind and application of reasoning. This led to the appearance of a chain of scholars who derived rules to solve new problems and created a juristic logic (*usul al-fiqh*) applicable to a wide variety of social patterns. Their methodology was to refer first to the Qur'an and practices of the Prophet (p.b.u.h) and precedents of his companions and immediate followers who were trained by him. Not finding anything there, they applied analogy and other inferred rules to deduce the Shariah injunctions for the new situation. Gradually, a number of schools of thought in jurisprudence emerged. They were named after their leading scholars and creative thinkers (*imam or mujtahid mutlaq*), most famous among them are (in chronological order) Zayd bin Ali,<sup>3</sup> Abu Hanifah,<sup>4</sup> Malik,<sup>5</sup> Shafi'i<sup>6</sup> Ahmad bin Hanbal,<sup>7</sup> etc<sup>8</sup>. These schools of jurisprudence were firmly established within a period of less than 300 years after the passing away of the Prophet (p.b.u.h.). An important reason why masses had faith in them and followed their path is that they were experts of the basic sources of Islam and free from any alien influence. Reflection on economic issues was only one aspect of their pronouncement of rulings over a host of complex problems of life. People addressed them to seek their guidance in their every day life. If it involved an economic aspect, their analysis used to be economic analysis. There is no doubt that Islamic economic analysis owes a great deal to legal inquiry of this age.

Writings on economic topics and collection of the Prophet's traditions on financial matters started by the end of this phase and in the early period of the next phase by the students of the leading jurists (*imams*) and their contemporaries. But due to the nature of their works, they are apt to be considered part of this phase. For example, Abu Yusuf and Muhammad al-Shaybani<sup>9</sup> authored *Kitab al-Kharaj* and *Kitab al-Kasb* respectively. Yahya b. Adam al-Qurashi<sup>10</sup> compiled traditions of the Prophet related to taxes and other financial obligations, while Abu Ubayd al-Qasim bin Sallam<sup>11</sup> and later his student, Ibn-Zanjawayh,<sup>12</sup> authored *Kitab al-Amwal*. Ibn Abi al-Dunya<sup>13</sup> wrote on *Islah al-mal* and Abu Bakr al-Khallal<sup>14</sup> on business and economic activities in general.

The importance of this period will be clear if we have just a look on the economic ideas that were touched by Muslim scholars in the foundation phase of Islamic economics. Following is an incomplete list of such ideas:

Market and its regulation, supply and demand, price fixation, money, credit and credit instruments, interest and commodity exchange, taxation, public finance, fiscal policy, various forms of business organizations, agricultural relations, zakah, inheritance, property, poverty and riches.

Although some translation activities, as we shall note below, were started as early as in the 1st/7th century, they were of different nature and had no discernible impact<sup>15</sup> on the evolution of economic theory. For one, they were very insignificant in nature and limited among the ruling elite only. Secondly, Muslim scholars at this stage were devoted fully to the study and development of Shariah sciences and felt no need to pay attention to foreign sciences. Thus, the entire development of economic thought in this period was inspired by the internal factors rooted in the basic sources of Islam – the Qur'an and Sunnah and Islam's encouraging view towards engagement in economic matters.

### 3. Second Phase: The Translation Period

By translation period we mean the age when foreign classical works and master pieces, specially those embodying Greek ideas, were translated into Arabic and Muslim scholars came to learn them and benefit from them. The translation activity started in the first century Hijrah itself although it took two more centuries to make its influence felt among Muslim scholars. The first incidence of translation is reported during the Caliphate of 'Umar<sup>16</sup>. Khalid b. al-Walid<sup>17</sup> advised the use of the *diwan* (office or register). He said to 'Umar that he had seen the rulers of Syria keeping a *diwan*. He accepted the idea from Khalid. It

has also been said that the person who advised 'Umar to introduce the *diwan* was al-Hurmuzan<sup>18</sup>. This took place in the year 20/640. (Ibn Khaldun, n.d., p. 112). Since the term '*diwan*' is a Persian word, the last story seems to be more acceptable. However, the *diwans* of land tax collections remained in Iraq and Syria in Persian and Byzantine Greek respectively till the caliphate of Abd al-Malik b. Marwan<sup>19</sup> who ordered their translation into Arabic (ibid.). Later Khalid b. Yazid<sup>20</sup> made a somehow systematic beginning of translation. He sent for scholars from India, Persia, Rome and Greece and arranged the translation of their classical works. In the coming years the political upheavals interrupted this work. Its full-fledged commencement could be traced to the Abbasid Caliph al-Ma'mun<sup>21</sup> who established '*Bayt al-Hikmah*' (the house of wisdom) specially for this purpose. The incorporation of ancient sciences into Arabic gave a fresh lease of life to many important Indian, Persian and Greek works and saved them from oblivion<sup>22</sup>. It also proved a meeting point of East and West and a very effective channel to exchange of ideas. In coming centuries it facilitated even the transfer of Indian and Persian sciences to Europe. The case of Arab-Indian numerals is a living example of this intellectual exchange<sup>23</sup>.

By the end of 3rd/9th century, scholars were generally aware of and conversant with the contents of the translation works and they started exposition, assessment, addition and commentary on those sciences and even production of similar works. The major areas of translation included medicine, astronomy, art and philosophy and management of state and economy.

**Impact of Translation on Muslim Scholars.** On clear examination it would appear that the translation of foreign ideas, it may be noted, did not fascinate all Muslim scholars equally. They adopted different stands towards these imported ideas. At least three distinct streams can be easily identified.

- a. Those who completely rejected all Greek ideas. Scholars in this group maintained that Islamic heritage of knowledge was sufficient for safe and comfortable life. These alien sources would only confuse the people and under their impact they would go stray. This group is generally referred to as 'traditionalist' or '*muhaddithun*'. Representatives of this group are al-Kinani<sup>24</sup>, al-Farra<sup>25</sup>, al-Sarakhsi<sup>26</sup> etc.
- b. The second group is one who tried to distinguish between ideas that are beneficial and acceptable and those that are in contravention of Islamic faith and principles. In case of conflict they tried to prove supremacy of Islamic thought over the Greek one or made an attempt to synthesize between the two if possible. They are variously known as Islamic scholastics, scholastic theologians, dialecticians or *mutakallimun*. The representatives of this group are al-Mawardi<sup>27</sup>, al-Ghazali, Fakhr al-Din al-Razi<sup>28</sup>, etc.



- c. Third group comprises those scholars who were deeply influenced by Greek ideas and philosophy and went too far to support, propound, and propagate them. They did not hesitate to interpret Islamic articles in such a way as to accommodate strange philosophical ideas. This group is referred to as 'Muslim philosophers' or '*hukama*'. To this group belonged Ibn Sina,<sup>29</sup> Ibn al-Haytham,<sup>30</sup> Ibn Tufayl,<sup>31</sup> Nasir al-Din al-Tusi,<sup>32</sup> etc. However, it must be pointed out that the last three names do not belong to the second phase as they came after the 5<sup>th</sup>/11<sup>th</sup> century but due to the nature of their works we mention them with this group.

Muslim philosophers translated *oikonomia* as '*ilm tadbir al-manzil* (the science of household management). It was one of the three branches of Greek philosophy, the other two being ethics (*ilm al-akhlaq*) and politics (*ilm al-siyasah*). As noted above, Muslim scholars extended this branch of knowledge 'far beyond the household, embracing market, price, monetary, supply, demand phenomena, and hinting at some of the macro-economic relations stressed by Lord Keynes' (Spengler, 1964, p. 304). Ignoring these additions, the German scholar, Helmut Ritter states that '*the whole economic literature of Islam can be traced to economics of Neo-pythagorean Bryson*' (Heffening, 1934, p. 595, emphasis added). The 'unidentified Greek Bryson or Brason or Brasson (Brusson), whose work was unknown to the West (Spengler, 1964, p. 276 footnote) was, perhaps, first mentioned by him which was picked up by some others<sup>33</sup>. It may be noted that there is no mention of Bryson in Schumpeter's encyclopedic work '*History of Economics Analysis*' which presents minute details of the history of the intellectual efforts 'from the earliest discernible beginning' (Schumpeter, 1997, p. 3). History of economic thought has numerous instances when an idea mentioned by some writer in the past re-emerged later with more details and clarity.<sup>34</sup> Moreover, certain ideas were developed simultaneously by different authors at different places without being aware of each other<sup>35</sup>. A mere resemblance between ideas of two persons does not necessarily mean that one has borrowed or copied from the other unless enough documentary evidence is available to that effect.

A fourth group may also be distinguished namely *sufis* or *ahl al-tasawwuf*. No doubt, elements of sufism, such as constant application to divine worship, complete devotion to Allah, aversion to the false splendor of the world, etc. are found in Islamic sources. But Islam advocated a balanced approach towards life. Ascetic behaviour (*zuhd*) does not mean the rejection of worldly things. One can have this attitude despite possessing all kinds of worldly affluences, and one can also lack it in poverty (Ibn al-Qayyim, 1375 A.H., pp.12-13). Once when the Prophet (p.b.u.h.) heard that some of his companions had vowed that they would not marry, not sleep and keep continuous fasting, he rejected their plea

and told them that he is most pious of all believers in spite of having married, taking sleep and breaking fasts (Ibn Hanbal, n.d., Vol. 3, p. 241).

However, in later centuries it took the form of a cult and a movement, preaching a life of seclusion and individualism and denouncing the worldly means. Some Sufis invented ideas and beliefs different from, or even contrary to, the teachings of Islam. According to O'Leary (1968, p. 181), 'Sufism which became prominent in the course of 3<sup>rd</sup> century AH, was partly a product of Hellenistic influences'. 'As it is used in the history of Christian monasticism or of the devotees of several Indian religions, it implies a deliberate avoidance of normal pleasures and indulgences of human life, and especially of marriage, as things which entangle the soul and prevent its spiritual progress. In this sense asceticism is alien to the spirit of Islam' (ibid., p. 182). Islam presented a balanced mix of spirit and matter. This extreme spiritualism was a new phenomenon. 'Numerous theories have been put forward about the origin of this movement in Islam: Syrian monasticism, Neo Platonism, Persian Zoroastrianism, Indian Vedants' (Anawati, 1974, p. 366). Among the representatives of this group are Abd-Allah Harith b. Asad al-Muhasibi<sup>36</sup> and Junayd al-Baghdadi<sup>37</sup>. Shedding the light on importance of this group in the history of economic thought, Siddiqi observes:

"The main contribution of *tasawwuf* (or *zuhd*) to economic thought in Islam is a constant pull against giving too high a value to material wealth and a persistent push towards altruism and unselfish service of Allah's creatures. They emphasised the ultimate concern of the human soul and its reaching out towards its source in the Divine. They personally exemplified this concern by minimizing the material values and extolling the virtues and attributes that contributed towards felicity in the hereafter while also enabling the life here on the earth" (Siddiqi, 1992, p. 15).

Even a fifth group of writers may be distinguished who combined the practical experience of business with Hellenic teachings and Islamic traditions. The representative author of this group is al-Dimashqi<sup>38</sup> who wrote *al-Isharah ila Mahasin al-Tijarah* (the guide to the virtues of trade).

#### 4. Third Phase: The Retranslation and Transmission Period

The third phase of Islamic economic thought marks the translation of Islamic sciences in general and Greco-Arab sciences' (Muslim scholars' additions and commentaries over Greek philosophy) in particular from Arabic to Latin and other European languages. We have reports regarding translation activities from

Arabic to Greek by the end of 4<sup>th</sup> century Hijrah in the Byzantine capital Constantinople<sup>39</sup> (Sézigin, 1984, p. 119). With the passage of time, volume of retranslation work considerably increased. Hence the period before Western renaissance is termed as the 'translation age' (Myers, 1964, p. 78). As we shall discuss it below in Chapter seven, the translation work was only one of numerous channels through which Muslim scholars' contribution to economic thought and analysis reached Western scholastics and became part and parcel of mainstream economics. No doubt, 'the transmission of Greek economics to the West was the joint work of Christians, Muslims and Jews, who collaborated in harmony' (Grice-Hutchinson, 1978, p. 61). However, while mostly Christians and Jews helped in translation work from Greek to Arabic in early period<sup>40</sup> and from Arabic to European languages in later period<sup>41</sup>, it were Muslim scholars who mainly learnt, discussed, analyzed and developed Greek thought.

In the two-way translation – to Arabic and from Arabic – it was only natural that works of intellectual, philosophical and practical importance were given preference<sup>42</sup>. Thus, the works of *muhaddithun* or traditionalists were hardly touched. Certain works of religious dialectics were translated as Christianity also faced problem of conflict of ideas between religion and philosophy. Therefore they also wanted to establish superiority of religion over Greek philosophy or work out reconciliation between the two. In these efforts, works of Muslim scholars, like al-Ghazali's *Ihya Ulum al-Din*, were of great help<sup>43</sup>. Translation of the works of *hukama* (Muslim philosophers), physicians, scientists, and social thinkers dominated the scene. Works of Ibn Sina, al-Farabi<sup>44</sup>, Ibn Bajjah<sup>45</sup>, Ibn Rushd<sup>46</sup>, etc. were translated into Latin, Spanish, French, Hebrew and German languages. Grice-Hutchinson (1978, p. 71) writes:

“About the beginning of the twelfth century the Christian West began to awaken to the superiority of Islamic culture – or, perhaps we may better say, of Islamic technology, since the desire of Western Christian was not so much to enrich their intellectual heritage as to improve their performance in such practical activities as medicine, mathematics, arithmetic, astronomy, astrology, botany, torture and magic, in all of which the Arabs were known to be exceptionally proficient”.

Although various European capitals organized translation of the work of Muslim scholars, countries from where Muslims were driven away – Sicily and Spain – their intellectual, scientific and behavioral sciences were taken over by the conquerors just like booty and were, in due course, transferred in their own languages.

Louis Baeck (1994, p. 119) has classified three periods of translation from Arabic. First from the early twelfth century to the beginning of the thirteenth century 'in which most important texts written by Arab and Greek scholars were translated into Castilian Catalan and Languedoc'. In the second period 'from these vernacular languages, they were rendered into Latin'. The third period starts from the middle of thirteenth century - 'returned to the double pass: Arabic – Languedoc – Latin'. "In this process of translation the most important Arabic texts on astronomy, mathematics, medicine, *kalam* and philosophy were transferred to the West" (ibid.).

During those days economic discussions formed the part of ethical and philosophical discourses, so the Muslim scholars' economic ideas were also translated and transmitted along with their philosophical works and translations. For example, most of Aristotle's views of economic interest are found in *Politics* and in the *Nicomachean Ethics*. Translation of Ibn Rushd's commentary on these two works became very popular in the West. To quote Grice-Hutchinson (1978, p. 73) again, "Harman's translation of Averroes's commentary on the *Nicomachean Ethics* enjoyed great success and was never superseded. It has been used in all the editions of Aristotle that are accompanied by Averroes's commentaries, and has remained, almost into modern times one of the main sources of Aristotelian economics". Charles Burnett (1994, p. 1050) considers it a mark of Ibn Rushd's success that "a far greater number of his commentaries survived in Latin than in the original Arabic". It may be noted that the transmission of Muslim scholars' thought was not confined to translation work. A number of European students traveled to the Islamic seats of learning in Iraq, Syria, Egypt and Andalusia where they learnt various sciences from their Muslim teachers and on return to their countries they spread their ideas through their own writings or teaching work. (Sezgin, 1984, p. 128).

## Endnotes

1. Many scholars have sorted out economic teachings of the Qur'an and Hadiths (the Prophet's Traditions) and presented separate collections. See for example, Mawdudi (1963), Khan (1989) and Kahf (1995).
2. Companions (*Sahabah*) The faithfuls who had seen the Prophet (p.b.u.h). Amir b. Wathila al-Kinani Abu Tufayl who died shortly after 100 AH is styled the last of companions (Ibn al-Athir (1989) *Usd al-Ghabah*, Beirut, Dar al-Fikr Vol. 3, p. 41, Vol. 5, p. 180). There are a few researches on economic thought of some companions of the Prophet and their followers based on their economic policies and their reflections on economic matters. For examples, 'al Fikr al- Iqtisadi 'ind 'Umar b. al-Khattab (Economic Thinking of Umar, the Second Caliph (d. 23/644) (Qala'ji 1408 H); *Abu Dharr al-Ghifari wa Ara'uhu fi'l-Siyasah wa'l-Iqtisad* (Abu Dharr al-Ghifari (d. 32/652) and his views on political and economics issues) (al-Aqtash (1985)), *Ishtirakiyatu Uthman* (Socialism of Uthman the

- Third Caliph) (Shalbi, 1974). And from among the followers *Umar b. Abd al-Aziz wa Tas'hihatuhu li-Bayt al-Mal* (Umar b. Abd al-Aziz (d.101/720) and his Reforms of the Public Treasury) (al-Burno, Muhammad Sidqi, 1400 A.H.).
3. Zayd b. Ali Zayn al-Abidin (d. 120/740). Grandson of al-Husayn b. Ali, a number of writings and fragments have survived which go under Zayd's name.
  4. Abu Hanifah al-Numan b. Thabit (81-150/700-767). The founder of the Hanafi School of jurisprudence was born in Kufah and died in Baghdad. He himself was a great business man. Thus, his opinions on different socio-economic issues reflect pragmatic orientation.
  5. Malik b. Anas (94-179/716-795). Founder of the Maliki school of jurisprudence, born and died in Madinah, he gave customary usages of Madinah ('*amal ahl al-Madinah*') great importance in derivation of rules. His work *al-Muwatta* is the earliest collection of *hadith*.
  6. Muhammad b. Idris al-Shafi'i (150-205/767-820). The author of famous work *Kitab al-Umm*, he was the architect of systematic Islamic Law. He did not himself found a school of jurisprudence; this was done by his disciples.
  7. Ahmad b. Hanbal (164-241/780-855), the originator of the Hanbali school of jurisprudence. He studied in Baghdad and received instructions from the great legal theoretician imam al-Shafi'i. He is also the compiler of a large collection of hadiths.
  8. Dr. Siddiqi (1982) has presented samples of their economic thinking in his paper '*Recent Works on History of Economic Thought in Islam: A Survey*, pp. 4-18.
  9. Abu Abdullah Muhammad b. al-Hasan al-Shaybani (132-189/750-805) a colleague of Abu Yusuf and student of Imam Abu Hanifah, also co-founder of Hanafi school of jurisprudence, author of *Kitab al-Kasb* (the book of earning) first published from Damascus 1980. Al-Shaybani's work deals with the individual Muslim economic behaviour whereas Abu Yusuf's work is originally addressed to the Caliph.
  10. Abu Zakariyya Yahya b. Adam al-Qurashi (about 140-203/757-818). He flourished in Kufa and died in Fam al-Silh a town situated on Tigris near Wasit. He was a reliable transmitter of traditions. His '*Kitab al-Kharaj*' was first published by Juynboll in 1896. Shemesh published its English translation in 1958, Leiden., E.J. Brill, 1969, 2<sup>nd</sup> ed.
  11. Abu Ubayd al-Qasim bin Sallam (157-274/774-838) author of *Kitab al-Amwal*, one of the most comprehensive earliest records of the financial system of Islam widely quoted by contemporary writers on the subject. Recently it has been a subject of Ph.D. research by Ugi Suharto at the International Institute of Islamic Thought and Civilization, Kuala Lumpur.
  12. Hunayd Ibn Zanjawayh (d.251/893) a disciple of Abu Ubayd. His *Kitab al-Amwal* is almost a gloss on the book of Abu Ubayd, it has been edited by Dr. Shakir Deib in three volumes and published by Faisal Centre, Riyadh, 1986.
  13. Abu Bakr Abdullah b. Muhammad Ibn Abi al-Dunya (208-281/823-891) His work *Islah al-Mal* (Betterment of Wealth) came in early third century Hijrah as a befitting reply to the growing sufism as an impact of alien culture to which Muslim came across during expanding Islamic rule and translation work. '*Islah al-Mal*' first edited and published by Mustafa Muflih al-Qudah (1990), al-Mansurah, Dar al-Wafa.
  14. Abu Bakr Harun al-Khallal (d. 311/923). Traditionalist, legal scholar and theologian, little known of his life. He was an outstanding Hanbalite scholar and author of many important works. He taught at Baghdad in the prestigious mosque of al-Mahdi.
  15. Commenting on works of *Kitab al-Kharaj* Spengler says that they 'reflect Islamic thought about 800 A.D. at which time the influence of Greek thought had not yet made itself felt'. (Spengler 1964, p. 270, footnote No. 8).
  16. Umar b. al-Khattab (d. 33/644). The second caliph who succeeded first caliph Abu Bakr. He did many firsts in economic field, established formal *Bayt al-Mal* (Public Treasury), introduced custom duty in Muslim land, initiated *diwan* (register of public revenue), etc.
  17. Khalid b. al-Walid (d.21/642). The famous companion of the Prophet who embraced Islam before the conquest of Makkah. Due to his unprecedented bravery at battle fields he was given the title of 'the Sword of Allah'.

18. Al-Hurmuzan (in Persian Hormizan) (d. 23/644). Persian toparch and general, defender of Ahwaz (=Khuzistan) from the end of 16/637 to 21/642 who was taken prisoner by Muslim forces at Tuster and was sent to Madinah. It is said that Umar, the second caliph, used to consult him on Persian affairs.
19. Abd al-Malik b. Marwan (26-86/664-705). One of the great caliphs of Umayyad dynasty, brought up in Madinah and died in Damascus, assumed caliphate after his father's death in 65/685. He was first to mint Islamic dinar (gold coin). Before him only Umar coined dirham (silver money). During his reign the Syrian and Persian *diwans* were translated into Arabic.
20. Khalid b. Yazid b. Mu'awiyah (48-85/668-704). An Umayyad prince who ordered Egyptian scholars to translate Greek and Coptic works on alchemy, medicine and astronomy into Arabic.
21. Abu'l Abbas al-Mamun (167-218/783-833). The Abbasid caliph who promoted scientific study and the translation of Greek learning into Arabic. For this purpose he established an academy called *Bayt al-Hikmah* (the House of Wisdom). Greek manuscripts were brought there from Constantinople and other places for translation purpose.
22. 'Many Greek books, such as those of Galen, were saved for the Western World thanks only to Arabic translations'. (Lopez-Baralt, 1994, p. 509). So-called Bryson's Greek original is now lost and survives in Arabic translation (Helfening, 1934, p. 595). Greek version of the Arabic translation of Ptolemy's *Optics* has yet to be found. (Burnett, 1994, p. 1054 n.)
23. 'The so-called Arabic numbers without which Europeans would never have been able to develop mathematics, were introduced into the West and the Hindu East by the Arabs'. (ibid., pp. 509-10).
24. Abu Bakr Yahya b. Umar al-Kinani (213-289/828-901), an Andalusian Malikite jurist. His work *Kitab Ahkam al-Suq* (A Book on Rules of the Market) is collection of his lectures. It is perhaps the first work exclusively dealing with issues related to market problems, price, demand and supply, competition, monopoly, etc.
25. Abu Yala Muhammad bin al-Husain al-Farra (380-458/990-1066) who's work *al-Ahkam al-Sultaniyyah* (The Rules of Government), like the one by al-Mawardi (introduced below) has some economic contents. The two scholars had the same titles for their work and contents are also same except where their respective schools of thought differ (Abu Yala was Hanbali while al-Mawardi was Shafi'i). It is not known who wrote first and who followed suit.
26. Abu Bakr Muhammad bin Ahmad al-Sarakhsi (d.483/1090). A Hanafi jurist of 5<sup>th</sup>/11<sup>th</sup> century who lived and worked in Transoxania in developing the juristic tradition of the region. He produced a number of works, the most important being *al-Mabsut* (in 30 Volumes) which is a detailed commentary on *al-Siyar al-Kabir* by Muhammad al-Shaybani.
27. Ali b. Muhammad al-Mawardi (364-450/974-1058), the son of a rose water merchant in Baghdad, his work *al-Ahkam al-Sultaniyyah* (the Ordinances of Government, Tr. By Wahba, H. Wafa and published by Garnet publishing Ltd, Reading, U.K., 1996) was commissioned by the Caliph. It contains a wide range of subjects including market supervision, taxation and economic role of government.
28. Fakhr al-Din al-Razi (544-606/1149-1209). Judge, theologian (*mutakallim*) and historian. His commentary on the Qur'an '*Mafatih al-Ghayb*' is characterized by philosophical exposition. It contains some insights which are of great interest to economists.
29. al-Husayn bin Abdullah Ibn Sina (Avicenna) (370-428/980-1037). Logic, philosophy and medicine were to be his calling in life. His '*al-Qanun*' (the Canon of medicine) and *al-Shifa* (Healing known in the West as the *Sanatio*) remained a basis for teaching medicine in Europe unto the 17<sup>th</sup> Century.
30. Al-Hasan b. Husayn Ibn al-Haytham (354-430/965-1039) (Identified with the Alhazen, Avenathan of Medieval Latin text). Principal Arab mathematician and the best physicist. Born in Basrah and died in Cairo. He devoted to mathematics and physics but he also wrote on philosophical and medical subjects.

31. Ibn Tufayl (504-581/1110-1182). Ibn Tufayl was the first Andalusī thinker who knew and used Ibn Sina's *al-Shifa*. The thought of Ibn Tufayl represent a late continuation of the philosophy of Ibn Sina and the more Aristotelian line which would later be represented by Latin scholasticism... Ibn Tufayl's work was not directly known to medieval Latin scholastics. Translated into Hebrew in 1349 by Moses b. Narbonne, it was edited in 1671 by E. Pococke, accompanied by a Latin version with the title *Philosopus Autodidactus* and met with surprising success in the Western world. His famous work *Hayy b. Yaqzan* (translated by L. E. Goodman 1972, London) is forerunner of English Robinson Crusoe.
32. Nasir al-Din Abu Ja'far al-Tusi (597-672/1201-1274). Born at Tus and died in Baghdad, began his career as astrologer, later became the trusted adviser to Hulagu to the conquest of Baghdad, became vizier and supervisor of *waqf* estates and retained his influential position under Abaqa also without interruption until his death. Of an economic interest is his treatise on finance – *Risalah Maliyyah*, and *Akhlaq-e-Nasiri*.
33. Existence of reference to 'Bryson's name (even there is no agreement on exact character of his name, written differently as Brason, Abrussan, Brasson, Brusson (Spengler, 1964, p. 276, 278, 279, 280, 281 etc.) and Barses, Brasius, Thrasius, etc. (Essid, 1995, p. 182) does not mean that the entire contribution of Muslim scholars in indebted to Bryson, especially when his text teaches nothing new.
34. The idea that 'the bad money drives out good money' known as Gresham's law is a case in point which was mentioned by many scholars like Ibn Taymiyyah (d. 1328) Nicole Oresme (d. 1382), etc., much before Thomas Gresham (1519-79) (Islahi 1988, pp. 139, 143). The idea of division of labour is another case which was explained by al-Ghazali citing the example of a needle, analogous to Adam Smith's famous pin-factory example seven centuries later.
35. For instance "The theory of rent was developed separately by four writers ..... all published during Feb. 1815, Malthus, Edward West, Ricardo and Robert Torrens. 'This coincidence is an interesting example of how a pressing contemporary issue can call forth a theory developed independently by different people' (Oser and Blanchfield 1975, pp. 93-94). Again, 'marginalist school developed in several countries and through the efforts of different people working independently by each other at first ...., another interesting case of new ideas arising almost simultaneously in different places and from different people". (ibid., p. 220).
36. Harith b. Asad al-Muhasibi (d. 243/857). Born in Basrah and died in Baghdad, a theologian who advocated the use of reason ('*aql*') but finally adopted a life of ascetic renunciation. His principal works are *Ri'ayah li Huquq Allah*, *Wasaya*, *Kitab al-Tawahhum*, *al-Rizq al-Halal*.
37. Al-Junayd b. Muhammad al-Baghdadi (d. 298/910). The celebrated sufi, studied law under Abu Thawr and associated with Harith al-Muhasibi. Al-Junayd by his clear perception and absolute self control laid the foundation on which the later systems of Sufism were built.
38. Abu'l-Fadl Ja'far b. Ali al-Dimashqi. Lived in Syria during 6<sup>th</sup>/12<sup>th</sup> Century, according to another estimate during 5<sup>th</sup>/11<sup>th</sup> century. His life details are not known. From his work it appears that he was a practicing businessman.
39. "The Arabs eagerly absorbed all this Greek learning and carried it into every part of their empire. They were soon able to surpass the true heirs of Greek civilization, the Byzantine, so decidedly that by the eleventh century Arabic works on medicine and other subjects were being translated into Byzantine Greek instead of vice versa" Grice-Hutchinson (1978, p. 65).
40. To Burnett (1994, p. 1048) 'The absence of any Muslim involvement in the translation is notable. Most of Alfonso's translators were Jews, and those who were not Jews were Christians who sometimes translated the Castilian text into Latin'.
41. Here are a few names of translators from Arabic to Spanish to Latin or directly to Latin: John of Seville, Dominic Gundisalvo, Andrew, Gerard of Cremona, Galippus, Harmann of Garanthia (Grice-Hutchinson, 1978, p. 73).

42. Needless to say that in the days of Muslim intellectual decadence and spread of imitations, groups of philosophers and *mutakallimun* faded away and it is the traditionalists who kept the candle of knowledge burning throughout these centuries, although the elements of originality and creativity declined.
43. According to Myers (1964, pp. 39, 42-43), al-Ghazali's works were available in Latin even before 1150 AD. And St. Thomas, directly or indirectly, benefited from those books in his efforts to refute the arguments of philosophers and sophists against faith.
44. Abu Nasr Muhammed b. Tarkhan al-Farabi (Alfarabius) (257-339/870-950). A philosopher who integrated the doctrines of Plato and Aristotle as a single point of view. He is called *al-Mu'allim al-Thani* (The Second Master), Aristotle being the first. Al-Farabi adapted the theories of Plato's *Republic* in his *Risalah fi Ara Ahl al-Madinah al-Fadilah*. He assigned to revelation the same role as Plato did to poetry.
45. Ibn Bajjah (Avempace) (462-523/1070-1138). Born in Saragossa and died in Fez in Maghreb, wrote numerous works, thirty-seven of which survived, among them are his paraphrastic commentaries on various works of Aristotle. Was influenced by al-Farabi on whose ideas he developed his ideal of a utopian society governed by righteous. To Maimonides, Ibn Bajjah was principal philosophical source next to al-Farabi. Although there were very few Latin translations of Ibn Bajjah, Latin thinkers also made use of his philosophy. St. Thomas Aquinas, for example incorporated some of Ibn Bajjah's ideas into his theology, generally conjoined with those of Maimonides, when he agreed with them (Hernandez, M. C. (1994), "Islamic Thought in the Iberian Peninsula", p. 788).
46. Abu'l-Walid Muhammad b. Ahmad Ibn Rushd (Averroes) (520-595/1126-1198). As a philosopher he had little influence in the East, came at the end of development of Philosophy in Islam and perhaps marking its summit. In Europe he became the great authority on Aristotle's philosophy and a school arose around his commentaries on Aristotle known as 'Latin Averroism' and famous for the theory of the 'Unity of the Intellect'.



## ***CHAPTER III***

# **THE ISLAMIC TRADITION IN ECONOMIC THOUGHT (I): *Theory of Value, Market and Pricing***

- **Elements of Value Theory and Muslim Scholars**
- **Market and Price**



# THE ISLAMIC TRADITION IN ECONOMIC THOUGHT (I): *Theory of Value, Market and Pricing*

Muslim scholars benefited from the Greek translations, at the least the groups of *mutakallimun* and *hukama*. But before they got these translations during third century Hijrah and subsequent period, they had already developed a host of economic ideas and policy concerns. The union of these two elements provided impetus to this branch of knowledge. They not only improved and developed Hellenic thought, they introduced new concepts as well.

In this chapter and subsequent many chapters, an attempt will be made to trace the evolution of economic concepts in Islamic tradition. This means that concepts will be given greater importance than any particular contributor or scholar. This is necessary to show the continuity in economic thought, though it may involve, to some extent, repetition of personalities, as few writers developed only one specific doctrine while the majority presented their views on many issues within the sphere of political economy. In this study we will try to follow a logical order that we normally find in the contemporary texts. Occasionally during our discussion and more particularly in Chapter Seven we shall point out some of the additions made by Muslim scholars over their Greek predecessors.

## **1. Elements of Value Theory and Muslim Scholars**

The subject of value received increasing importance ever since economics became a science. Adam Smith (1723-1790) forcefully presented labour theory of value but “confused” with the cost of production theory of value (Roll, 1974, p.162). Ricardo (1772-1823) tried to remove Smith’s “inconsistency” but

'could not be free from confusion himself' (ibid., p. 178). Marx (1811-889) tried to take the Smithian and Ricardian labour theory of value to its logical conclusion by presenting the theory of exploitation (ibid., p. 266) to invite opposition from every corner. Marginalist school emphasized the demand side or a 'theory of value based on utility as an alternative to the classical theory' (ibid., p. 379) against the classical emphasis of supply aspect. Neo-classical economists tried to put an end to this controversy by combining both demand and supply in determination of the value (ibid., pp. 401-02).

If this has been the situation in the scientific age of economics, one may justifiably presume absence of any coherent theory of value in pre-Smithian period. But it is surprising that these elements of value theory and its main building blocks existed long before the builders of modern economics.

It is interesting to note that development of value theory in Islamic tradition took just the other way. As we shall see below, there had been understanding, throughout the period, of value determination by demand and supply. Although the writers on the subject did not clearly mention whether a value, such determined, would be representing the natural value of the commodity or simply a temporary market price, one can easily infer the objective from their respective statements.

*Value based on Marginal Utility.* Muslim scholars perceived valuation based on marginal utility as early as 2nd/9th century, of course without using the terminology<sup>1</sup>. Ibn Abd al-Salam<sup>2</sup> quotes Imam Shafi'i as saying: "A poor man assigns to one dinar much greater value for himself, while a rich man may not consider hundreds of any big value due to his riches" (Ibn Abd al-Salam, 1992, p. 561). Similar opinion was also expressed by al-Juwayni<sup>3</sup> (1400 H. part 2, p. 920). Al-Shaybani (1986, p. 50) recognized even the idea of 'disutility' as he says, "... a person eats for his own utility and there is no utility after being full stomach, rather there could be 'disutility'. Subjective nature of utility is best described by Ibn al-Jawzi<sup>4</sup> (1962, p. 302) who says, "The extent of pleasure from food and drink will depend on how strong is the thirst or hunger. When a thirsty or hungry person reaches to his initial condition (of satiety), after that forcing him to take more of food and drink will be highly painful (of great disutility)". Thus, it is clear that to these scholars value of an object is a subjective thing and depends on its diminishing marginal utility.

It is due to diminishing marginal utility that al-Dimashqi (1977, p. 116) considers it irrational to spend 'too much money on satisfaction of one need and ignoring the other'. He suggests allocation of income in a way akin to equimarginal rule that one finds in modern economic texts.

**Cost of Production Theory of Value.** Ibn Taymiyyah<sup>5</sup> (1963, Vol. 30, p. 87) thinks that value is an increment obtained from both labour and capital. So it should be divided among them as an increment resulting from two factors'. From his another statement, it appears that he considers value creation due to all factors, land including water, air and raw material, labour and capital. (ibid., p. 120, vol. 29, p. 103). It means, his was a cost of production theory of value.

**Labour Theory of Value.** Ibn Khaldun insists that 'profit is the value realized from labour ( 1967, Vol. 2, p. 272). At another occasion he says, '.... It should be further known that the capital a person earns and acquires, if resulting from a craft, is the value realized from his labour' (ibid., p. 313); 'it has, thus, become clear that gains and profits in their entirety or for most part, are value realized from human labour' (ibid., p. 314). Going through these statements, Baeck (1994, p. 116) has rightly declared that "the value of each product, according to Ibn Khaldun is equal to the amount of work put into it"

Although Ibn Khaldun has not used the term exchange value, it is clear that his intention is the same. Implied in his statement in provision of 'use value' as well since labour was desired because of the value realized from it in the form of output which men wanted and for the supply of which labour was entirely responsible'. (Spengler 1964, p. 299). One may reasonably think that Ibn Khaldun took the theory of value to the point from where classical economists began their journey.

## 2. Market and Price

Islam came to a people who had trading as one of the main sources of their living. This means that they had the practical experience of market functioning and problems related to it. Thus, it did not take them much time to theorize their experiments and observations. In a market, the two forces of demand and supply play vital role and the price provides guidance for undertaking various activities. Muslim scholars had deep insight in their analysis of market forces.

**Demand, Supply and Prices.** The question of administrative fixation of price arose during the life of the Prophet (b.p.u.h.) who refused to fix it (Ibn Taymiyyah, 1976, p. 25). By prohibition of hoarding and forestalling and with his remark "...let Allah provide them with living – some of them with other", he approved determination of price by free play of market forces – demand and supply. Muslim scholars were aware of this mechanism. We find a chain of scholars who visualized this. Perhaps the earliest explicit statement on the role of demand and supply in determination of the price came from the leading jurist

*imam* Shafi'i. Al-Kasani<sup>6</sup> quotes him to have said that "the value of a commodity changes each time there is change in the price, due to increase or decrease of people's willingness to acquire the commodity (demand) and depending whether it is available in small quantity or large quantity (supply)" (al-Kasani, n.d. Vol. 2, p. 16).

But the earliest account of price movement as a result of good or bad harvest (read increase or decrease in the supply of agricultural product) is found in Ibn al-Muqaffa<sup>7</sup>. But his sole concern was to show its likely effect on fate of the farmers and revenue of the government collected as fixed land tax. (Essid, 1995, p. 101, the author refers to Ibn al-Muqaffa's work *Risalah fi'l-Sahabah*, p. 76). A similar analysis was provided by Abu Yusuf (1392 H. p. 52) who was assigned by Caliph Harun al-Rashid (d.193/809) to give his opinion about replacing the land tax with a proportional agricultural tax. He wrote, "There is no definite limit of cheapness and expensiveness that can be ascertained. It is a matter decided from heaven; the principle is unknown. Cheapness is not due to abundance of food, nor expensiveness due to scarcity. They are subject to the command and decision of Allah. Sometimes food is plentiful but still very dear and sometimes it is too little but cheap". This seems to be a denial of the common observation that an increase in supply results in a decrease of price and a decrease results an increase. In fact, price does not depend on supply alone – equally important is the force of demand. There may be some other factors also working such as change in money supply, hoarding and hiding goods, etc. Abu Yusuf says that there are "some other reasons" also which he does not mention 'for the sake of brevity' (*ibid.*), and because the context was not demanding for an explicit and detailed description of these factors.

Another early expression of the role of demand and supply came from al-Jahiz<sup>8</sup> in his work '*al-Tabassur bi'l-Tijarah*' (the Insight in Commerce): "Everything becomes cheaper if its amount increases except knowledge as its value is enhanced if it increases" (al-Jahiz, 1966, pp. 11-12). He refers to it as an Indian wisdom (*ibid.*). Qadi Abd al-Jabbar<sup>9</sup> (1965, Vol. II, p. 55) enumerates some of the demand and supply functions and attributes them to the Almighty Creator as the final cause, and invites to a distinction between what changes we see as a result of market forces and what are seen due to manipulation of some people so that intervention may be resorted to prevent them. Al-Juwayni (1950, p. 367) also thinks that the price which is determined as a result of increase and decrease of supply and demand is beyond the control of an individual. It seems, he keeps in mind a perfectly competitive market where an individual buyer or seller cannot influence the price. He is price taker not a price maker.

Al-Juwayni's disciple, al-Ghazali (n.d.[a] Vol. 3, p. 227), the great scholar of Islam, provides a rather detailed discussion of the role and significance of voluntary trading activities and the emergence of markets based on demand and supply forces in determining prices and profits. To him, markets evolve as part of the natural order of things – an expression of self-motivated desire to satisfy mutual economic needs. According to al-Ghazali the 'mutuality of exchange' requires that there should be specialization and division of labour with respect to regions and resources. Trading activities add value to goods by making them available at a suitable place and time. Self-interest of the participants in the market leads to the creation of profit-motivated middlemen or traders. It is surprising that in spite of so clear description of market evolution, al-Ghazali does not explicitly discuss the role of demand and supply. However, his awareness of market forces is evident when concerning high food prices, he suggests that the price should be brought down by reducing demand (ibid.).

Another clear, though brief, statement about demand and supply functions we find with al-Dimashqi (1977, pp. 29-30). The price determined by these forces would be a median or just price (*al-qimat al-Mutawassitah*). He gives interesting names to prices higher or lower than the median price (as some contemporary economists have given names to various type of inflation) (ibid., p. 29). He advocates for maintenance of stable median price.

A very clear and rather detailed exposition of demand and supply, and the way prices tend to be determined, has been provided by Ibn Taymiyyah. In a reply to an inquiry addressed to him he says, "Rise and fall in prices is not always due to an injustice (*zulm*) by certain individuals. Sometimes the reason for it is deficiency in production or decline in import of the goods in demand. Thus, if desire for the good increases while its availability decreases, its price rises. On the other hand, if availability of the good increases and the desire for it decreases, the price comes down. This scarcity or abundance may not be caused by the action of any individuals; it may be due to a cause not involving any injustice, or sometimes it may have a cause that does involve injustice. It is Almighty Allah who creates desires in the hearts of people (the taste)" (Ibn Taymiyyah, 1963, Vol. 8, p. 583).

Ibn Taymiyyah's statement partly reflects a commonly held view at the time that rising price is the result of manipulation of the market. However, he argues that there could be market pressures behind the rise and fall of prices i.e. shifts in demand and supply functions. Thus, at a given price demand increases and supply decreases, leading to a price rise or, conversely, at a given price, supply increases and demand decreases, leading to an ultimate decline of the price. Similarly, depending upon the extent of change in supply and/or demand,

the change in price may be large, small or zero. Various such possibilities seem to be implied in his statement. However, the two changes are not necessarily combined, nor do they necessarily occur together. We can experience the same results if, *ceteris paribus*, only one change occurs. In one place in his book *al-Hisbah fi'l-Islam* Ibn Taymiyyah (1976, p. 24) describes the two changes separately: "If people are selling their goods in commonly accepted manner without any injustice on their part and the price rises in consequence of decrease in commodity or increase in population (leading to rise in demand) then this is due to Allah". That is, changes in taste which Allah determines. Obviously he assumes 'other things remaining the same'. An increase in price due to a fall in supply or rise in demand is characterized as an act of Allah to indicate the impersonal nature of the markets. Elsewhere we have discussed how Ibn Taymiyyah identified some of the determinants of demand and supply which can affect the market price – such as intensity and magnitude of demand (in economic jargon, how elastic or inelastic is the demand), relative scarcity or abundance of a good, credit conditions, discount available for cash payments, and costs involved in procurement of the good (Islahi, 1988, pp. 90-93).

Ibn Taymiyyah's treatment of pricing mechanism is distinguished among the entire Muslim thinkers in the sense that we do not find such a clear and elaborate discussion with others. His disciple Ibn al-Qayyim<sup>10</sup>, a great thinker in his own right, follows his teacher's ideas and reasoning as they are and/or sometimes with added arguments (1953, pp. 244-45, 247-48, 253, 254-55, 264). Thus, his ideas on this topic need not to be discussed separately.

However, we must mention here Ibn Khaldun who introduced many new determinants of supply and demand and their influence on prices. Among the determinants of demand he noted purchasing power of the community at various levels of civilization and development. It also depends on tastes. Accordingly, composition of goods demanded and willingness to buy changes in countryside and cities, in the beginning of a dynasty and at its advanced stage, (Ibn Khaldun, 1967, pp. 276-78). Supply is affected by the production and procurement costs such as cost of rent, wages, duties, taxes on profits, risks attached to storage (*ibid.*, pp. 339-40, 341), profit expectations (*ibid.*, pp. 301-02, 351-52, 367), etc. According to Ibn Khaldun, "Moderate profits boost trade whereas very low profits discourage traders and artisans and very high profits decrease demand" (*ibid.*, 340-01). Implied in this statement is the role of prices in the market and their bearing upon the economic activities. In support of his ideas, Ibn Khaldun presents evidences from different countries and so he provides a blend of applied economics, though he avoids any quantitative analysis.



***Imperfections in the Market and Price Control.*** Muslim scholars did not discuss pricing mechanism and market functioning as an intellectual exercise or academic discourse. They did it in quest of justice for the participants of market when price would be abnormally high – to formulate a policy and suggest preventive measures or recommend intervention to strike a balance between the interests of buyers and sellers. We have already noted that the question of price control arose during the Prophet's time which he rejected. And because of his refusal, many scholars opposed any price control policy and it became a controversial issue in the literature of Islamic jurisprudence (for details see Islahi 1988, pp. 94-97). We confine our review to a few representative scholars who presented economic reasoning in their analysis.

While opposing the administrative price fixation, al-Maqdisi<sup>11</sup> (1972, Vol. 4, pp. 44-45) analyses it from an economic perspective and points out the disadvantage of this form of price control. Price fixing will bring about a result exactly the opposite of what it intends, because 'outside traders will not bring their good where they would be forced to sell at a price against their will and local traders who have the stock will also conceal them'. The net result will be further shortage and deterioration of the situation. 'The needy consumers will demand the goods and having their demand unsatisfied, will bid the price up. The price will thus increase and both parties will suffer'.

It may be noted that in medieval Europe similar argument was offered by Peter Olivi (d. 1298), the author of a much copied treatise on economic contracts, while explaining why it is reasonable to allow prices to rise in case of a general scarcity. (Langholm, 1998, p. 117).

According to Ibn Taymiyyah (1976, p. 42) the Prophet (p.b.u.h) did not fix the price because economic factors were against it. It was not a 'general ruling'. He showed that the Prophet himself recommended 'just price' fixation at two other occasions.

Muslim scholars had the idea of price of the equivalent' (*qimat al-mithl*) or 'just price' (*qimat al-'adl*). But their concept of 'just price' was not borrowed from the Greek literature. It originated in Islamic tradition itself as the term was used by the Prophet (ibid.) as well as by his two Caliphs, Umar (Ibn Hanbal n.d. Vol. 5, p. 327) and Ali<sup>12</sup> (al-Radi, n.d. Vol. 3, p. 110, Vol. 5, p. 342). Ibn Taymiyyah's interpretation shows that the just price is one which is determined by the competitive market forces (Islahi, 1988, p. 83). He identifies several characteristics of such a market. He insists that it is no transgression on the part of market participants if prices of goods increase due to competitive market forces. And, therefore, there is no reason for state intervention – unless there are

market imperfections like cases of monopoly, oligopoly or monopsony (ibid., pp. 99-100).

Much earlier than Ibn Taymiyyah, even Yahya bin Umar al-Kinani, a strong opponent of price control, supported price fixation by the authority when coalition on the part of market participants or monopolists violates the interest of consumers and inflicts injury on them by charging excessive price. (al-Kinani, 1975, pp. 44-45). He is also against price war and cut-throat competition that spoils the market (ibid.).

For administrative price fixation, al-Baji<sup>13</sup> quotes an earlier scholar Ibn Habib<sup>14</sup> who proposes a committee idea for this purpose. According to him the *imam* (authority in charge) should call a meeting of market representatives. Others also should be admitted to the meeting so that they could verify their statement. After negotiation and investigation about their sale and purchase he should persuade them to a price that can support them as well as the common people. Thus they all might agree. Price cannot be fixed without consent and agreement. The logic behind this provision is to find out, in this way, the interests of sellers and buyers and fix a price that should bring advantage and satisfy the needs and that would involve no embarrassment for the people. If a price has been imposed without the consent of the sellers, leaving them no profit, such a price would be corrupt, foodstuffs would be concealed and people's goods would be destroyed (al-Baji, 1332 A.H., Vol. 5, p. 19).

## Endnotes

1. Muslim scholars discovered the root of the idea although were still short of the terminology and the theory whose credit, no doubt, goes to the 19<sup>th</sup> century Marginalist school. Since diminishing marginal utility is humankind's every day experience, there would be no surprise if it is found that similar feeling was expressed by some other ancient thinkers. With thanks I would like to add that one of the referees of this work pointed out that "Xenophon (427-355 B.C.) held a similar view in his *Hiero* to that expressed by the said Muslim scholars in the medieval period". He referred to Robert B. Ekelund and R. Herbert's *A History of Economic Theory and Method*, 1990 edition, McGraw-Hill, p. 16. However, I could not get that edition of the book or the original work of Xenophon to see his exact words.
2. Abd al-Aziz b. Abd al-Salam al-Salami al-Dimashqi (577-660/1181-1262), also known as *Sultan al-'ulama*, Shafi'i jurist and creative thinker, born at Damascus and died in Cairo. Author of many valuable works.
3. Abu al-Ma'ali Abd al-Malik b. Abd Allah al-Juwayni (419-478/278-1085). Born at Juwayn a village of Nishapur and died there after spending part of his life in Hijaz and Baghdad. He led prayers in the two holy mosques of Islam in Makkah and Madinah, hence called *Imam al-Haramayn* (Leader of the Two Holy Mosques). Author of a number of works in *fiqh* and principles of jurisprudence. His work "*Ghiyath al-Umam*" (or *Ghayathi*) especially contains lot of economic ideas, frequently quoted by al-Ghazali and Ibn Taymiyyah.

4. Abd al-Rahman b. Ali Ibn al-Jawzi (510-697/1126-1200) jurisconsult, traditionalist, historian and a prolific writer, lived in Baghdad. Some important works are *Talbils Iblis*, *Sayd al-Khatir*, *Zad al-Masir fi 'Ilm al-Tafsir* and *Dhamm al-Hawa*.
5. Taqi al-Din Ahmad bin Abd al-Halim Ibn Taymiyyah (661-728/1263-1328) most versatile genius, well versed in Shariah sciences studied Greek ideas but criticized and rejected them and preferred the pattern of *muhaddithun* and jurists. His two works *al-Siyasah al-Shar'iyah* (English tr. by Farrukh Omar, 1966) and *al-Hisbah fi 'l-Islam* (tr. by Muhtar Holland 1980) present his great insight in economic matters. Collection of his *Fatawa* (35 volumes 1380 H.) has wealth of materials on socio-economic and religions issues. For his contribution to economic thought one may refer to Islahi (1988).
6. 'Ala al-Din Abu Bakr b. Mas'ud al-Kasani (d. 587/1189). One of the greaterst jurists of Hanafi School of jurisprudence, born at Kasan in Farghana and died in Aleppo where he taught in the famous Madrasah Halawiyah. His main work is *Kitab Bada'i' al-Sana'i' fi Tartib al-Shara'i'* which brought him fame and recognition.
7. Abd Allah b. al-Mubarak Ibn al-Muqaffa' (102-139/720-756). Arabic author of Persian origin, one of the first translators into Arabic of literary works of the Indian and Iranian civilizations. Though he died at the age of thirty six, he left behind him a considerable quantity of translation and original works like *Kalilah wa Dimnah*, *Khuda Namah*, *A'in Namah*, *Taj Namah*, etc.
8. Amr b. Bahr al-Kinani al-Basri known as al-Jahiz (150-255/770-869). His works are in various fields – literature, grammer, politics, history and general disciplines. His work *al-Tabassur bi'l-Tijarah* (Insight in Commerce) is no doubt the first to exclusively deal with the commercial activities and trading goods. His another work related to economic field is *Kitab Tahsin al-Amwal* (The Book on Improvement of Wealth).
9. Abd al-Jabbar b. Ahmad al-Hamadhani al-Asadabadi (325-415/936-1023). Mu'tazalite theologian, lived in Baghdad and Rayy. His most important work is *al-Mughni* whose some parts are lost while others are published.
10. Abu Abd Allah Muhammad b. Abu Bakr Ibn al-Qayyim (691-751/1292-1350). Born and lived in Damascus, was the most famous pupil of Ibn Taymiyyah and co-associate in his struggle of social and religious reform and academic activities, like his teacher he combated the philosophers. *Zad al-Ma'ad*, *I'lam al-Muwaqqi'in*, *al-Turuq al-Hukmiyyah* and *Uddat al-Sabirin* are some of his important works.
11. Shams al-Din Abd al-Rahman b. Muhammad Ibn Qudamah al-Maqdisi (597-682/1200-1283). Born and lived in Damascus, champion of Hanbali fiqh. He was first to be appointed as Hanbali judge in Damascus which he served twelve years before voluntarily retiring.
12. Ali b. Abi Talib (d. 40/660). The cousin and son-in-law of the Prophet (p.b.u.h.) and fourth caliph. His political discourses, sermons, letters and wise sayings are found in *Nahj al-Balaghah*, a collection of 5<sup>th</sup>/11<sup>th</sup> century by al-Sharif al-Radi (n.d.).
13. Abu'l-Walid Sulayman al-Baji (403-474/1012-1081). A Maliki scholar from Andalus, in 426/1034 he travelled to the East and stayed four years in Makkah, then left for Baghdad where he remained for three years. In the end he returned to Andalus where he was appointed to the post of judge. His famous work is *al-Muntaqa* - a commentary on *Muwatta* Imam Malik.
14. Abd al-Malik Ibn Habib al-Salami (184-238/800-852). An Andalusian scholar, expert of Maliki jurisprudence. He is author of many books such as *Hurub al-Islam*, *Tabqat al-Fuqaha*, *al-Wadiah fi 'l-Fiqh*, *wa'l-Sunan wa 'l-Fara'id*, etc.



## *CHAPTER IV*

# **THE ISLAMIC TRADITION IN ECONOMIC THOUGHT (II): *Production and Distribution***

- **Production**
- **Economics of Distribution**



# THE ISLAMIC TRADITION IN ECONOMIC THOUGHT (II): *Production and Distribution*

## 1. Production

Inspired by the Qur'anic consideration that lawful, economic activities are as if seeking 'bounty of Allah' (cf. the Qur'an 62:10 and 73:20) and inspired by the Prophet's (p.b.u.h.) saying that planting a plant is also a good deed (cf. al-Qurashi, 1987. pp. 115-16), Muslim scholars gave high value to engagement in production activities. Al-Shaybani (1986 p. 40) classified productive activities into four categories, services, agriculture, trade and industry. An 8<sup>th</sup>/14<sup>th</sup> century scholar Muhammad b. Abd al-Rahman al-Wasabi<sup>1</sup>, (1982, p. 8) divides basic sources of earning into three categories agriculture, industry and trade. Depending upon the basic needs of living entities, al-Ghazali (n.d. [a] Vol. 3, p. 225) classified them into five categories: farming (food for people), grazing (food for animals), hunting (including exploration of mineral and forest products), wearing (textiles or clothing) and building and construction (for dwelling). He suggests another classification of industries quite similar to that found in contemporary discussion i.e. primary, secondary and tertiary, which refer to agriculture, manufacturing, and services respectively (ibid., Vol. 1, pp. 12-13, 1964, pp. 328-29). Traditionally commerce was given high value by Muslim scholars. The reason may be that once it was the occupation of the Prophet (p.b.u.h.) himself and it was the main source of earning in Arabian Peninsula. With reference to a *hadith*, al-Ghazali says that trade has nine-tenth of livelihood (ibid., Vol. 2, p. 79). Another *hadith* says: "A righteous honest merchant is with the Prophets and truthful ones and martyrs (al-Tirmidhi, 1976, Vol. 3, p. 506). Collections of the Prophet's traditions and books of Islamic jurisprudence have several chapters related to commercial transactions.

But some other scholars have glorified agriculture such as al-Shaybani (1986, p. 41-42), Ibn Abi al-Rabi<sup>2</sup> (1978, pp. 112, 151-52) Ibn al-Hajj<sup>3</sup> (1972, Vol. 4, p.4), Najm al-Din al-Razi<sup>4</sup> (Nadvi, 1976, p.99), etc. They generally put agriculture on the top of economic activities because it is the source of industry and commerce as well. It does not only satisfy the most basic need of the agriculturist but its benefits also extend to other creatures (al-Wasabi, 1982, pp. 89). Ibn Khaldun considers agriculture an important craft (1967, Vol. 2, pp. 356-57) although he accepts that it has been 'a way of making a living for weak people of Bedouins in search of subsistence. ...Sedentary people, or people who live in luxury, do not practice it' (ibid., p. 335). In his *Introduction*, he has shed light on some works on the science of agriculture. 'One of the Greek works is the *Kitab al-Filahah* which is ascribed to Nabataean scholar Abu Bakr b. Ali Ibn Wahshiyah<sup>5</sup> (ibid. Vol. 3, p.151). 'Ibn al-'Awwam<sup>6</sup> presented an abridged edition of the work' (ibid., p. 152). It may be noted that a part of the Greek work on agriculture was related to sorcery. But Muslim scholars restricted themselves to the part of the book dealing with plantation techniques only. Ibn Khaldun states that 'there are many books on agriculture by recent scholars. They do not go beyond discussion of the planting and treatment of plants, their preservation from things that might harm them or affect their growth and all things connected with them' (ibid.)<sup>7</sup>.

One may not find in the writing of Muslim scholars description of efficiency-oriented different laws of production, but there are production related many important ideas that are necessary for continuation and optimization of production function such as linkages in production activities, division of labour and specialization and role of human capital.

***Linkages and Interdependence of Industries.*** Linkages of industries and their interdependence were first mentioned by al-Shaybani (1980, p. 75). Al-Ghazali (n.d. [a] Vol. 4, p. 12) makes it more clear when he says; "the farmer produces grains, the miller converts it into flour, and the baker prepares bread from the flour". His recognition of interdependence of economic activities is shown in his statement: "the blacksmith makes the tools for farmer's cultivations and the carpenter manufactures the tools needed by the blacksmith. The same goes for all those who engage in the production of tools and equipments, needed for production of foodstuffs (ibid.). Such ideas we find with al-Dimashqi (1977, p. 21) also: "Industries are interdependent on each other. The builder needs carpenter, the carpenter needs blacksmith. The iron workers need industry of mine workers who need builders."

***Cooperation and Division of Labour.*** A natural result of linkages and interdependence of industries was need for cooperation and division of labour



Thus, almost all thinkers on this aspect of economy argued for the two. (al-Shaybani, 1986, pp. 75-76, al Ghazali, n.d. [a] Vol. 4, pp. 118-119; al-Asfahani, 1985, pp. 374-75, al Dimashqi 1977, pp. 20-21, Ibn Taymiyyah, 1976, pp. 79, 116, Ibn Khaldun 1964, Vol. 2, pp. 235-238, 271-272, 286, 329). We choose al-Ghazali on division of labour and Ibn Khaldun on cooperation, as representative of the group, to show what insights they provide on the issue.

After describing various functions involved in production of our daily food, al-Ghazali (n.d. [a] Vol. 4, p. 118) says: "a single loaf of bread takes its final shape with the help of perhaps more than a thousand workers". He argues further by using the example of a needle. "Even the small needle becomes useful only after passing through the hands of needle-makers about twenty five times, each time going through a different process" (ibid., p. 119). One can see how analogous this is to the classical pin-factory example of Adam Smith (1937, pp. 4-5) seven centuries later in making the same arguments.

We find several passages in *Muqaddimah* of Ibn Khaldun (1964, Vol. 1, pp. 89-91; Vol. II, pp. 271-274, 301-02, 316, 336-41) in which importance of cooperation as well as the advantage of division of labour has been discussed. While highlighting fruits of cooperation and economics of division of labour, he maintains that division of labour is limited to the extent of market. Spengler (1964, pp. 295-96) had best summarized Ibn Khaldun's views on the subject when he said: "Perhaps the most important of the form of cooperation or organization into which men entered was division of labour (by craft or profession rather than by task) which greatly increased output per worker, elevated a community's capacity to produce above that required to supply elemental wants, and gave rise to exchange and commerce in which producers and merchants engaged, with the kind and quantity of what was produced dependent upon the extent of demand and realizable profit". The passage is self-evident and needs not any additional remark.

## 2. Economics of Distribution

Distribution is one of the two main economic problems of humankind, the other being production. There have been differences of opinion among the economists about which one is most fundamental.<sup>8</sup> Again, distribution is of two kinds: Functional that takes place as a result of production process; it may be called initial distribution, and personal distribution which means redistribution. In Islamic system, the latter is much emphasized and a detailed scheme is found in its basic sources. Muslim scholars have also discussed them elaborately. Elsewhere we have given an account of it (Islahi, 1995, pp. 19-35). In the

mainstream economics, analysis of functional distribution has been given more importance. We shall therefore confine our discussion to Muslim scholars' perception of functional distribution.

**Profit:** It may be noted that Muslim scholars excluded interest (a rate charged on capital lent against the time given for use) from the list of rewards for factors. Capital has to come in terms with entrepreneur as equity participant and share in loss and profit of the enterprise. Thus, one will never find in Islamic tradition a discussion on interest determination.

As far rewards of other factors are concerned, they leave them to be determined by market forces and their discussions also come along with the price. However, they always emphasize observation of fair practices and due consideration for weaker players. By doing this one must keep in mind that enormous amount of 'profit' one would gain in the 'market of the Hereafter' (al-Ghazali, n.d. [a], Vol. 2, pp. 75, 76, 84), meaning by it one's salvation. There seems to be awareness among Muslim scholars of 'abnormal profit' when it is said that "since profit represents an extra worth," it should be sought from those types of goods which are not necessary for people. (ibid., p. 73). According to al-Ghazali, 'given the sellers' benevolence as well as the norms of trading practices and market condition, the profit rate should be around 5 to 10 percent of the price of the goods;. One who is content with a small profit has many transactions and earns a lot of profit by large volume of sales and thus he is favoured (ibid., p. 80).

Ibn Taymiyyah also suggests that entrepreneurs should earn profit in commonly accepted manner (*al-rihb al-maruf*) without destroying their interest and the interest of the consumers' (1976, p. 37). He is against abnormal rate of profit exploitative (*ghabn fahish*) of a situation where people are ignorant of market conditions (*mustarsil*) (1963, Vol. 25, p. 299). Thus, he opposes price discrimination to maximize profit. 'A trader should not charge from an unaware person a profit higher than he charges from others' (ibid., pp. 300, 361). 'A person known to discriminate in this way should be punished and deprived of the right to enter the market (ibid., pp. 359-360). Similarly exploitation of needy person (*mudtarr*) who is bound to buy the good to fulfil the need (in other words, his demand for the good is perfectly inelastic) is condemned. The seller must charge a profit equivalent to the profit charged from a person not so bound' (ibid.).

Among other things profits are related to the risk as it is clear from various statements of Muslim scholars. Al-Ghazali says: 'They (traders) bear a lot of trouble in seeking profits and take the risks and endanger lives in voyages....'

(al-Ghazali, n.d. [a], Vol. 4, pp. 118). Risk is involved in partnership, trade and traveling (Ibn Taymiyyah 1986, p. 535). 'Trading risk is to buy goods (at a lower price) to sell it (at a higher price) to earn profit' (Ibn al-Qayyim, 1982, Vol. 3, p. 263). Entitlement to profit is tied with the exposure to risk. Ibn Qudamah<sup>9</sup> says: "A person has the right to share in the profit if he is ready to bear the loss." (Ibn Qudamah, 1972, Vol. 5, p.141) While dealing with the partnership business Muslim jurists have extensively written about the costs that will be deducted from the gross revenue to determine the net profit.

**Wages:** In Islamic system labour has been considered as a service carrying a market price and therefore in normal condition it will be left to the free play of market forces to determine the wage. Although the question of paying just and fair wages has been frequently discussed in the Islamic thought, Ibn Taymiyyah has rather detailed reflection on wages, so for our purpose it will suffice to present his ideas. He uses terms like 'pricing in labour market' (*tas'ir fil-a'mal*), 'wage of the equivalent' (*ujrat al-mithl*) analogous to 'pricing in goods market' (*tas'ir fi'l-amwal*) and 'price of the equivalent' (*thaman al-mithl*, (Ibn Taymiyyah, 1976, p. 34). To avoid any disputes wages like prices should be fully defined. He says: 'wages and prices, when they are uncertain and indeterminate as is the case when they are not specified, or are not seen, or their kind is not known, there is a case of uncertainty and gambling' (Ibn Taymiyyah, 1964, p. 103). It should be noted that during those days wages as well as prices were sometimes paid in kind. According to Ibn Taymiyyah, the 'wage of the equivalent' will be determined by the quoted wage (*musamma*) if such quotation exists, to which the two parties may refer, just as in the case of sale or hire the quoted price (*thaman musamma*) will be held as the 'price of the equivalent' (Ibn Taymiyyah, 1963, Vol. 34, p. 72). Again if there is imperfection in the market, the wage of the equivalent will be fixed in the same way as the price of the equivalent. For instance, 'if people are in need to the services of cultivators or of those engaged in textile production or in construction but these are not prepared to give their services, the authorities may in this case fix the wages of the equivalent' (Ibn Taymiyyah, 1976, p. 34). He makes it clear that the purpose of this wage control is to prevent the employers and employees from exploitation of each other. 'The just wage will be decided in such a manner that neither employer can reduce the wage of worker from that equitable wage, nor can the worker demand more than that' (ibid., p. 34).

Ibn Khaldun has also something to say about wages. While giving the substance of his thought, Spengler says: "what increases the money cost of the worker's or merchants' standard of life is or may be reflected in his supply price." (Spengler, 1964, p. 298). At this he comments that 'Ibn Khaldun's

statements suggest, however, that it is usually demand rather than supply that fixes the price of the labour which, though it ought at least to furnish the 'necessities of life', often fails to do so in villages and hamlets where demand for labour is negligible'<sup>10</sup>

**Rent:** Muslim scholars talked more about rental than rent and mostly of juridical nature. Their statement about economic rent is rare and not very clear. Ibn Khaldun reached very near to Ricardo in his example how real estate forms an 'unearned income' for his owner but could not strike it to point the element of rent, '... their value (i.e. real estates' and farms') increases, and they assume an importance they did not have before. This is the meaning of "fluctuation in (the real estate market)". The owner of (real estate) now turns out to be one of the wealthiest men in the city. That is not the result of his own effort and business activity, ....'<sup>11</sup> (Ibn Khaldun, 1967, Vol. 2, p. 284). Similar is case when he states: "The Christian pushed the Muslim back to the seacoast and the rugged territory there, where (the soil) is poor for the cultivation of grain and little suited for (the growth of) vegetables. They themselves took possession of the fine soil and the good land. Thus, (the Muslim) had to treat the field and tracts of land, in order to improve the plants and agriculture there. This treatment required expensive labour (products) and materials, such as fertilizer and other things that had to be procured. Thus, their agricultural activities required considerable expenditures. They calculate these expenditures in fixing their prices and thus Spain has become an especially expensive region, ever since the Christians forced (the Muslim) to withdraw to the Muslim-held coastal regions, for reason mentioned' (ibid., pp. 278-79). Implicit in his statement is that the inhabitants of the interior Spain who had fertile land and good location they also received that high price and thus they earned the differential rent. Had he made it explicit, he could be regarded forerunner of Ricardo's theory of rent.

## Endnotes

1. Muhammd b. Abd al-Rahman al-Wasabi (712-782/1312-1380). Born and lived in Yemen, author of many work on Shariah Sciences. His work *al-Barkah fi fadl al-Sa'i wa 'l-Harkah* (Divine favour in Economic Efforts and Activities) is presenting Islamic view regarding involvement in economic affairs.
2. The facts about the career of Shihab al-Din Ahmad b. Muhammad Ibn-Abi'l-Rabi' (218-272/833-885) are still shrouded in obscurity, but his brief treatise entitled '*Suluk al-Malik fi Tadbir al-Mamalik*' (Conduct of the Master in the Management of the Kingdom) places him among the rank of major Muslim writers who have dealt with the subject of politics and statecraft as a science.
3. Abu Abd Allah Muhammad b. Muhammad known as Ibn al-Hajj.(d.737/1337). An expert of Maliki jurisprudence, educated in al-Maghrib and later in Cairo. His work *al-Madhkhal ila*

- Tanmiyat al-A'mal* is published from Beirut 1972. Shawqi Dunya (1998, pp.121-73)) has examined his economic ideas.
4. Najm al-Din Abd Allah b, Muhammad al-Razi (564-654/1168-1256). Born at Khwarizm and died in Baghdad. He spent his life in *tasawwuf*. His most important work is *Mirsad al-Ibad min al-Mabda' ila al-Ma'ad*.
  5. Abu Bakr Ahmad b. Ali Ibn Wahshiyah (lived in 4th/10th century). Nothing is known about his life, a number of works are attributed to him. The language and style of the translations which are attributed to Ibn Wahshiyah are not of those of a native user of Arabic. A detailed study of these works would probably show that in them Syriac served a vehicle for Greek, Pahlavi, and Indian scientific and pseudo-scientific ideas.
  6. Yahya b. Muhammad Ibn al-Awwam (d. about 580/1185). Andalusian scientist, famous for his work *al-Filahah al-Andalusiyah* (Andalusian Agriculture). It has been translated into French and Spanish. He is author of a few other treatises.
  7. In one of his articles Sanchez (1994, pp. 987-999) gave an account of works on agriculture in Muslim Spain.
  8. Adam Smith assigns to production so much importance that he considers it as the main subject of economics. This is clear from the title of his work '*An Inquiry into Nature and Causes of the Wealth of Nations*'. On the other hand, to Ricardo, 'distribution' should be the subject of economics. He says: "To determine the law which regulate this distribution is the principal problem in political economy" (*Principles of Political Economy and Taxation*, Everyman Edition P.I). In a letter to Malthus (20<sup>th</sup> October 1820) he writes: "Political Economy, you think, is an inquiry into the nature and causes of wealth: I think it should rather be called an inquiry into the laws which determine the division of the produce of industry amongst the classes who concur in its formation". (Letters of Ricardo to Malthus, p. 175) Quoted by Gray, Alexander 1967: *The Development of Economic Doctrine*, London, Longmans, 1967, p. 158.
  9. Muwaffaq al-Din Abd Allah b. Ahmed Ibn Qudamah al-Maqdisi (541-620/1147-1223) Hanbali ascetic, juriconsult and traditionalist theologian born near Jerusalem and died in Damascus. He is known especially for his work on Hanbali law: *al-Mughni and al-Umdah*.
  10. For his remark, Spengler refers to Ibn Khaldun, 1967, Vol. 2, pp. 278-79, 293, 314; 273-74, 277, 334-335.
  11. How close is Ibn Khaldun's this statement to one of Adam Smith regarding the rent: "The landlords like all other men love to reap where they never sowed" (Smith, 1937, p. 49).



## ***CHAPTER V***

# **THE ISLAMIC TRADITION IN ECONOMIC THOUGHT (III): *Money and Interest***

- **Nature and Functions of Money**
- **Interest – an ill-use of money**





# THE ISLAMIC TRADITION IN ECONOMIC THOUGHT III: *Money and Interest*

## 1. Nature and Functions of Money

At the very early stage of Islamic tradition Umar, the second Caliph, expressed his intention to issue money of camel skins. The context is not known. However, he refrained from implementing it when fear was expressed that this would lead to extinction of the camel (al-Baladhuri, 1983, p. 456). Ahmad bin Hanbal is reported to have said that if people decide something as money, it is all quite and acceptable (Ibn Qudamah, 1972, Vol. 4, p. 176). Ibn Battutah<sup>1</sup> (1968, p. 618) noted in his travel account during eighth/ fourteenth century that the Chinese were using paper money for their sale and purchase. But Muslim scholars did not develop their thinking on this line, though they accepted that 'money is not desired for its own sake'<sup>2</sup>. (al-Ghazali, n.d. [a], Vol. 4, pp. 114-115; Ibn Taymiyyah 1963, Vol. 29, p. 472; Ibn Al-Qayyim 1955, Vol. 2, p. 137). Most of the Muslim scholars discussed nature and functions of money, merits of bimetallic standard and consequences of bad money and debasement of currency.

According to Qudamah bin Jafar<sup>3</sup> (1981, p. 434) money has been invented out of human need to exchange goods with each other and specialization in one's profession. He has visualized various difficulties of barter exchange termed by modern economists as non-proportionality of exchangeable objects, indivisibility of goods, absence of a common measure of value, problem of double coincidence of wants, etc. This led to the use of a common denominator for their transactions - gold, due to qualities like durability, easy minting and

availability in a reasonable quantity. Suitability of gold and silver to work as money has also been emphasized by later scholars, e.g. al Ghazali (n.d., [a], Vol. 4, p. 92), Ibn Khaldun (1967, Vol. 2, pp. 274, 285), etc. To Miskawayh<sup>4</sup> (n.d., p. 110), a Muslim philosopher who always tried to synthesize between Aristotle's views and Islamic teachings on ethics, money measures value of various goods and services and establishes equality between them which is not possible in direct exchange without the medium of money. He considers gold, in its capacity of money, as 'the standard for all and everything'. It is best kind of store of value because 'he who sells many things and picks up gold in exchange for the articles and as a substitute for all of them, has done the right thing, since he can get thereby whatever he wishes and whenever he wishes'. (Miskawayh, 1964, p. 29).

Problems of barter exchange and function of money as medium of exchange, unit of account and store of value, have also been discussed both by al-Ghazali (n.d. [a] Vol. 4, pp. 114-15) and al-Dimashqi (1977, p. 21). Especially al-Ghazali's exposition is as lucid as we find in a typical contemporary textbook. At another occasion we have analyzed it in detail (Islahi, 2001, pp.2-4).

Without going into a discussion of barter's difficulties, Ibn Taymiyyah mentioned the two important functions of money - measurement of value and medium of exchange, and warned against any damage inflicted to these functions by debasement of money or circulating two different currencies of same nominal value but unequal intrinsic value. But before we examine his views on this issue, it seems appropriate to note here briefly ideas of two other Muslim philosophers - Ibn Rushd and Jalal al-Din al-Dawwani<sup>5</sup> on the subject of money to make the account as comprehensive as possible.

Since Ibn Rushd's original commentary, in Arabic, on the Greek philosopher is lost, our information of his views is based on secondary sources.

Ibn Rushd introduced Aristotle's definition of *nomisma* (the Greek word for money) and his concept of money as a common measure 'between separate things, so that equality prevails in business between things where it is difficult to measure equality in existence.' Ibn Rushd, like his many predecessors, reiterates that money is needed because of the difficulty of transacting business in a barter economy. In this way he emphasizes the first and most obvious function of money - the medium of exchange. (Grice-Hutchinson, 1978, p. 70. He quotes Rosenthal, 1965). According to Grice-Hutchinson, "Averroes's original contribution to theory is very small. Yet he is of importance in the

history of economic thought owing to the part he played in the transmission of Greek economics to the Christian West.” (ibid., pp. 70-74).

In a comment on al-Dawwani’s views on money, Spengler (1964, p. 281) observes: “al-Dawwani also developed the equality maintaining role of money ... . Money in its capacity as unit of account, intermediated as a common denominator between producers of unlike goods and thereby facilitated their inter-exchange ....”

By comparing the views of three philosophers – Miskawayh, Ibn Rushd and al-Dawwani, we find that they strictly based their ideas about money on Greek philosopher Aristotle and almost repeat the same thing. As far other scholars are concerned, they expanded their thinking on the subject much beyond the philosophical ideas to include most of the function of money and related issues.

***Debasement, Inflation and Quantity Theory of Money.*** Muslim scholars have been very cautious about the preservation of standard money as the Prophet forbade them to break it except for genuine reasons (Abu Dawud n.d., Vol. 3, p. 286) such as being defective. Al-Nawawi<sup>6</sup> thought it the prerogative of the ruler to mint or issue money (al-Nawawi, n.d., Vol. 6, p. 10). This is but natural because if it were left to individuals, one could hardly be safe of counterfeited and sub-standard units of money.

Al-Ghazali dealt with the problems of counterfeiting and currency debasement which generally took the form of mixing of inferior metals with gold or silver coins, or mutilation of the metallic content or simply ‘shaving’ or ‘shedding’ of some of the metals ‘It is a great injustice to place counterfeited money in circulation’ (al-Ghazali, n.d., [a], Vol. 2, p. 73). ‘Circulation of one bad dirham is worse than stealing a thousand dirhams, for the act of stealing is one sin and it finishes once committed but circulating bad money is bad ‘innovation’ which affects many who use it in transactions’ (ibid., pp. 73-74). But coins of mixed metals are acceptable if the issuer is state (ibid.). It mean he allows for the permissibility of ‘representative’ or ‘token’ money in modern terms.

Ibn Taymiyyah witnessed the turmoil resulted due to debasement practiced by Mamluk rulers of his time<sup>7</sup>. He had some idea of the relation between quantity of money, the total volume of transactions and price level. Therefore, he suggested that, ‘the authority should mint the coins (other than gold and silver) according to the just value of people’s transactions without any injustice to them (Ibn Taymiyyah 1963, Vol. 29, p. 469). He advised the ruler, not to start

business in money by purchasing copper and minting coins and thus doing business with them ..... He should mint coins of real value without aiming at any profit by so doing (ibid.). He considered it necessary that the intrinsic value of coin should match its purchasing power in the market so that no one could profit either by melting the coins and selling the metal or by converting metal into coins and putting them into circulation. To mint coins with a face value greater than their intrinsic value and then buy with them people's gold or silver or other valuable commodities would be a kind of debasement of currency and result in inflation and counterfeiting. Even the cost of minting coins should not be included in the value of coins, rather, it should be met by the public treasury (ibid.). The aim was to preserve just and stable value of currency and to avoid inflationary trend. Ibn al-Qayyim has further elaborated his teacher's ideas (1955, Vol. 2, p. 134).

A rather detailed account of debasement of currency and inflation we find with al-Maqrizi. While stating the unrestricted supply of token money in place of gold and silver coins in his time, he reiterates: "During the reign of al-Zahir Barquq (784-801/1382-99), the Ustadar Muhammad b. Ali was entrusted with the supervision of the royal treasury. He was greedy for profits and for accumulating wealth. Among his evil deeds was a large increase in the quantities of *fulus* (copper coins); he dispatched his men to Europe to import copper and secured the mint for himself in exchange for a sum of money. Under his administration *fulus* were minted at the Cairo mint. He also opened a mint in Alexandria for the purpose of striking *fulus*. Extremely large quantity of *fulus* came into the hands of people and they circulated so widely that they became the dominant currency in the country. .... This caused a catastrophe that rendered money useless and foodstuffs scarce..." (al-Maqrizi, 1994, pp. 71-72, 77-79). A similar description we find also with his contemporary al-Asadi<sup>8</sup> (1967, pp. 134-145).

**Gresham's Law Before Thomas Gresham.** In addition to inflation and chaos seen as a result of debasement and counterfeiting of currency, Ibn Taymiyyah and al-Maqrizi, the two scholars of Mamluk period also saw and analyzed the phenomenon known in the West as Graham's Law. According to this law where two different money units of the same face value but varying intrinsic value – in term of the purity of metals – are circulated, the bad money drives out the good money. Ibn Taymiyyah says: "If the intrinsic values of coins are different, it will become a source of profit earning for the wicked men, who will collect the bad coins and exchange them for good money and then they will take them to another country and shift the bad money of that country to this country." (Ibn Taymiyyah, 1963, Vol. 29, p. 469) He mentions only the flight of good money abroad and says nothing about its disappearance due to hoarding or melting. Al-

Maqrizi (1956, p. 71) notes the other two factors and says that the copper coins have become the 'dominating currency in the country' and the silver coins have disappeared either due to not minting them at all (i.e. they are hoarded) or melting them to make out of it ornaments.

## 2. Interest – an ill-use of money

According to all religious and philosophical traditions money was invented to serve as measure, medium of exchange of goods and services and ensure just measure of values. It was never desired for itself. But the practice of lending money on interest made the money a source of injustice and exploitation. So strict had been prohibition of interest in Islam that the question: Why interest arises and how its rates are determined became irrelevant to Muslim scholars. They only tried to visualize its ill effects and exploitative nature (cf. Ibn Taymiyyah 1963, Vol. 29, pp. 419, 455, al-Razi, 1938, Vol. 5, p. 92). They were also against making distinction between interest on consumption loan and interest on production loan. The imaginary time value of money is not acceptable in Islam. 'The possibility of the lender investing his money and earning profit is a matter of conjecture; it may or may not materialize. To exact a higher amount over and above the sum lent, on that conjectural basis is a kind of injustice and exploitation' (ibid.).

The alternative of interest for running the business has been provided by the provision of profit and loss sharing. No one is entitled to any guaranteed profit irrespective of the outcome of business. Profit is to be shared with a predetermined ratio, not on a percentage to be earned on the capital supplied. In case of loss, the capital owner bears the capital loss while the working partner bears the loss of his labour, that is, his labour goes 'unrewarded' (Ibn Taymiyyah 1963, Vol. 30, pp. 78, 84, 108-09). He is held responsible if cases of 'moral hazard', substatement of profit or negligence on his part are proved. (ibid., p. 88).

***Riba'l-Fadl and Riba'l-Nisi'ah.*** A unique contribution of Islam to economic thought is that it envisaged occurrence of interest in certain cases of barter that involve exchanges unequal by way of quantity or time of delivery termed as *riba'l-fadl* and *riba'l-nasi'ah* respectively. Grice-Hutchinson praises Ibn Asim's<sup>9</sup> contribution in dealing with this subject. Prohibition is based on a group of traditions that report the Prophet saying that "Gold for gold, silver for silver, wheat for wheat, barley for barley, dates for dates and salt for salt be exchanged, like for like, equal for equal and hand to hand; one who demanded extra or paid extra, indulged in interest. (Muslim, n.d., Vol. 5, p. 44) The

tradition further reports: "...When these commodities differ, then sell them as you like (with the difference of quantity) provided that the exchange is hand to hand (i.e. the transfer of ownership takes place at once)" (ibid.).

Analyzing prohibition of such exchange, al-Ghazali explains that the reason is that they involve violation of the nature of functions of money (n.d. [a], Vol. 4, pp. 192-93). To Ibn Taymiyyah, the prohibition is just a precautionary measure and it is therefore allowed in some cases of necessity (1963, Vol. 29, pp. 25-26, 428, 454). While analyzing evil of interest in *riba'l-fadl* and *riba'l-nasi'ah*, Ibn al-Qayyim (1955, Vol. 2, p. 138) thinks that it is also aimed at providing facilities of exchange for those who do not usually have money and their exchange is mainly in the form of commodity for commodity<sup>10</sup>. According to Ibn al-Humam<sup>11</sup> (n.d., Vol. 7, p. 7) and al-Zayla'i<sup>12</sup> (n.d., Vol. 4, p. 78) in exchange of similar commodities, possession at once is necessary because on the spot delivery is always preferable to deferred delivery, and that the deferred price is less valuable than the present one. Thus, the barter sale of these commodities should be hand-to-hand so that equality in exchange is maintained.

To Ibn Rushd, the purpose of this prohibition was to close the door of cheating that existed there in barter exchange of commodities and gold silver bullion and coins in a society which lacked standardization. He observes:

"It is clear from the *Shariah* that the purpose of prohibiting *riba* relates to the possibility of great cheating that exists therein. Justice in transactions lies in approximating equivalence. So, when realizing equivalence between different things was found to be almost impossible, dinar and dirham were made to evaluate them, that is, measure them. As between different kind of commodities, I mean those which can neither be weighed nor measured, justice lies in their being proportionate. The ratio of the value of one thing to its kind should be equal to the ratio of the other things to that thing's kind. To give an example: when a man is selling a horse for clothes, justice requires that the ratio of the value of that horse to horses should be same as the ratio of the value of that piece of clothing to clothes. If the value of that horse is fifty, the value of those clothes must also be fifty. Let it be ten pieces of clothing, for example, that would ensure equivalence. So, these commodities have to be unequal in number from one another in just transactions, as one horse is equivalent to ten pieces of clothing in the example." (Ibn Rushd, 1988, Vol. 2, p.135)

## Endnotes

1. Abu Abd Allah Muhammad Ibn Battuta (704-780/1304-1378). An explorer and traveler known as the "Arab Marco Polo". Born in Tangiers (Tanjah), he traveled most of the eastern countries covering a period of twenty-four years. At the end of his travel he returned to his native place and dictated the description of his travel – *Tuhfat al-Nuzzar fi Ghara'ib al-Amsar wa 'Aja'ib al-Asfar*.
2. One can see what a marked similarity exists between Muslim Scholar's view about money and Crowther's following statement: "An essential characteristics of money, which sets it apart from all other substances, is that it is not desired for itself. It is, in the fullest sense, a medium or means or mechanism of exchange". (Crowther, 1967, p. 83).
3. Qudamah Ibn Ja'far (250-320/864-932). Converted from Christianity to Islam during the period of caliph al-Muktafi Bi'llah (period 289-295/902-908) and occupied the position of finance secretary in the caliph administration in Baghdad. The title of his work is '*Kitab al-Kharaj wa Sina'at al-Kitabah*'. A Ben Shemesh (1965) translated a part of the book in his *Taxation in Islam*, Vol. II Leiden, E.J. Brill, 1965. The book is a compendium of positive law, marked by the applied aspect.
4. Ahmad b. Muhammad Miskawayh (320-421/932-1030). Philosopher and historian practiced the two disciplines with great competence. Translation of his work on history '*Tajarib al-Umam* (Experiences of Nations) in seven volumes published from London (1920-21). As a philosopher Miskawayh is distinguished by the central importance he attached to ethics. His work *Tahdhib al-Akhlaq* present Greek, Persian and Arab, Muslim traditions. He had profound impact on al-Ghazali, Nasir al-Din al-Tusi and Jalal al-Din al-Dawwani.
5. Muahmmad b. Asad Jalal al-Din al-Dawwani (830-907/1427-1501). Born at Dawwan in Iran and died in Shiraz. He wrote numerous commentaries on well known works of philosophical and mystical literature in both Arabic and Persian. Of his Persian works the best-known is his edition of Nasir al-Din al-Tusi's *Akhlaq-i-Nasiri* which was itself a translation of *Kitab al-Taharah* of Miskawayh, entitled *Lawami' al-Ishraq fi Makarim al-Akhlaq* or more briefly *Akhlaq-i-Jalali*, translated by W.T. Thompson, *Practical Philosophy of the Muhammedan People*, London, 1839.
6. Yahya b. Sharaf al-Nawawi (631-676/1233-1277). Born at Nawa in Syria, brought up in Damascus and spent his academic life there and in final days he returned to his native place where he died in his father's house. A great scholar of *hadith* and jurisprudence. He dared to approach the Mamluk sultan to ask him to free the people from the war taxes imposed upon them. He is author of *Minhaj al-Talibin* (Cairo, 1296 AH) in Shafi'i *fiqh*, commentary on *Sahih Muslim* (Cairo, 1283 AH) and many other important works.
7. For monetary irregularities and crises during Mamluk period, see al-Maqrizi, 1994, pp. 66-72; 1956, Vol. 2, pp. 205-206.
8. Muhammad b. Khalil al-Asadi (lived in 9<sup>th</sup> / 15<sup>th</sup> Century). Nothing is known about his life except that he was born and died in Syria. He completed his work '*al-Taysir wa 'l-I'tibar wa 'l-Tahrir wa 'l-Ikhtibar fima yajib min Husn al-Tadbir wa 'l-Tasaruf wa 'l-Ikhtiyar* in 855 A.H. The book has been edited by Abd al-Qadir Tulaymat (1967).
9. Ibn 'Asim, Abu Bakr Muhammad b. Muhammad Ibn 'Asim (760-829/1359-1426). A famous Maliki jurisconsult and man of letter, born and died in Granada. He was chief *Qadi* of Granada, author of many works on *fiqh* and literature.
10. For a detail analysis of Ibn al-Qayyim's view on *riba' l-fadl* and *riba' l-nisi'ah*, see Islahi 1984, pp. 11-18.
11. Abd al-Wahid b. Abd al-Hamid known as Ibn al-Humam (790-861/1388-1457). Born at Alexandria and lived in Cairo. He is famous for his commentary known as *Fath al-Qadir* on famous Hanafi book *al-Hidayah*.





## ***CHAPTER VI***

# **THE ISLAMIC TRADITION IN ECONOMIC THOUGHT (IV): *State, Finance and Development***

- **State and the Economy**
- **Public Finance**
- **Holistic Approach to Development**



# THE ISLAMIC TRADITION IN ECONOMIC THOUGHT (IV): *State, Finance and Development*

## 1. State and the Economy

In the known history of prophets, it is only the Last Prophet of Islam (peace be upon all of them) who was able to transform the disintegrated and anarchic people of Arabia into a well-established and organized state. He passed through the stages of persecution, boycott, migration, and war and peace. He gave all the necessary principles of good governance and trained his followers in such a way that they established ideal caliphate based on justice, equity, *shura* (mutual consultation) and God-fearing. At the same time, he never forbade to benefit from the good experiences of others. It was in this environment that the early writings on political and economic themes started (in loose term on political economy). They addressed practical problems arising due to expanding rule of Islamic caliphate such as economic responsibilities of the government, management of lands, administration of revenue, public expenditure, supervision and control of market activities, provision of necessary goods and services, improvements of the economic condition of people and development of the economy as a whole, etc. As noted above in section two, Muslim scholars started writing on economic issues as a response to emerging situations and problems faced, hence they had pragmatic orientation. In the later period they also benefited from the writings and experiences of people with whom they came into contact.

*Islamic Political Economic Writings vs. Persian 'Mirrors for Princes'*. Islam taught its followers, be it the rulers or the subjects, to be sincere and just towards each other and always encouraged healthy criticism and fruitful counsels. It was due to this reason that we find a chain of writings on statecraft

and rules for governance appeared in Islamic tradition. Abu Yusuf's *Kitab al-Kharaj* qualifies to be included in this category. Some other works are *Da'aim al-Islam* by Abu Hanifah al-Nu'man al-Isma'ili<sup>1</sup>, *al-Ahkam al-Sultaniyyah* each by Abu Yala al-Farra and al-Mawardi, *Siyasat Namah* by Nizam al-Mulk al-Tusi<sup>2</sup>, *al-Tibr al-Masbuk fi Nasihat al-Muluk* by al-Ghazali, *Siraj al-Muluk* by al-Turtushi<sup>3</sup>, *Qabus Namah* by Kay Kaus<sup>4</sup>, *al-Siyasah al-Shar'iyyah* by Ibn Taymiyyah, *Tahrir al-Ahkam fi Tadbir Ahl al-Islam* by Ibn Jama'ah<sup>5</sup> (all in chronological order starting from 2<sup>nd</sup>/8<sup>th</sup> century to 8<sup>th</sup>/14<sup>th</sup> century). In addition to rules for good governance, these works have been a rich source of Islamic political economy.

In the Persian tradition we find examples of such works known by Western writers as "Mirrors for Princes"<sup>6</sup> and some of them were translated into Arabic during the 'translation phase' in development of Islamic culture. Muslim scholars of the later period must have benefited from them as it is clear from quotations, by some of them, of their wisdom and citation of their examples and episodes, in varying degrees. However, a wide difference exists between so called Persian 'mirror for princes' and Islamic political writings. For example, in the opinion of a cotemporary writer, the 'mirror' gives the image of the king as that of an arrogant despot whom one serves at the risk of one's life and for whom one must show uncritical admiration, 'No mention is made of the ruler's subject, or of justice' (Essid, 1987, p. 23).

Muslim scholars' political writings always emphasize that the authority of the rule is not absolute. Rather it is a trust from God. Addressing Caliph Harun al-Rashid Abu Yusuf (1392, p. 5) said: "Take care of what Allah has assigned to you and fulfil the obligation of authority entrusted to you". There is always emphasis on maintenance of 'justice'. 'The just government will stay even it is non-believer, and unjust government will never prolong even it is a Muslim government' (Ibn Taymiyyah, 1976, p. 94). Another special aspect of this literature is that it assigns great importance to economic issues, especially supervision of market, development of economy and public finance. And this is the aspect of this literature which concerns us.

**Works on al-Hisbah.** In Islamic tradition a specialized kind of works appeared, known as *al-Hisbah* literature, which refers to 'control function of the government through persons acting especially in the field of morals, religion and economy, and generally in the areas of collective or public life, to achieve justice and righteousness according to the principles of Islam and commonly known good customs of time and place' (al-Mubarak, 1973, pp. 73-74). In brief it was office to control market and common morals (Ziadeh, 1963, p. 32).

Most writers dealing with state and economy have chapters or sections in their work on *al-hisbah*. But those who have exclusively written on this institution include names of al-Shayzari<sup>7</sup>, Ibn al-Ukhuwwah<sup>8</sup>, Ibn Bassam<sup>9</sup>, al-Jarsifi<sup>10</sup>, Ibn Taymiyyah, al-Uqbani<sup>11</sup>, Ibn Abdun<sup>12</sup>, Ibn Abd al-Rauf<sup>13</sup>, and al-Saqati<sup>14</sup>. These authors either describe the virtues and obligations of *muhtasib* (officer in charge of *al-hisbah*) or they describe practical and technical details of supervision for guidance to the administrative control of the professions, and maintenance of product quality and standard.

*Al-hisbah* was a very important institution of Islamic state. It was through this department that the state exercised a comprehensive socio-economic control on trade and economic practices. Economic functions of the *muhtasib* included: ensuring supply and provision of necessities (Ziadeh, 1963, p. 40), supervision of industry (Ibn Taymiyyah 1976, p. 21), resolution of industrial disputes (ibid., p. 34), supervision of trading practices, standardization of weight and measures (ibid., pp. 21-22), prevention of injurious economic activities like adulteration (ibid.), check on interception of supply through forestalling, hoarding or coalition of oligopolists (ibid. 23) and fixing of prices, wages and rentals if necessary (ibid., p. 24, Ziadeh, 1963, pp. 54-96). At present, no single office can be compared with the *hisbah*. Its multifarious activities are now done by different ministries and their special departments. The nearest group of offices are the regulatory agencies which oversee financial markets, trade and commerce and ensure weights, measures and standards.

It may be noted that in Greek and Roman traditions also, activities of market place were administered by the market inspector or *agoranomos* (Lowry, 1987, pp. 238-240). On the basis of this partial similarity it has been claimed that Islamic *hisbah* is taken from European *agoranomos*. But the Muslim scholars insist that it owes its origin to the Qur'an itself. Al-Mawardi (1973, p. 240) refers to the following verse of the Qur'an to indicate the origin of *al-hisbah*:

“Let there arise out of you a band of people inviting to all that is good, enjoining the right conduct and forbidding what is wrong. Such are they who are successful.” (The Qur'an 3:104)

Similarly, Ibn Taymiyyah says that all public offices in Islam are meant to enjoin good and forbid evil, and *al-hisbah* is such an office. He gives evidences from practices of the Prophet and his rightly guided caliphs who used to inspect the market. (Ibn Taymiyyah, 1976, pp. 14, 20).

***Economic Role of the State.*** Islamic manuals for rulers (or ‘mirrors for princes’, as the Western writers would like to use the term) are rich in their

content and comprehensive in their coverage – ranging from religious guidance, maintenance of law and order, internal and external peace and security, to economic welfare of citizen and protection of their property. Abu Yusuf (1392, p. 129) says: “The ruler is responsible for the welfare of the people and must do everything that he considers good for them”. He quotes a companion of the Prophet, Abu Musa al-Ash`ari, ‘The best of men in authority are those under whom people prosper and worst are those under whom people encounter hardship’ (ibid., p. 16).

Al-Mawardi listed among the duties of the ruler: to guard the faith, execute and preserve justice, protect the life and property, establish peace and security, defend the country, manage financial affairs and to give personal supervision to public affairs (Al-Mawardi, 1973, pp. 15-16). Describing the economic and development activities of the state, Nizam al-Mulk al-Tusi (1961, p.11) says, “He (the ruler) shall build underground conduits for the irrigation of land, he shall have canals dug, bridges built over wide rivers, and see the land is cultivated; he shall build fortifications, found new cities, build noble monuments and splendid residences, and he shall have caravanserais established on the highways”.

Al-Ghazali considers the state as a necessary institution, not only for the proper functioning of the society’s economic affairs but also for the fulfillment of divinely ordained social obligations: ‘The state and religion are inseparable pillars of an orderly society. Religion is the foundation and the ruler, representing the state, is its promulgator and protector; if either pillar is weak, society will crumble’ (al-Ghazali, n.d. [a], Vol. 1, p. 17, 1964, p. 59). After citing the example of old Persian rulers, al-Ghazali says; “The efforts of these kings to develop the world were undertaken because they knew that the greater the prosperity, the longer would be their rule and the more numerous would be their subjects. They also knew...‘that the religion depends on authority, the authority on army and the army on supplies and supplies on prosperity and prosperity on justice’ (al-Ghazali, 1964, p. 56).

We have already seen, how state played its vital role in proper functioning of the market and ensuring healthy economic practices through the institution of *al-hisbah*. Thus, Muslim scholars have assigned the state responsibility of elimination of poverty, supply of necessities, provision of justice and fair distribution, establishment of peace and security, promotion of human values, and building infrastructure for development of the economy. Elsewhere we discussed these functions with reference to Ibn Taymiyyah (Islahi, 1988, pp. 178-86). It appears from the foregoing that Muslim scholars, instead of *laissez*

*faire* policy, considered the state an active player and guardian in carrying out economic activities.

But coming to the age of Ibn Khaldun, we notice perceptible change in the situation especially in North Africa. Rulers lost spirit of the religion, stability was replaced by anarchy; luxurious style of life did away with the simple living, and to stay in power with all these symbols of decadence, excessive taxation was imposed which acted as a powerful disincentive for undertaking economic activities (Ibn Khaldun, 1967, pp. 89-90). Arbitrary appropriation of people's property by the government resulted in slackening in enterprises. Trading houses owned by rulers weakened the competitive spirit of commoners. (ibid., pp. 93-96) Perhaps these were the reasons that Ibn Khaldun became inclined towards *laissez faire* policy.

## 2. Public Finance

Muslim economic thinking is distinguished from early economic thought by paying increasing attention to public finance and exclusive writings on the subject. This was but natural in the wake of expanding territory of the Islamic state, availability of new sources of income, confronting new heads of expenditure and facing other socio-economic challenges. Works on taxation in Islam (*Kitab al-Kharaj*) and public finance (*Kitab al-Amwal*) first appeared in 2<sup>nd</sup>/8<sup>th</sup> century and within the next few centuries more than two dozens treatises were written. Shemesh (1967, pp. 3-6) gives, from various sources, a list of 21 works that were written on taxation during early centuries of Islam. The works that could survive include those of Abu Yusuf, al-Qurashi, Abu Ubayd, Ibn Zanjawayh, al-Dawudi<sup>15</sup>, Ibn Rajab<sup>16</sup>, and portions of Qudamah b. Ja'far, and al-Makhzumi<sup>17</sup>. In addition to exclusive works on the subject, issues of public revenue and expenditure constituted parts of juristic and political writings.

The basic sources of Islam – the Qur'an and Sunnah – prescribed a number of financial provisions, some of these being semi-state revenue while others full state revenue. In addition to the circumstance that needed such discussion, the implications and application of Shariah financial rules also required such writings. This is the reason that we do not find works of considerable quantity and quality in the mainstream economics before the era of modern economics<sup>18</sup>. It is not possible to examine every aspect of the literature here. We shall, therefore, confine ourselves to taxation, state borrowing and public expenditure.

**Taxation.** The economy in the period under study was predominantly agricultural. *Tithe (ushr)* and land tax (*kharaj*) constituted the major source of

public revenue. The system of levy inherited from Persian rulers was 'fixed land tax' (*misahah*) which was adopted by the second Caliph Umar b. al-Khattab after full study of the situation and examination of land and its productivity (Abu Yusuf, 1392, p. 40). For about one hundred years, after him, the same pattern continued. It was Mu'awiyah b. Ubayd Allah<sup>19</sup>, a secretary of Abdasid Caliph al-Mahdi (d.169/786) who first suggested replacement of fixed land tax by proportional agricultural tax (*muqasamah*) (Rayes, 1957, pp. 44, 55). Harun al-Rashid, the successor of caliph al-Mahdi, referred the matter to Abu Yusuf who, after a thorough study of taxation system, observed that 'the fixed land tax had lost its relevance' and recommended 'proportional agricultural tax' (Abu Yusuf, 1392, p. 54). In his opinion, if the amount of tax is fixed, then it will overburden tax-payers in the event of 'a shortfall in production'; while it will mean a loss of potential revenue to the state if the production is considerable' (ibid., p. 52). The reason is not difficult to visualize. He stressed that proportional tax on the produce of land would be fair and equitable for both parties whether the crops are good or bad (ibid., pp. 53-54).

According to Abu Yusuf 'rates of poll tax and land tax are not predetermined by Shariah'. They are changeable subject to 'ability of tax payer' and 'land condition' (ibid., pp. 44, 92). Tax collectors should be 'honest' and deal with the tax payers 'justly' (ibid., pp. 80, 114, 120). The principle of economy should be observed in collection of taxes, so in no case the cost of collection should exceed the amount collected (ibid., p. 87). Abu Yusuf opposed tax farming (*Qabalah*) as it may lead to tyranny and exploitation, except when it is found convenient for the tax payers and they request it themselves and the ruler is convinced of it (ibid., p. 115).

Al-Ghazali also advocates observation of the principle of certainty, benefit and ability to pay as he says "... they (rulers) must demand them only at the proper seasons and times; they must know the usages and fix (burdens) in accordance with capacity and ability (to pay). They must be crane-slayers, not sparrow-slayers at the hunt, that is to say, they must take nothing from the poor ...; they must keep the hearts of the subjects and officials happy by granting them benefit, and satisfying their petition ....." (al-Ghazali, 1964, p. 112).

Ibn Taymiyyah wrote *al-Siyasah al-Shar'iyah* at the request of the then ruler as a guide. The work gives an account of the heads of revenue and expenditure of an Islamic government. His contribution to the theory of public finance is enormous which we have discussed elsewhere in detail (Islahi, 1988, pp. 204-20). However, it would be appropriate to note some points here as well. He sums up all the Shariah permitted sources of public revenue under three heads: *ghanimah* (spoils of war), *sadaqah* (poor due), and *fay'* (booty, land tax,



revenue from miscellaneous sources) (Ibn Taymiyyah, 1971, p. 45; 1963, Vol. 28, p. 562). He is against tax evasion, especially when the tax is levied collectively on a group or community even when tax is unjust, because if a person evades his share of tax, that share will fall on the others in the group who will thus have an even greater and more unjust burden to carry (ibid., Vol. 30, pp. 338-39). He advises the taxing authority to be just in the taxation procedures, even when the tax is an illegal one. He uses interesting term 'justice in injustice' (*al-'adl fi'l-zulm*) to express the idea. He gives the reason: 'people might accept it if a thing is wrongfully taken from them (but taken) equally (from all). But they do not accept it if some of them are exempted' (ibid., pp. 340-1). He points out that the main reason behind disorder and chaos in his times is the malpractice in tax levy (ibid., pp. 341-2).

Muslim scholars always argued for low tax rate so that incentive to work is not killed and payment of taxes is made happily (Abu Yusuf, 1392, p. 121). The most prominent advocate of low tax rate is Ibn Khaldun. According to him when government is honest and people friendly, as it happens to be at the beginning of a dynasty, 'taxation yields a large revenue from small assessment. At the end of a dynasty, taxation yields a small revenue from large assessment' (Ibn Khaldun, 1967, Vol. 2, p. 89). In his opinion, 'the strongest incentive for cultural activity is to lower as much as possible the amount of individual imposts levied upon persons capable of undertaking cultural enterprise. In this manner such persons will be psychologically disposed to undertake them, because they can be confident of making a profit from them' (ibid., p. 91). Ibn Khaldun has rightly been considered as the forerunner of Laffer's curve 600 years before Laffer' (Lipsey and Steiner, 1981, p. 449). In this regard his ideas are 'comparable with those of supply side economics' (Bacck, 1994, p. 117).

**Additional Taxes.** The question of imposing taxes over and above what is prescribed by the Shari'ah has been a very controversial issue among Muslim Scholars. Those who oppose, permit it only in war like emergency. Imam al-Nawawi refused to give a legal ruling in favour of imposition of new taxes unless Sultan Zahir Baybars (658-676/1260-77) surrendered all ornaments owned by his family and household to the *bayt al-mal* and desisted from extravagance. (al-Suyuti, 1968, Vol. 2, p.105). Those who did not rule out deficiency of resources in normal condition and permit imposition of extra taxes include Ibn Hazm<sup>20</sup> (1347 A.H. Vol. 6, p. 156), al-Juwayni (1981, p. 1560), al-Ghazali (n.d. [c], p.236), Ibn Taymiyyah (1963, Vol. 29, p.194; Vol. 30, p. 342), and al-Shatibi<sup>21</sup> (n.d. [a], Vol.2, p. 121).

**Public Borrowing.** There are instances of borrowing by the Prophet (p.b.u.h) for emergency needs and public purposes. But the early writers on public

finance, like Abu Yusuf, Abu Ubayd, etc. are silent on this aspect. The reason may be the prosperity and surplus funds in public treasury of their period.

Abu Yala al-Farra (1966, p.253) and his contemporary al-Mawardi (1979, p. 214) are perhaps first to talk about borrowing by the state. They allow public borrowing only as a last resort and in very rare cases. The reason behind this attitude could be the fear that authorities may borrow and fail to repay the loans or may resort to extra taxation. Perhaps due to the same apprehension, the later writers also allowed borrowing by the ruler only when an income is expected to the *bayt al-mal* (public treasury) or regular revenue is just delayed, so on the basis of that he may borrow to meet the urgent needs (ai-Juwayni, 1981, p. 276; al-Ghazali, n.d. [c] p. 241; Ibn Jama'ah, 1987, p. 151; al-Shatibi n.d. [a], Vol. 2, p. 122).

There was no concept of deficit financing or borrowing from the central bank, as one finds, in our own age, because this institution did not exist at that time. However, Muslim scholars opposed debasement of currency and counterfeiting to meet the government expenditure (al-Ghazali, n.d. [a] Vol. 2, pp. 73-74, Ibn Taymiyyah 1963, Vol. 29, p. 469; al-Maqrizi, 1994, pp. 67-72) because that practice was similar to present deficit financing in cause and effects. During Mamluk period this was very common and it invariably caused inflation. Al-Maqrizi attributed all economic crises of his time to this policy.

**Public Expenditure.** In the mainstream economics, exclusive writing on public finance started very late, and the aspect of public expenditure in particular remained neglected even for a much longer time<sup>22</sup>. Contrary to this, as we have seen in previous section, in Islamic tradition writing on public finance constituted the earliest work related to economic problems, in which public expenditure occupied a considerable portion. Rules governing disbursement of zakah and *ghanimah* and their heads of expenditure have been mentioned in the Qur'an itself (8:41, 9:6), so very little scope was left for any difference. The major concern of the Muslim scholars has been the welfare revenue or *amwal al-masalih*, a term used by al-Ghazali (n.d.[a], Vol. 2, p. 166). This is so because such revenue is primarily meant for common welfare and public utility (*maslahah*) (Abu Yusuf, 1392, p. 127, al-Qurashi, 1987, pp. 60-61, Abu Ubayd, 1986, p. 3). The role of state and need for public expenditure is generally felt in cases of socially obligatory duties (*fard kifayah*) (al-Mawardi, 1979, p. 215). According to Abu Yusuf development projects whose benefit is general should be financed by public treasury, but such projects whose benefit is confined to a particular group, should be financed by that group (Abu Yusuf, 1392, p. 119). The idea is similar to what Musgrave (1987, pp. 7-9) states as social goods of general nature where exclusion is not possible and those goods and services

where rival exclusion is possible. Provision of the former will be financed by the state exchequer while the latter by direct charging. Similar rule has been mentioned by al-Farra and al-Mawardi also. They call for distinction between projects whose benefit is common to all and projects whose benefit is limited to individuals only. Expenditure on the first category of projects will be the duty of all citizens (to be financed by public revenue). In the second case, however, every one cannot be obliged to pay (al-Farra, 1966, p. 253, al-Mawardi, 1973, p. 214).

Abu Yusuf (1392, p. 102) appears to have suggested application of cost and benefit analysis for carrying out a project when he says: 'the authorities must cancel the project of digging any canal whose damage is greater than its benefit. Establishment of justice, security of the state and development of a prosperous society are the areas of public expenditure suggested by al-Ghazali (1964, pp. 56, 76, 81). He included under the heads of public expenditure the items like education, maintenance of general law and order, defense and health care, building of social and economic infrastructure, for example roads, bridges, etc. (al-Ghazali, n.d. [a], Vol. 2, pp. 139-40). Ibn Taymiyyah has also mentioned various heads of public expenditure such as necessary government officials (Ibn Taymiyyah, 1971, p. 65), maintenance of justice (*ibid.*), education and training of citizens (Ibn Taymiyyah, 1963, Vol. 28, pp. 562-67, Vol. 31, p. 14), public utilities, infrastructure and social goods (*ibid.*, Vol. 28, pp. 562-67). In principle, every project of public welfare will be financed by public treasury (*ibid.*). The principle laid down by Ibn Taymiyyah regarding choice of priorities is to start from the most important and work downward, with preference for productive expenditure over unproductive (*ibid.*, p. 566).

### 3. Holistic Approach to Development

Economic development has been a prime concern of Muslim scholars. To al-Raghib al-Asfahani<sup>23</sup> (1985, p.90), one of the assignments of Almighty God to man is to develop the globe for his better living and living of others. But very few have discussed what may be considered as a systematic theory of economic development. Theirs is a holistic approach in which faith and action, spirit and matter, health and education, peace and security, political power and economic elements are interlinked. For instance, Abu Yusuf remarks: 'God fearing and personal character of the ruler leads a nation to correct direction and abandonment of which demolishes the very foundation of the state' (Abu Yusuf, 1392 A.H., pp. 3-4). 'Justice causes development of the country and increases the income. Divine favour is linked with justice and disappears with injustice (*ibid.*, p. 120). Economic development needs availability of

infrastructure. In view of the importance of agriculture and trade in his time, Abu Yusuf emphasizes provision of irrigation and transportation facilities (ibid., p. 119). Every effort of development will be sabotaged if the country lacks peace and security. That is why he deals with this issue extensively (ibid., pp. 161-194).

Al-Mawardi, in addition to the role of religion and justice (1929, pp. 3-4, 20), emphasizes proper education as a prerequisite for comprehensive development (al-Mawardi, 1979, pp. 15-46). The overall progress depends on six factors: religion, self rule, peace and security, property and optimization (ibid., p. 80) "People will improve their condition only if they are obedient, loving and possessing sufficient material which is available from four sectors of the economy: agriculture, animal husbandry, trade and industry (ibid., pp. 135-38).

At another occasion, al-Mawardi (1981, p. 152) presented an outline of sustainable development of state and economy. Establishment of state requires the foundation of 'religion', military 'power' and economic resources. State policy should be based on 'development of country', 'protection of citizens', 'management of army' and 'administration of revenues'. Again development of a country requires due attention to both rural and urban areas. In this connection, he mentions certain criteria, such as crime-free society, required industries, means of employment, enough drinking water, pollution-free environment, wide road, planned cities and districts, education, training facilities, etc. (ibid.). One can see most of these items are still considered as necessary for human development.

Al-Ghazali assigned so much importance to education and training in socio-economic and human development that he discussed its various aspects in about one hundred pages of his famous work *Ihya Ulum al-Din* – even the title of this four-volume work indicates the same.<sup>24</sup> He considers the development of the economy as part of the socially obligatory duties; if they were not fulfilled, worldly life would collapse and human beings would perish (al-Ghazali, n.d. [a], Vol. 2, p. 32). He is not in favour of population as a whole to confine itself to the acquisition of a mere subsistence level of living. 'If people stay confined to a subsistence level and become very feeble, death will increase, all work and industry come to a halt and society will perish. Religion will also be destroyed, as the worldly life is the preparation for the Hereafter' (ibid., p. 108). Like other Muslim scholars he holds the state responsible to establish justice and provide condition of peace and security to promote prosperity and healthy economic development. In this regard he cites the example of old Persian kings. 'Efforts of those Kings to develop the world were undertaken because they knew that

the greater the prosperity, the longer would be their rule and more numerous their subjects. They also knew that the religion depends on the authority, the authority on the army, and the army on the supplies, supplies and prosperity on justice' (al-Ghazali, 1964, p. 56). Thus, various segments of life are interdependent. Sustainable growth is possible when all sectors are simultaneously developed. We notice that Muslim scholars had almost identical views on the question of development. This is due to having similar social and political backgrounds.

A variant view is found with Ibn Khaldun.<sup>25</sup> His political-economic theory of development is in fact a cyclical model of development. He deals with processes that recur cyclically during relatively normal phases. He divides them into five stages: 1) conquest and success, 2) stability and self exalting, 3) economic expansion and enjoyment of the fruits of development, 4) contentment and compromise, and 5) extravagance, wastage and decadence. A summarized account of these stages is given below.<sup>26</sup>

Supported and strengthened by group feeling and social cohesion a new dynasty comes into being by over throwing all opposition. 'In this stage the ruler serves model to his people by the manner in which he acquires glory, collects taxes, defends property and provides military protection' (Ibn Khaldun, 1967, Vol. I, p. 353).

In the second stage 'the ruler gains complete control over his people, claims royal authority all for himself excluding them and prevents them from trying to have a share in it' (ibid.). Thus it is a stage of stabilization and consolidation of forces, strengthening further the group feeling and rewarding his supporters.

The third stage is stage of economic prosperity and enjoyment of the 'fruits of royal authority'. Increasing attention is paid to collection of taxes, administration of public revenue and expenditure. Development of cities, construction of large buildings, increase in allowances of officials and general public attract the attention. 'This stage is last during which the ruler is in complete authority. Throughout this and the previous stages, the rulers are independent in their opinion. They build up their strength and show the way for those after them.' (ibid., pp. 354-55)

In the fourth stage, 'the ruler is content with what his predecessors have built: He limits his activities, 'follows closely in their footsteps'. (ibid.) He takes no initiative by himself. Expansion in politico-economic power stops and some sort of stagnation starts.

In the fifth stage, the ruler indulges in extravagance, lives an extra – luxurious life, wastes the resources accumulated by previous rules. Incompetent and unqualified followers are entrusted the most important matters of the state. Idle court men are rewarded, and sincere critics are humiliated and punished. The ruler loses all kind of sympathy and group feeling. In this stage taxes increase, while revenue declines. The economy is shattered and social system is disturbed. The government suffers from incurable disease, which leads to its downfall (ibid.) and takeover by a new dynasty, supported by strong group feeling and social-cohesion. Thus, the cycle of development sets in again.

The core concept of Ibn Khaldun's theory of development is '*asabiyyah* (group feeling, social cohesion)<sup>27</sup> which keeps people united behind their leader and solid against enemies. It provides stability and strength to political setup of the country, a pre-condition for development efforts (ibid., p. 284). The difference in degree of '*asabiyyah* determines the difference in size and quality of socio-economic development. Like any other thing, '*asabiyyah* grows weaker after reaching its highest degree. As a result, degradation and corruption starts in which excessive taxation and luxurious living of the ruler plays an important role.

Social cohesion, group feeling and solidarity create the basis for cooperation, which is necessary for building efficient social organization. It becomes more important as the state develops. 'Through cooperation the needs of a number of persons, many times greater than their own number, can be satisfied' (1967, Vol. 2, pp. 271-72).

In Ibn Khaldun's scheme of development, size of population also plays vital role. A large population is able to engage in all sorts of economic activities, thus, causing an increase in goods and services, prosperity and welfare and government revenues (ibid., p. 273). Ibn Khaldun's views about population bear the colour of modern demographic theory. Population tends to grow where food is abundant and life is comfortable, though rich diets were less favourable than frugal diets to bodily and natural health (ibid., Vol. I, pp. 351-52, Vol. 2, pp. 274-76). Similarly, "luxury" and "prosperity" were initially favourable to population growth, stimulating both natural increase and migration (ibid., Vol. 2, pp. 351-53, Vol. II, pp. 280-81), though in time a luxurious mode of life tended to be unfavourable.<sup>28</sup> At the last stage of civilization, increase in population accompanies famine and death. The reason is that at this stage people generally withdraw from necessary economic activities because of government's oppressive policies and political disturbances resulting in famine and starvation. The increase in death is because of increasing pollution and diseases (ibid., pp. 136-37).

Development cycle is also linked to public finance. In the initial stage levies are kept low, conforming to Shariah taxes. This causes an increase in entrepreneurial activities allowing tax base and revenue to grow. With the passage of time, the ruler and officials are involved in luxuries. Moreover, government expenditure also tends to increase. It then becomes necessary for the government to increase assessment and tax rates. This leads to disincentive on the part of businessmen and entrepreneurs leading to decrease in productivity and tax evasion. Again the authority increases taxes and again productivity declines further and thus revenue decreases and a vicious circle starts (ibid., Vol. 2, pp. 89-90).

According to Ibn Khaldun, a dynasty or nation has a life span like individuals which is about one hundred twenty years (three times a generation's age, forty years) (ibid., Vol. I, p. 343) and once decline sets in a state, it cannot be reversed (ibid., p. 117). In the final stage of a dynasty sickness and weakness strangles the state and the whole nation in such a way that there remains no point of escape. The city culture turns senile by the self-effecting process of urban luxuries. They breed laxity of morals and corrupt customs. Immorality, wrong-doing, insincerity and trickery for the purpose of making a living in a proper or improper manner increase among them. People develop the habit of lying, gambling, cheating, fraud, theft, perjury and usury (ibid., p. 293). Thus, both socio-economic and moral decay leads to decline of the old system and allows for the rise of a competing new one.

This cyclical interpretation of history does not mean that the new government is going to start from the same level of economic progress from which the outgoing started. Some of the infrastructure developed by the past government must be available to start economic development from a higher point and cover the distance in shorter period. From a discussion of Ibn Khaldun's 'politico-economic cycles', Spengler concludes that there is 'a bottom' and 'a ceiling'. Economic activity fluctuates within this 'fairly fixed range rather than about a rising trend' (Spengler 1964, p. 293). In his opinion, 'one might reduce Ibn Khaldun's argument to terms of a model reminiscent of J.R. Hicks's, but without a rising floor and ceiling' (ibid., p. 293, foot note 79).

It would be appropriate to mention here a disciple of Ibn Khaldun, Ibn al-Azraq<sup>29</sup> (1977) who improved and clarified most of the ideas of Ibn Khaldun on stages of development in his work *Bada'i al-Silk fi Tabai' al-Mulk*.

## Endnotes

1. Abu Hanifah al-Nu'man b. Muhammad al-Isma'ili (d. 363/974). Born at Qayrawan (Kairouan) and brought up there. Originally belonged to Maliki school but converted to Isma'ilism. He died in Egypt where he served as the chief justice. His most famous work is *Da'aim al-Islam*.
2. Nizam al-Mulk al-Hasan b. Ali al-Tusi (408-485/1018-1092) born at Radkan near Tus. The celebrated minister of the Saljuq Sultans Alp Arslan and Malikshah was in all but name a monarch and ruled his empire with great success. Worked for the economic and educational development of the country established famous *madrasah Nizamiyyah* of Baghdad and brought a number of reforms to win the hearts of 'ulama, elites and commoners. *Siyasat Namah* written by Nizam al-Mulk al-Tusi is a monarch's primer.
3. Abu Bakr Muhammad b. al-Walid al-Turtushi (451-516/1059-1126) also known as Ibn Randaqah. Born at Tortosa in Spain and died in Cairo to which he migrated at the age of 25. Twenty-two books are attributed to him, of which only nine survived.
4. Kay Kaus b. Iskander's *Qabus Namah* named after his grandfather Qabus b. Wushmagir, was composed in 475/1082 as a guide for his son Gilan Shah. Its English translation as *A Mirror for Princes* was translated by Reuben Levy, London, 1951.
5. Badar al-Din Muhammad b. Ibrahim Ibn Jama'ah (639-733/1241-1333) born in Syria and died in Egypt had been chief justice of the two countries. His work *Tahrir al-Ahkam* is a comprehensive manual for rulers based on the Qur'an and Sunnah.
6. It is not known why they call it 'mirror', for which Arabic equivalent is "mir'at" and Persian is 'ā'inah'. No Arab writer has used the word 'mir'at' in his title. However, some Persian writers have used the word 'ā'in', such as *A'in-Namah* by Ibn al-Muqaffa' or *A'in-e-Akbari* by Abu'l Fadl. Either they have confused the word 'ā'inah' (mirror) with 'ā'in' (rule, manual, law) or the term has been used because these works, like mirrors, reflect ideas that should be followed by rulers.
7. Abd al-Rahman b. Nasr al-Shayzari (d. 589/1193). A Syrian who authored *Nihayat al-Rutbah fi Talab al-Hisbah* at the request of Salah al-Din al-Ayyubi. It inspired the later works of Ibn al-Ukhuwwah and Ibn al-Bassam. Al-Shayzari himself was a *muhtasib* and a judge so his work was enriched by personal experience and local traditions of traders and businessmen.
8. Diya' al-Din Muhammad b. Ahmed, Ibn al-Ukhuwwah (d.729/1329), is author of voluminous work on *al-hisbah* entitled '*Ma'alim al-Qurbah fi Ahkam al-Hisbah*'.
9. Muhammad b. Ahmad Ibn Bassam lived in Egypt during the 7<sup>th</sup>/13<sup>th</sup> century. He used the text of al-Shayzari as the base for his own work, made certain additions. He used even the title of his work *Nihayat al-Rutbah fi Talab al-Hisbah*.
10. Umar al-Jarsifi, One of the writers on *al-hisbah* from al-Maghrib, personal details are not known, completed his *Risalah fi'l-Hisbah* late seventh/thirteenth or early eighth/fourteenth century.
11. Muhammad Ahmad b. Qasim al-Uqbani al-Tilimsani (d. 871/1467) Belonged to a family of jurists, occupied the position of a judge in al-Maghrib. Although his work – briefly called *Tuhfah* – does not bear the word *hisbah* but it deals with the same subject on the pattern of jurists.
12. Ibn Abdun, Muhammad b. Ahmad a jurist and *muhtasib* Spanish author of a treatise on *al-hisbah*, spent a large part of his life in Seville in the second half of the 5<sup>th</sup>/11<sup>th</sup> and the first half of 6<sup>th</sup>/12<sup>th</sup> centuries. His short treatise is a most valuable source on urban economic and social life in Muslim Spain at that period.
13. Ahmad Ibn Abd al-Ra'uf, an author on *al-hisbah* institution from Andalus of a relatively early period. Very little is known about him. His *Risalah fi'l-Hisbah wa'l-Muhtasib* has 37 chapters and chiefly Malikite in tenor.



14. Al-Saqati of Malaga (about 500/1100). His work *Kitab fi Adab al-Hisbah* has been edited by Levi-Provencal and G.S. Colin, 1931.
15. Abu Ja'far Ahmad b. Nasr al-Dawudi (d. 401/1012). His *Kitab al- Amwal* was studied and critically edited by Najib Abdul Wahhab al-Fili and translated into English as a Ph.D. work from Exeter University, U.K., 1989, in two volumes. Al-Dawudi's work is more important in that it is the only work on the subject from al-Maghrib. It makes use of earlier, now lost, Malikite and non-Malikite studies of the topic.
16. Abd al Rahman b. Ahmad Ibn Rajab (736-795/1335-1392). Hanbali traditionalist and juriscult, author of many voluminous books. Originally from Baghdad, most of his time spent in Cairo and Damascus. *Ahkam al-Kharaj* is his work of economic interest.
17. Abu'l-Hasan Ali b. Uthman Al-Makhzumi (d.685/1384). Little is known about him. The title of his work is *Kitab al-Minhaj fi Ilm Kharaj Misr*. Part of the book was published under the title *al-Muntaqa min Kitab al-Minhaj fi Kharaj Misr*, Cairo: *Supplement aux Annales, Islamologiques*, 1986.
18. According to Schumpeter (1997, p. 200), "public finance especially modern taxation first developed in the course of the fifteenth century in the Italian city republics, Florence in particular, and in German free-towns (*Reichsstadte*).
19. Abu Ubayd Allah Mu'awiyah b. Ubayd Allah (d.170/786). Ibn al-Taqaqa gives an account of his organizing and administrative achievements, culminating in the reform of the *Kharaj* substituting for fixed land tax to a proportional tax on the produce payable in kind.
20. Ibn Hazm (384-445/994-1063). Born in Cordoba having an accusingly polemical cast of mind, aggravated by his adherence to the Zahiri (literalist) juridical school. His written products are extraordinary. From economic point of view his most important work is *al-Muhalla* which consists of his juridical ideas.
21. Abu Is'haq Ibrahim b. Musa al-Shatibi (d.790/1388). Born and died at Granada, a Maliki from Andalus, expert of the principles of jurisprudence. In his *fatawa*, he accepts social change and application of *al-masalih al-mursalah* (welfare consideration for which there is no specific text). That was the reason that he allowed certain taxes not mentioned in the Sahri'ah but made necessary by the economic difficulties of the Nasirid Kingdom in Granada.
22. As Dalton puts it: "English economists as a body have had surprisingly little to say concerning the principle of public expenditure." (1966, p. 139); Earlier, Hunter and Allen (1940, p. 19) have said: "When the entire amount of literature on public finance is taken into consideration, only a small part of it will be found to deal with public expenditure".
23. Al-Husayn b. Muhammad al-Raghib al-Asfahani (d. 502/1108). A contemporary of al-Ghazali, famous for his Qur'anic studies, especially an excellent dictionary of the Qur'an, *Mufradat Alfaz al-Qur'an* and his work on ethics *al-Dhari'ah ila Makarim al-Shari'ah*, both are published. Al-Ghazali is said to have always had a copy of *al-Dhari'ah* by him. They exchanged ideas together which is clear from similar discussion and examples used in their works.
24. The title *Ihya Ulum al-Din* (Revival of Religious Sciences) is very comprehensive as the contents of this work. Since, in Islamic tradition 'Religion' covers every aspect of life, knowledge that guides in those aspects is part of religious sciences.
25. For Ibn Khaldun's theory of development, viewed through concentration on its economic aspect rather than the political one, see Ahmad, Abd al-Rahman Youstri, 2001, pp. 109-117.
26. For details, see Ibn Khaldun, 1967, pp. 353-58 . It may be noted that sections on '*asabiyyah*' (ibid., Vol. 1, pp. 313-30), taxation (Vol. 2, pp. 89-91), population (Vol. 2, p. 135), trade (Vol. 2, p. 93), etc. are only explanation of various stages of Ibn Khaldun's theory of cyclical development.
27. Commenting on Ibn Khaldun's theory of '*asabiyyah*', Timur Kuran Says: "Variants of this idea appear much later in the works of a number of extremely influential thinkers, including Marx and Schumpeter. The idea also forms the basis of Mancur Olson's celebrated *Rise and*

*Decline of Nations* (New Haven, Yale University Press, 1982) although, I might add, Olson fails to cite Ibn Khaldun among the originators of his thesis.” Kuran, T, “Continuity and Change in Islamic Economic Thought” in Lowry, 1987, p. 109.

28. For more information about Ibn Khaldun’s theory of population, see Spengler, 1964, p. 297.
29. Muhammad b. Ali al-Gharnati known as Ibn al-Azraq (832-896/1427-1489). Born at Malaqa and died in al-Quds. He served as *qadi* at various places. He tried to secure help from Egyptian sultans against the invading forces in Spain, but of no avail.

## ***CHAPTER VII***

# **NET ADDITION AND IMPACT ON ECONOMIC THINKING OF MEDIEVAL EUROPE**

- **Addition to and Improvement Over Greek Ideas**
- **Early Medieval Christian West had no base for Economic Questions**
- **Rise of Scholastic Economics**
- **Manifestation of Muslim Scholars' Impact**



# **NET ADDITION AND IMPACT ON ECONOMIC THINKING OF MEDIEVAL EUROPE**

## **1. Addition to and Improvement over Greek Ideas**

We have seen in the previous chapters that Muslim scholars started their intellectual journey equipped with revealed knowledge. That they had divine touch-stone with them, they were not afraid of learning the existing human heritage of sciences. In this respect, Greek philosophy received their first attention. Its impact upon all sections of scholars was not same. Nor had the Greek philosophy answer to every challenge of the time. Muslim scholars were in better position to address the problems of their time and they responded to them excellently, a proof of which has been presented above by registering their views on major economic issues.

It would be interesting to examine Muslim scholars' addition to and improvement over Greek economic ideas. But this would require a thorough comparative study of Greek economics and contribution of Muslim scholars with reference to their respective original sources. It is a full research topic. The scope of the present work does not allow us to delve into this subject. However, a few remarks would be in order.

First of all, Greek economic ideas were confined to a few aspects of life such as, 'wants and their satisfactions', 'economy of self sufficient households', 'division of labour', 'barter', and 'money'. 'This – presumably the extract from a large literature that has been lost – constitutes the Greek bequest, so far as economic theory is concerned' (Schumpeter, 1997, p. 60). Muslim scholars were not confined to these areas. In addition, they discussed market function

and pricing mechanism, production and distribution problems, government economic role and public finance, poverty eradications, and economic development, etc.

Muslim scholars did not take to Greek philosophy and economic ideas without critical assessment. Al-Ghazali criticized the whole Greek philosophy in his work '*Tahafut al-Falasifah*' (*Incoherence of Philosophers*), although 'he follows Plato in describing how the diverse institutions of mankind ... are successively established in order to meet man's ever-increasing needs, and develops on Aristotelian lines Plato's brief remark that money was invented as a token of exchange' (Grice-Hutchinson, 1978, p. 66). To Ibn Khaldun 'the virtuous state of the Greek philosopher and *madinah fadilah* (perfect city) of their Hellenized Muslim disciples, were too far away from the concrete aspirations of humans and offered only an elitist and idealized analysis of social reality' (Baeck, 1964, p. 115).

Both Plato and al-Ghazali discuss 'division of labour'. But Plato's notion is 'casteous'. He does not put emphasis upon 'increase of efficiency that results from division of labour per se...' (Schumpeter, 1997, p. 56), while al-Ghazali; like Adam Smith, highlights its economic efficiency (see above Chapter 4, section 1).

Al-Ghazali, Ibn Khaldun and many other Muslim scholars hold the view that precious metals are created to serve as money (see above Chapter 5, section 1), an idea of Greek origin (Schumpeter, 1997, p. 62), but Ibn Taymiyyah regards it as a matter of convention. He says: 'Gold and silver coins have no natural or Shariah specification. They depend on people, their custom and social consensus' (1963, Vol. 19, pp. 250, 251, 248-249), so that any commodity could serve as money. 'Even the coins (token money) in circulation will rule as precious metals in measuring the value of goods' (ibid., Vol. 29, p. 469).

Al-Farabi 'opened new horizons with his comments on works of practical philosophy like the *Republic* of Plato and the *Ethics* of Aristotle' (Baeck, 1994, p. 108). But he wrote in 'the historical context of a multinational commonwealth which was quite different from Plato's Athenian polis'. (ibid., p. 109). Ibn Rushd's commentaries on Aristotle were also in the line of al-Farabi's 'effort to remove the Neo-Platonic influences' (ibid., p. 111). In his commentary on Plato's *Republic* 'the Andalusian master proves to be more in sympathy with democratic rule than Plato' (ibid., p. 112). Ibn Rushd's addition to Greek economic ideas will be more clear if one compares Aristotle's Greek text and Ibn Rushd's Latin version of his commentary. One will surely find that 'the Andalusian scholar exposes Aristotle's discourse on ethics rather faithfully,

but in a more synthetic way than the original' (ibid.). Ibn Rushd's refinement of Greek ideas is also clear from his reflections 'on the terms of exchange and on money'<sup>1</sup>.

How Muslim scholars made addition to certain Greek works generation after generation would be more clear from the following example elaborated by Essid (1995, p. 44). A collection of Greek letters known as *Sirr al-Asrar* and ascribed to Aristotle was translated in the Umayyad period by Salim Abu'l-'Ala<sup>2</sup>. Its text was used by an Abbasid writer to produce another version who attributed it to Yahya b. al-Bitriq. Later, two adaptations transformed the text into an encyclopedic work and sometimes before 941 AD the chapter devoted to physiognomy was transformed by a third. The final adaptation gave it the form in which it is available now which contains elements found in *Ikhwan al-Safa*<sup>3</sup>. Al-Turtushi who incorporated a part of this version of *Sirr*, in his mirror book drew upon Greek, Persian and Indian models<sup>4</sup> (Grice-Hutchinson, 1978, p. 67), needless to say including Islamic elements. And to mention a few of them, these elements are: Equity and social justice, *amanah* (trust), *ithar* (sacrifice), *tazkiyah* (self purification), ethics and spirituality, prohibition of extravagance and wastage, condemnation of extreme luxury, disapproval of appropriation of property through wrong means, provision of the institutions of *sadaqat* (charity), *hibah* (gift), *waqf* (endowment), *wasiyyah* (will), 'ariyah (lending without any charge), etc. This is the most dominating aspect in economic discussions of Muslim scholars. An overriding concern in works of Muslim scholars has been *maslahah* (social welfare or common good), a concept that encompasses all human affairs, economic and others and which establishes close links between the individual and the society. The idea has been discussed in more details by al-Ghazali (n.d. [a], Vol. 2, p. 109; n.d. [b], Vol. 1, p. 284), al-Tufi<sup>5</sup> (Khallaf, 1955, pp. 88-150), and al-Shatibi (n.d. [b], Vol. 2, pp. 8-25).

Thus, Muslim scholars' contribution to economic thought presented a fine combination of existing major intellectual heritage and revealed knowledge having elements of positive and normative economics, applied and theoretical consideration, unity of this life and hereafter, matter and spirit and health and soul. Thrust of the work depended on individual scholar's training background.

## 2. Early Medieval Christian West had no base for Economic Questions

It is an accepted historical fact that 'economic thinking' in Europe started with the scholastic philosophers. Writing in "*An Essay on Medieval Economic Teaching*" of the West, O'Brien says: "There is not to be found in the writers of

the early Middle Ages, that is to say from the eighth to the thirteenth centuries, a trace of any attention given to what we at present day would designate economic questions" (1920, p. 13). According to Jourdain, as quoted by O'Brien, the greatest lights of theology and philosophy in the Middle Ages such as Alcuin, Rabnas, Mauras, Scotus Erigenus, Hincmar, Gerbert, St. Anselm and Abelard, had not 'a single passage to suggest that any of these authors suspected the pursuit of riches, which they despised, occupied a sufficiently large place in national as well as in individual life, to offer to the philosopher a subject fruitful in reflections and results' (ibid., p. 14). O'Brien mentions two causes of 'this almost total lack of interest in economic subject'. 'One was the miserable condition of society', 'almost without industry and commerce', the other was the absence of all economic tradition.' (ibid.). Not only had the writing of the ancients, who deal to some extent with the theory of wealth, been destroyed, but the very traces of their teaching had been long forgotten'. (ibid., p. 15).

There is an additional reason for that state of affairs. Christianity, traditionally discouraged man's engagement in economic enterprise. Trade and commerce, until the Middle Ages, were considered sinful, the urge to earn more was an expression of mere avarice. Gordon writes that, "As late as the year 1078, a church council at Rome issued a canon which affirmed that it was impossible for either merchants or soldiers to carry on their trades without sin" (Gordon, 1975, p. 172). We find some opinions on economic subject like 'believers should sell what they have and give it to poor', or, .... 'They should lend without expecting anything (possibly not even repayment) from it' (Schumpeter, 1997, p. 71). It is self-evident that no economic theory can be built on such idealistic imperatives. Thus, the early Christian scholars did not find any base or incentive for looking into economic problems and formulating theories. This attitude accounts for 'the great gap' from early Christianity up to the middle of the Middle Ages. Lamenting this situation, Schumpeter writes: "Whatever our sociological diagnosis of the mundane aspects of early Christianity may be, it is clear that Christian church did not aim social reform in any sense other than that of moral reform of individual behaviour. At no time even before its victory, which may have roughly dated from Constantine's Edict of Milan (313 A.D.), did the church attempt a frontal attack on the existing social system or any of its more important institutions. It never promised economic paradise, or for that matter any paradise this side of the grave. The how, and why of economic problem were *then* of no interest either to its leaders or to its writers." (ibid., p.72).



### 3. Rise of Scholastic Economics

It is therefore surprising that coming to 12<sup>th</sup> and 13<sup>th</sup> century A.D., a revolution came and the prohibited tree of economics became part and parcel of Christian scholastics. The question naturally arises what were the factors that led to this radical change and how scholastics were able to develop a very large body of economic thought without almost any precedent. Very few historians of economic thought have tried to address this question. Even those who answered it, they could not fully substantiate it. The great historian of economic thought, Professor Jacob Viner (1978, p. 48), remarks: "From the thirteenth century on, after the discovery of Aristotle in the Western world, and especially after the absorption of Aristotelian teaching by Albert the Great and St. Thomas Aquinas, Christian moral theology became a tremendous synthesis of biblical teaching, church tradition, Greek philosophy, Roman and Canon Law, and the wisdom and insights of the scholastics themselves". In this statement "moral theology" refers to Scholasticism, economics was a part of it. One may wonder, what is new or unique in these elements. Bible teachings, church tradition, Roman and Canon Law and even Greek philosophy<sup>6</sup> all existed since long ago. Why such synthesis could not be presented during the Dark Ages? Among the above mentioned elements, if anything was new it was Greek philosophy *with the commentary and exposition by Muslim scholars*. Schumpeter is more explicit<sup>7</sup> (though he mentions it 'marginally' only) when he says: "During the twelfth century more complete knowledge of Aristotle's writings filtered slowly into the intellectual world of western Christianity, partly through Semite mediation, Arab and Jewish" (Schumpeter, 1997, p. 87). "Access to Aristotle's thought immensely facilitated the gigantic task before them, not only in metaphysics, where they had to break new paths, but also in the physical and social sciences, where they had to start from little or nothing" (ibid., p. 88).

Schumpeter is correct when he says: "I do not assign to the recovery of Aristotle's writings the role of chief cause of thirteenth century development. Such developments are never induced solely by an influence from outside" (ibid., p. 88). True, 'this phenomenon cannot be causally explained by a lucky discovery of a new volume' of the Greek philosophy. There must have been other factors that affected 'the wisdom and insights of the scholastics themselves' and induced them to change the traditional Christian outlook towards the realities of life and think the way they thought. Of course this important factor was the contact – negative or positive – on various levels with the Muslim scholars, their work, traders, traveling for education or exploration, war and peace, conquest and defeat. Before we shed more light on these points of contact, it would be worthwhile to show a few examples of economic interest of Muslim influence on thinking and action of Medieval Europe.

#### 4. Manifestations of Muslim Scholars' Impact

We have seen above that in twelfth century A.D. before rediscovery of Aristotle's writing through Arab mediation, the scholastic scholars had to start on social sciences 'from little or nothing'. Just during that era and in subsequent period we find in the Scholastic writings a number of economic ideas which already existed in the basic sources of Islam or which were inferred by Muslim scholars long ago. Here are a few examples.

Aquinas declares that a needy borrower paying usury is similar to that of a buyer in need to whom a thing is sold at an excessive price (Langholm, 1998, p. 77). This is reminiscent of the Prophet's prohibition of selling goods to a needy person exploiting his need. (Abu Dawud, n.d. Vol. 3, p. 286).

After stating Aquinas' position on assigning just claim of ownership for one who spends labour in cultivating an area of land, Gordon says that it is based on 'the Roman Law tradition concerning the natural modes of acquisition of property (Gordon, 1975, p. 182). One may note that almost similar ruling was given by the Prophet who said: "One who revives a land (i.e. makes it cultivable) has right to own it" (Tirmidhi, 1976, Vol. 3, pp. 653, 655). In the light of this tradition al-Shirazi<sup>8</sup> regards the revival of dead land as desirable Islamically and an act of reward (1976, Vol. 1, p. 553). The issue has been discussed by Muslim scholars in almost every book on land management and taxation.

Forestalling (i.e. buying from a merchant in route to the market) and town guilds of manufactures and tradesmen attracted the attention of scholastic scholars during 15<sup>th</sup> century (Gordon, 1975, pp. 219-20). While forestalling or *Talaqqi al-Jalab* was prohibited by the Prophet himself (Abu Dawud, n.d. Vol. 3, p. 281), the question of guild's monopolization was fully discussed by Ibn Taymiyyah (Islahi, 1988, pp. 100-102).

Raymond of Penafort (d. 1275) considers usury as an act of robbery (Langholm 1987, p. 132). This will be a natural thinking if one could know that God and His Prophet declared war against usurer (c.f. The Qur'an 2:279).

Peter Olivi (d. 1298), the author of a much copied treatise on economic contracts opposed price control even when there was general scarcity. He states openly that unless one does this, those with supplies in stock will be less inclined to part with them, to the detriment of all those who need them (Langholm 1987, p. 117). Prior to Olivi, Ibn Qudamah, in addition to support his stand on price control with the tradition of the Prophet, says that, it is

obvious that price fixing must lead to expensiveness. This is so because when outside traders hear about price control they will not bring their goods into that area where they would be forced to sell at a price against their will. And local traders who have the stocks will conceal them. The needy consumers will demand the goods and having their demand unsatisfied will bid the price up. The price will thus increase and both parties will suffer – the sellers will suffer as they have been restricted from the sale of their goods and the buyers will suffer as their wants have been left unfulfilled. (Ibn Qudamah, 1972 Vol. 4, pp. 44-45).

The aim of this writer is not to search all such scholastic economic ideas which have similarity with those of Muslim scholars. We presented a few samples to establish the fact that Muslim scholars' influence cannot be ruled out in the development of these ideas which existed in Islamic system since centuries. If one tries, one will find similarity not only in thought but even in contents of many scholastic works<sup>9</sup>.

Muslim influence in the Medieval West is also manifestly clear from the name of various economic institution and business practices whose origin is Arabic. Such as *hisbah* (agoranomos) 'mathesep' (*muhtasib*) existed in the Roman East, (Ziadeh, 1963, p. 39, Islahi, 1988, pp. 187-188), *mudarabah* (commenda) *suftaja* and *hawalah*, *fundaq*, *mauna* (maona) *Sakk* (cheque), *mukhatarah* (muhatarah), etc. Lopez Baralt (1994, p. 519) gives a list of several 'Spanish words directly "naturalized" from Arabic, vividly demonstrating the influence of Muslim civilization on so many aspects of Spanish – and by extension, Latin-American – life and on the Lexicon even of English. Most of these words constituted trade items'<sup>10</sup>

Perhaps the greatest influence of Muslims on Medieval Europe that appeared in the form of change in the outlook of scholastic scholars and European entrepreneurs, was towards commerce and trade. Trading was a manifestation of this influence as well as one of the channels through which economic ideas of Muslim scholars reached the West.

Aristotle equated trade with war. 'Prosperity gained through trade is like the fruits gathered from war and conquest' (Gordon, 1975, p. 41). The Christian tradition also discouraged engagement in trading activities. With this background, how and why a movement of trading activities – mercantilism – emerged in Europe may be a relevant question.

**Mercantilism: A Reaction against Muslim Power.** There is no difference of opinion regarding the fact that mercantilism was the dominating current of

economic thought during two and half centuries before the emergence of physiocracy in mid eighteenth century. But there is no agreement of opinions about the date of its beginning. To some writers it started in early sixteenth century, some others date it still earlier. (Whittaker, 1960, p. 31) Importance of mercantilism in the history of economic thought need no explanation for the students of the subject. It regarded bullion as money and trade as the source to obtain it. It emphasized international trade and aimed at strengthening the national state. Historians of economic thought have explored the factors that helped development of mercantilism. For example, Eric Roll (1974, pp. 54-55) mentions the following as some of the factors operating behind development of mercantilism:

‘The growth of nation states, anxious to destroy both the particularism of feudal society and universalism of the spiritual power of Church which resulted in a greater concern for wealth and quickening of economic activities, the revolution in the methods of farming, .... maritime discoveries’.

Similarly Oser and Blanchfield (1975, p. 8) attribute the development of mercantilism to ‘the self-sufficiency of the feudal community, growth of cities, flourishing of trade, discovery of gold with Western Hemisphere, great geographical discoveries, rise of national states, etc’.

But no one tried to investigate what was the reason behind the rise of mercantilists *per se*, what caused the change in their thinking and why they felt the need to strengthen the national state. This, of course, needs a thorough study of the background and circumstances in which ‘mercantilism’ developed. This writer is inclined to think that behind the rise of mercantilism lies the motivation that the scholastic writers, and through them the mercantilist writers, received from the work of Muslim scholars. For Muslims, trading has been a praiseworthy commercial activity since the very beginning of Islam. It might have been considered by European scholars a major source of their strength. Thus, their attention was drawn to monopolize it. They might have arrived at the conclusion that for defeating Muslims, they must pay attention to unity and strengthen the national government. Heckscher has rightly assigned to the second part of his work the title “Mercantilism as a system of power” According to Heckscher this power goal appeared under two guises: power *per se*, especially in a military sense, as well as the power to be achieved via national economic prosperity (Heckscher, 1954, Vol. 2, Chapter 2).

A study not directly related to mercantilism would seem to support this writer’s contention ‘that mercantilism was an action and reaction against

Muslims'. In view of its importance and to provide basis for further research in this direction some extracts will be in order here:

In the rise of mercantilism, discovery of new world is considered a significant factor that was done in search of gold or means for gold. "In Columbus' mind gold was important as a means of furthering his sovereigns crusade to capture Jerusalem"<sup>11</sup>. (Hamdani, 1994, p. 281). Discovery of new lands had no meaning for Columbus except as a stepping stone toward, the Christians of East and Emperor of Cathay (ibid., p. 285).

'Gold, said Columbus, 'is a wonderful thing! Whoever possesses it is master of everything he desires. With gold, one can even get souls into paradise' (Roll, 1974, p. 65, In a letter from Jamaica of 1503, quoted by Marx in *Zur Kratic der politischem Oconomie*, 1930, p. 162). This is just opposite to what some of the historians of economic thought want to make us believe. For example to Eric Roll (1974, p. 63), 'The mercantilists demanded a state strong enough to protect the trading interest and to break down the many medieval barriers to commercial expansion'.

Examples of fund raising for this purpose are also not uncommon. 'Portugal's King Diniz sent an ambassador to Pope John XXII to solicit funds for the construction of fleet to be used against Muslims'. (Hamdani, 1994, p. 286).

Disappointed from the conquest at the battle field, mercantilists tried to block the Muslim power on economic front : "If one take this trade of Malacca out of their [Mamluks'] hands, Cairo and Mecca will be entirely ruined, and to Venice no spices will be conveyed, except what her merchants go to buy in Portugal". This was declared by Portuguese governor Alfonso de Albuquerque after conquering Goa and Malacca in 1511. (ibid., p. 288)<sup>12</sup>. The establishment of powerful Ottoman empire and its custody of the holy places of Islam made the Crusaders forget Jerusalem (ibid., p. 289). Perhaps Montgomery Watt also realizes this when he says, "When the advancement to Jerusalem through the Mediterranean or eastern Europe was proved to be impracticable, a few men began to wonder if the Saracens (Muslims) could be attacked in the rear. ....Certainly some of those who sponsored or participated in the exploring expeditions regarded these as Crusading enterprise, and the members of the expeditions bore the Crusaders' cross" (Watt, 1972, p. 57).

Thus changing attitudes of Medieval Europe towards trade as a result of encounter with Muslim scholars and rulers and as a result emergence of Mercantilism was another turning point in the history of economic thought.

However, one must remember an interesting difference. While Muslims believed in trade as a source of mutual benefit, early Mercantilist intellectuals believed like Aristotle that trade was a war because they held that one nation's gain would be at the cost of others. One man's gain is another man's loss. The French essayist Michel de Montaigne wrote in 1580: "The profit of one man is the damage of another..... No man profiteth but by the loss of others (Oser and Blanchfield, 1975, p. 9). Jean Baptiste Colbert (d. 1683), one hundred years after him felt that 'one nation can become rich only at the expense of another.....Commerce is therefore a continual and a bitter war among nations for economic advantage' (ibid., p.21) Mercantilists realized the mutual benefit from trading only after discovery of the theory of comparative cost advantage.

## Endnotes

1. See Baeck (1994, pp.112-14) for a detailed study of Ibn Rushd's ideas on money.
2. Salim Abu'l 'Ala. Secretary to Hisham b. Abd al-Malik (d.125/742). He translated Aristotle's letters to Alexander – *Sirr al-Asrar*. It was translated to Latin by Philippus Tripolatanus in 1340 A.D. The Arabic text could be published in 1954 only after its English translation which appeared 36 years ago.
3. *Ikhwan al-Safa* (Brothers of Purity) was a secret society in Basra, Iraq, founded around 340/951. They published fifty-one tracts known as the *Rasa'il Ikhwan al-Safa*, which constituted an encyclopedia of knowledge in various sciences. Their Neoplatonic ideas, as well as the method whereby they would raise questions, but not answer them except indirectly and by implication and their particular belief led them to be identified as Isma'ilis.
4. The final version of that *Sirr al-Asrar* was translated into Latin by Philippus Tripolatanus in 1340 A.D.
5. Abu al-Rabi' Najm al-Din Sulayman b. Abd al-Qawi al-Tufi (657-711/1259-1316). Born in the village of Tuf in the Iraqi state of Sarsar. In 691/1291 he came to Baghdad and migrated to Damascus in 704/1303. He died in the city of Khalil in Palestine. *Bughyat al-Sa'il fi Ummahat al-Masa'il* and *Mi'raj al-Wusul* are two important books out of his many works still in manuscript.
6. Greek philosophy was known to Christian scholars in their early period also. It never died fully among them. Even some translations were made directly from Greek to Latin. The reader may refer to Gordon (1975, pp. 82-110) to see how Christian fathers reacted to Greek ideas in early centuries. It was totally different from what they did after discovering it with Muslim commentaries.
7. Schumpeter (1997) has mentioned role of Muslim scholars in his encyclopedic work *History of Economic Analysis* at the margin only. See pp. 87-88 footnote.
8. Abu Is'haq Ibrahim b. Ali al-Shirazi (393-476/1002-1083). Lived in Baghdad and was the most leading scholar of his time. When Nizam al-Mulk al-Tusi established the famous university of Nizamiyyah at Baghdad, he appointed him the head of this institution which he served till his death. *Al-Muhadhdhab* is his important work in jurisprudence.
9. Ghazarfar has tried to trace parallels and linkages between St. Thomas Aquinas and Abu Hamid al-Ghazali, and has shown how former's *Summa* and latter's *Ihya* have parallel commentaries on compatible economic topics. (Ghazanfar, 2003, pp. 193-203).

10. Watt (1972, pp. 85-92) who gives an incomplete list of Arabic words in English in 8 pages writes, "The ... list contains English words which have passed through Arabic at some stage in their history. Many have come into Arabic from other languages. Since the chief interest of the list is to indicate our debt to medieval Islam, recent importations by travellers in Arab countries have been excluded".
11. The statement is based on a direct quotation from Columbus' writing in which he addresses the Catholic Sovereign: "I declared to your Highnesses that all the gain of this my Enterprise should be spent in the conquest of Jerusalem." (Morison, 1963, p. 139).
12. The fact that the major European countries jointly attacked Jerusalem and were defeated, may be the reason that mercantilism simultaneously developed in all these countries. Here we presented the case of Portuguese mercantilists only. There is need to investigate about others on the same line. It seems that the movement that started on economic and religious ground, turned completely economic movement and they fought against each other also later when their economic interests clashed.





## ***CHAPTER VIII***

# **MUSLIM THOUGHT AS ONE OF THE SOURCES OF MAINSTREAM ECONOMICS**

- **Channels of Contact**
- **Contribution of Muslim Scholars Forms Parts of Family-Tree of Economics**
- **Borrowing Without Acknowledgement**



# MUSLIM THOUGHT AS ONE OF THE SOURCES OF MAINSTREAM ECONOMICS

## 1. Channels of Influence

Muslim scholars' influence on Medieval Europe with respect to philosophy, science, mathematics, geography, history, art and culture is well-documented and known in the circle of concerned subjects<sup>1</sup>. But their impact on economic thinking and institutions – a very important part of life – is yet to be fully explored and recognized. The very fact that Medieval Europe borrowed from Muslim scholars in so many diverse field is enough to believe that they must not have avoided the economic thought of Muslim scholars as there was no reason to ignore their intellectual contribution in this vital and practical aspect of life. In the preceding pages we have seen certain incidence of influence that strengthens the proposition that Medieval scholars and practitioners had availed the opportunity and benefited from the contribution of Muslim scholars and used the available knowledge to advance their ideas and further build their institutions<sup>2</sup>. Muslim influence reached Medieval Europe through translation activities, education and oral transmission, travel accounts of explorers, trade crusades, diplomatic missions and pilgrimages. Following is a brief description of these channels:

*Translation.* Translation of Muslim scholars' contributions to European languages was the most important channel through which their ideas were transmitted to the West. It was a continuous process spreading over many centuries (starting from 11<sup>th</sup> century A.D. up to 15<sup>th</sup> century). We have elaborated translation activities above in Chapter Two. But a few important points will be in order here also. Louis Bacck (1994, p. 119) identifies five

important centres of translation of religious, philosophical and scientific texts:

- 1- The first organized translation centre was Trazona in Aragon.
- 2- In Castile, the translation centre of Toledo was created by Archbishop Raimundo.
- 3- The Court of Emperor Fredrick II in Sicily played a prominent role.
- 4- Barcelona, the centre of high culture in Catalonia's maritime economy.
- 5- Cultural centers like Perpignan, Narbonne, Nimes and Toulouse, were transmission belts of text translated in old French.

Importance of Arabic translations to European languages and their role in development of scholastic thought has been recognized by many economists (Schumpeter, 1997, pp. 87, 88; Gordon, 1975, p. 154) but the impression has been given that their role was just transmitter of Greek ideas<sup>3</sup>. The fact is that with every translation they had also contributed their commentary, exposition, criticism and additions and the West benefited from all of these. Karl Pribram is perhaps among the fewest Western economists who have openly accepted it. He says: "All relevant writings of the Greek philosopher Aristotle (384–322 B.C.) were gradually made available in Latin translation along with various treatises in which Arabian philosophers had interpreted Aristotle's work in light of their own reasoning. Of particular importance for subsequent development of Western thought was a translation into Latin of the commentaries of Aristotle's *Ethics* by the Cordoban philosopher Ibn-Rushd, called Averroes (1126-1198)" (Pribram 1983, p. 4). He mentions two streams that affected the Medieval society. The second and "far more important stream started within the body of Scholastic theologians who derived their intellectual armory from the works of Arabian philosophers" (ibid., p. 2).

Translations of Arabic philosophers were used in Europe for many centuries as part of reading materials. The influence of Muslim scholars can be imagined with the fact that two schools of thought pertaining to Ibn Rushd, Parisian Averroacists and Italian Averroacists, were established (Langholm 1998, p. 29).

**Oral Transmission.** Another important channel of transmission of Muslim thought had been through the European students who attended the learning centres in Spain, Egypt and other parts of Muslim world. On return they engaged in teaching, preaching or developing those disciplines in their own environment. The oral transmission obviously could not be recorded. However, we find in the history many important names, like Constantine, the African<sup>4</sup> and Adelard<sup>5</sup> of Bath (England) who traveled to Muslim countries, learned Arabic,

studied there and brought back the newly acquired knowledge to Europe. Even Pope Silvester II was educated among the Arabs of Toledo (Lopez-Baralt, 1994, p. 512).

Leonardo of Pisa whose work '*Liber Abaci*' is said to mark beginning of economic analysis in Europe (Bernardelli, 1961), traveled and studied in Bougie in Algeria, and on his return he wrote the said book in 1202 (Watt, 1972, p. 63). First Western universities were established on the pattern of Muslim seminaries<sup>6</sup>. The style of architecture of these universities, their curricula and their methods of instruction were exactly like those in the Muslim seminaries' (Sharif, 1966, p. 1368). Sometimes Muslim scholars were sent for to promote education. In the thirteenth century, German emperor Frederic surrounded his court with Arabian philosophers (Pribram, 1983, p. 633).

**Trade and Commerce.** Change in Medieval Christianity's outlook towards trade, as noted earlier, was a manifestation of Muslim scholars' influence. Active participation of the East and West in trading activities was one of the channels through which that influence took the route. According to Cook (1974, p. 238), "The beginnings of the *commenda* as an accepted legal category in the Italian mercantile cities may have arisen from an acquaintance with the commercial practice of the Arabs". Enough evidences are available that trade was conducted from the Arab world through Russia to Poland, the shores of Baltic seas to Scandinavia, to north central Europe. 'Series of hoards, containing many thousands of Muslim silver *dirhams* that have been found in the countries around the Baltic' (Lewis, 1970, p. 85) are proof of vast trading network with Muslim countries. According to Bernard Lewis: 'Italian and Spanish archives contain many documents relating commerce, including a number in Arabic' (ibid., 1970, p. 81).

Geniza papers of Egyptian Jewish provenance reflect the commercial and social relations which were by no means limited to Egypt, but extended to the Mediterranean lands, eastwards to India (ibid., p.84). In words of Heaton, "Muhammadanism regarded trade as worthy occupation, ties of rule and religion facilitated long-distance trade and travel and since the Asiatic and the Moslem world possessed many industrial or agricultural skills and products which were superior to those of the European end, the West benefited by the lessons it learned from its new masters" (Heaton, 1948, p. 76). In fact, 'economic motive' led to an increased knowledge of Muslim world to a large number of European merchants. (Rodinson, 1974, p.20)

**Crusades.** Many writers have emphasized the role of crusades in facilitating the contact between West and East and thus providing opportunities for West to

benefit from ideas and institutions of the Muslim East. Langholm says: "The Crusades had opened up the world; towns and markets were expanding with the growing economies, new commercial techniques were being introduced." (Langholm, 1987, p. 115). However, like most of the contemporary writers he could not see influence of Muslim scholars in guiding the norms of behaviour in that important area. He ignored the effect of Muslim philosophy and science – the real factor in rise of scholasticism and considered it a 'synthesis of Roman law and Greek philosophy'. (ibid., p. 115).

According to Heaton 'the Crusades came as a heaven-sent opportunity to establish firmer footholds in the meeting place of East and West.' (Heaton, 1948, p. 152). As the period of peace was longer than that of war, Christians and Muslims mixed freely on social, economic and academic levels. Thus, it provided an important channel of communication between West and East. The Crusaders benefited not only by commercial products of the East but economic and scientific ideas of Muslim scholars as well. Realizing the effectiveness of this channel, Pribram observes: "The consolidation of economic views which took place in the thirteenth century was partly due to the fact that crusaders had brought to the cities of Italy and some other European countries the knowledge of new methods of organizing industries and commercial activities" (Pribram, 1983, pp. 3-4).

From the early Islamic period Jews and Christians lived peacefully in Muslim lands and engaged in secretarial and translation work. Being the followers of the same religion as Western world, they enjoyed sympathy and respect and proved a link between East and West. They also worked as a channel for transfer of Muslim intellectual heritage to the West. Maimonides (Musa bin Maymun)<sup>7</sup>, the Jewish scholar is a clear example of such links.

*Travelers and Explorers.* The curiosity to know the world other than in which man lives has been in all ages a driving force that induced people to go on exploration of other countries. On the part of Muslim world we have examples of Nasir Khusraw<sup>8</sup>, Ibn Jubayr<sup>9</sup>, and Ibn Battutah. As far as the Western World is concerned, in addition to students and traders who traveled Muslim lands in search of knowledge and profitable commodities, a number of adventurers toured the East, saw people and the economy, studied their ideas and institutions and on return they recorded such events for the benefit of their countrymen. We have memoirs of Jean de Joinville advisor of King Louis IX, who accompanied him in crusade of 1248. We have also travel account of Venetian explorer Marco Polo. These and other travel accounts had become a channel for transmission of knowledge about ideas and institutions that existed

in the East and they must have impressed the curious readers creating an urge to adopt them.

**Diplomatic Channel.** Diplomatic relations also provided an opportunity to learn from the advanced nation. 'Charlemagne was in diplomatic relations with the caliph of Baghdad, Harun al-Rashid as well as with the latter's enemy, the Umayyad emir of Spain; and by this channel some knowledge of the vastness and power of the Islamic world might have reached Europe' (Watt, 1972, p.13). Most of the European kings had good relations with the Mamluk sultans of Egypt. Pop John XXII sent a letter to Sultan Nasir bin Qalawun in 1327, asking him to treat the Christians of the East with benevolence and care. Nasir agreed to his request (Muir, 1896, p.5). A similar letter to Sultan Nasir was sent in the same year by Charles IV (1322-28), the King of France, about the welfare of the Christians residing in his sultanate (Lane-Poole, 1925, p. 310).

**Pilgrimage.** Pilgrimage of European Christians and Jews to holy places in Palestine and Syria and other shrines in Muslim lands provided opportunity to all sections of the society to interact and learn from local Muslims. Watt mentions a few such shrines in Palestine and Spain where a regular pilgrim route was established (Watt, 1972, p. 14).

To conclude, we can say that there were numerous channels of communication available between East and West and there were far greater reasons for Medieval Europe to be influenced by economic ideas of Muslim scholars.

## **2. Contributions of Muslim Scholars Form Part of the Family-Tree of Economics.**

Some textbooks give family tree of Economics and its development in diagrammatic form. It will be interesting to study such family trees and trace the part occupied by the economic thought of Muslim scholars<sup>10</sup>. For the sake of convenience we choose only two works *Economics* by Paul Samuelson (1976) and *A History of Economic Thought* by John Fred Bell (1967). We shall focus on the first part of the tree from beginning up to Adam Smith, a single common ancestor in all family trees of Economics.

Samuelson's *Economics*, one of the best textbooks was first published in 1948. Up to eleventh edition it had a family tree that showed Aristotle and Bible as the originating point from whom schoolmen were created; St. Thomas acquired the representative personality, that created mercantilists and

physiocrats. Mercantilists were also rooted in earlier practitioners. Both physiocracy and mercantilism ended in Adam Smith. See the Chart below (Fig. 8.1).

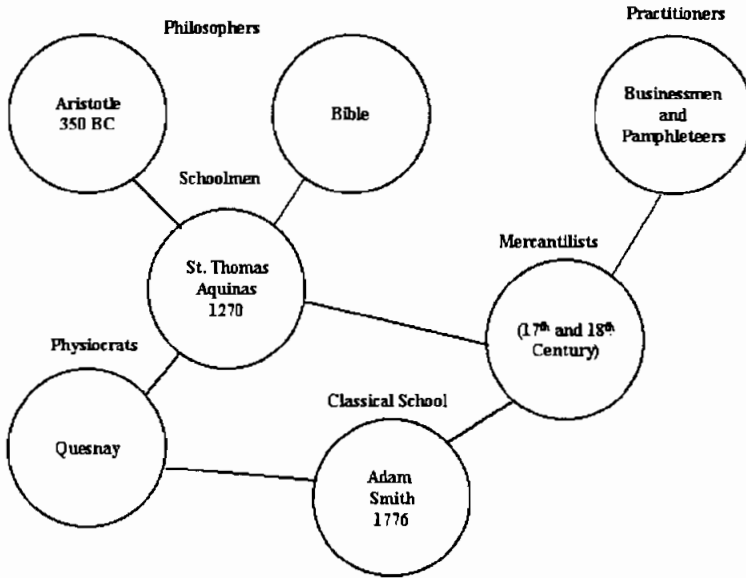


Fig. 8.1: Family Tree of Economics

Source: Samuelson, 1976 Inside Back Title.

From its twelfth edition, William D. Nordhaus joined as co-author of the book. Family Tree of Economics was also changed to begin from Physiocrats and Mercantilists (Samuelson and Nordhaus, 1985). In the seventeenth edition they removed the tree altogether (Samuelson and Nordhaus, 2001, 17<sup>th</sup> ed.)

Bell shows many contributory currents in the development of economic thought. From Biblical times up to Adam Smith, main stream passed through middle ages comprising the church, Aquinas, Scholasticism which had direct relationship with Greek philosophers and Roman law-givers. The other points of mainstream are 'rise of national states', 'beginning of modern capitalism' (to which are related French Colbertism and German Cameralism), English mercantilism and physiocrats (Figure 8.2). Out of these, except physiocrats, all constitute various elements of mercantilism as may be testified by all textbooks of economic thought. Thus, in essence, both Figures are depicting the same idea



except that Bell's figure is more explanatory. Indeed, one must not have expected that Professor Samuelson would mention part of Muslim scholars' contribution in the family tree of economics as in spite of his otherwise rightful claim to present 'latest thinking of modern economists' (2001, p. xvii) and 'innovations in economics itself' (ibid., p. xviii), still he could not take notice of modern development of Islamic economics and 'innovation in banking and finance' on participatory basis. But one must have expected from Bell to include contribution of Muslim scholars in the figure 8.2 of the development of economic thought as he himself noted that scholastics accepted 'the newly discovered Greek and Moslem philosophy and science'.... (Bell, 1967, p. 43). Especially when he does not concentrate on the mainstream only, but mentions those elements also which are related directly or indirectly to the mainstream. Does the contribution of Muslim scholars not deserve a place even in this category?

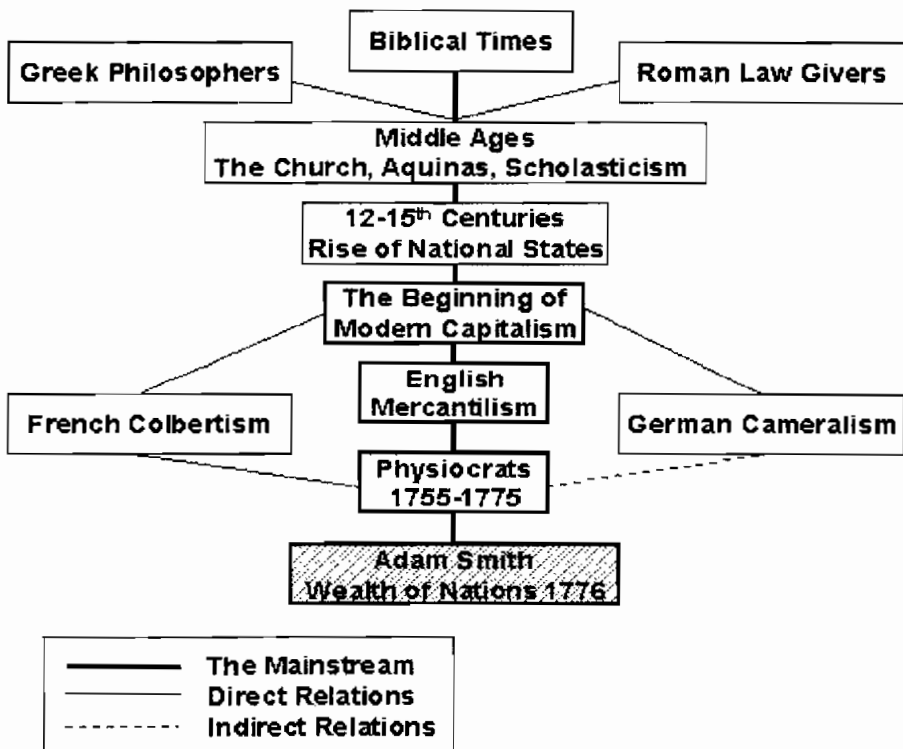
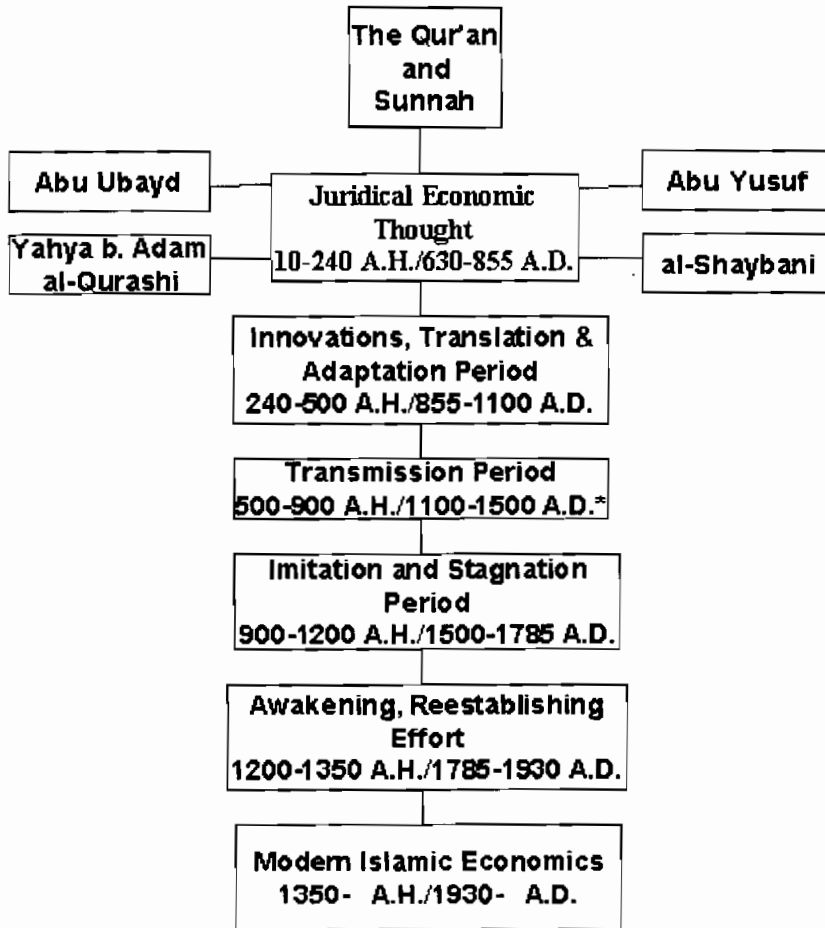


Fig. 8.2: Contributory Currents in the Development of Economic Thought.  
 Source: Bell, 1967, p. 9.

From the foregoing it should be clear that any family tree of economics would be incomplete without assigning a part to Muslim scholars. It was they who had translated, learnt, discussed, improved and transferred Greek ideas to scholastic scholars. In the foregoing pages, we have seen their considerable original contribution to economic thought and additions to Greek ideas and how they transferred the whole treasure to Europe through a number of channels. They were a connecting link between Greek originators and scholastic followers. Greek ideas, with the medium of Muslim scholars, helped not only in the rise of scholastics, but they contributed their influence in later centuries also. Lowry quotes example of "Xenophon's *Ways and Means*, a mid-fourth century B.C. proposal for developing the Athenian economy, which was added as an appendix to the 1698 edition of Davenant's treatise on trade and to the 1751 edition of Petty's *Political Arithmetick*" (Lowry 1987, pp. 8-9). 'There has never been a period when the works of Plato and Aristotle have not been studied in European universities' (ibid., p. 9). So can we say about commentaries of Averroes on *Nicomachean Ethics* and *Politics*. This influence continued until the emergence of Smith's economics. Lowry quotes a contemporary writer who asserts that 'both the *Theory of Moral Sentiments* and the *Wealth of Nations*' issued from the womb of the classics'<sup>11</sup> Another contemporary argued that Greek sources 'constituted an essential and fundamental element in the establishing of several of [Smith's] central position', and they 'in fact constitute, not alone the starting point in documentation, but the foundation of the whole' (ibid., p. 10)<sup>12</sup>.

Contributions of Muslim scholars come after Greek in the family tree of economics. They were the main cause, not only, of the birth of scholastic economic ideas but for the rise of mercantilism also as we have shown in the previous chapter. Scholastic ideas stand no where in quantity, quality and originality as compared to Islamic tradition in economic thought. About St. Thomas Aquinas who is considered the most outstanding scholastic scholar, Copleston, a historian of medieval philosophy observes: "The fact that Aquinas derived ideas and stimulus from a variety of sources tend to suggest both that he was an eclectic and that he was lacking in originality. For when we consider this or that doctrine or theory, it is very often possible to make claims such as, 'this comes straight from Aristotle', 'that has already been said by Avicenna' or 'that is obviously a development of an argument used by Maimonides'. In other words, the more we know about Aristotle and about Islamic and Jewish philosophy, as also of course about previous Christian thought, the more we may be inclined to wonder what, if anything is peculiar to Aquinas himself." (Copleston, 1972, p. 181, quoted by Mirakhor, 1987, p. 249)

**A Family Tree of Islamic Economics.** Before we suggest a proper structure of Economics as such, we would like to draw the development chart of Islamic economics (see Fig. 8.3) and then see the convergence and divergence between the mainstream economics and Islamic economics.



**Note:** Dates are rounded and roughly corresponding, not exactly.

Fig. 8.3: Development Chart of Islamic Economics

\*In this work we have studied up to 9<sup>th</sup>/15<sup>th</sup> century only. Period after that still remains to be investigated.

The above – mentioned family tree of Islamic economic thought depicts its rise from beginning up to its modern development. The present treatise provides an explanation up to 1500 A.D. Period after that largely remained unexplored. The modern development of Islamic economics came as a response to the challenge posed by the materialistic system of both capitalism and Marxism. However, this is beyond the scope of this study.

*Place of Muslim scholars in the family tree of mainstream economics.* The fact that scholastic scholars could get Greek ideas through the medium of Muslim scholars and based their ideas on Greek philosophy and its commentary presented by Muslim philosophers, and the fact that mercantilism came as a result of Muslim influence, the contributions of Muslim scholars deserve a place in development of mainstream economics. And they must be rehabilitated for the sake of doctrinal continuity and objectivity, academic honesty and justice. A correct family tree of economics will be as given in the Fig. 8.4 below.

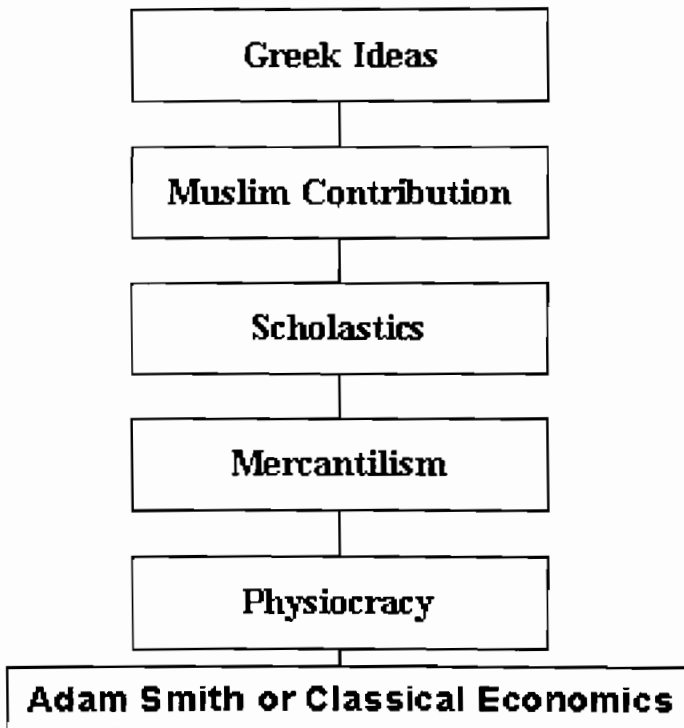


Fig. 8.4: Place of Muslim scholars in the family tree of mainstream Economics.

However, the idea of family tree may not be acceptable to many readers because the word 'family' denotes that there should be essential harmony and resemblance between successors and predecessors<sup>13</sup>. In economics generally it has not been the case. There is least similarity between scholastics and mercantilism. Physiocracy has no relation with mercantilism. Adam Smith attacked both mercantilism and physiocracy.

A better presentation will be to show the development of economics tracing various influences that worked behind it. This is especially important in case of Islamic economics because the other systems merged with the new one or vanished altogether, but Islamic economic thought, in spite of influencing the Medieval West, maintained its identity. It went in eclipse for a long period but never died. And that is the reason it has re-emerged with full strength. Perhaps this is the right time for its re-emergence, as the conventional materialistic self-seeking economics could not satisfy the aspirations and the urges of the humanity. See the flow chart (Fig. 8.5) on the next page which shows interaction and influence of Islamic economics from beginning up to the modern period.

### **3. Borrowing Without Acknowledgement**

Borrowing by a scholastic philosopher from Muslim scholars in economic field is the least recognized fact in spite of convincing circumstantial evidences<sup>14</sup>. One of the main reasons may be the fact that scholastic scholars never cited Islamic sources in their discourse on economic issues. The question arises why did scholastic scholars not acknowledge their borrowing from Muslims? A few contemporary writers have tried to answer this. (Sezgin 1984, Mirakhor 1987, Ghazanfar 1995).

First and foremost reason is that the scholastics held a denigrating view of Islam and Muslims (Sezgin, 1984, p. 127). According to Mirakhor (1987, p. 262), 'To say that the crusaders epitomized this negative attitude is an understatement'. Without naming he quotes a scholar who suggests that in denigrating Islam and Muslims, Medieval Europe found a way to form a new image of itself. 'Because Europe was reacting against Islam, it belittled the influence of the Saracens and exaggerated its dependence on its Greek and Roman heritage' (ibid., pp. 262-63). In the fourteenth century a large number of European scholars studied translation of Arabic books and prepared their own volumes or summary in which they not only dropped the names of Muslim authors, but ascribed the whole thing to those Greek scholars who were occasionally referred in those works (Sezgin, p. 127).

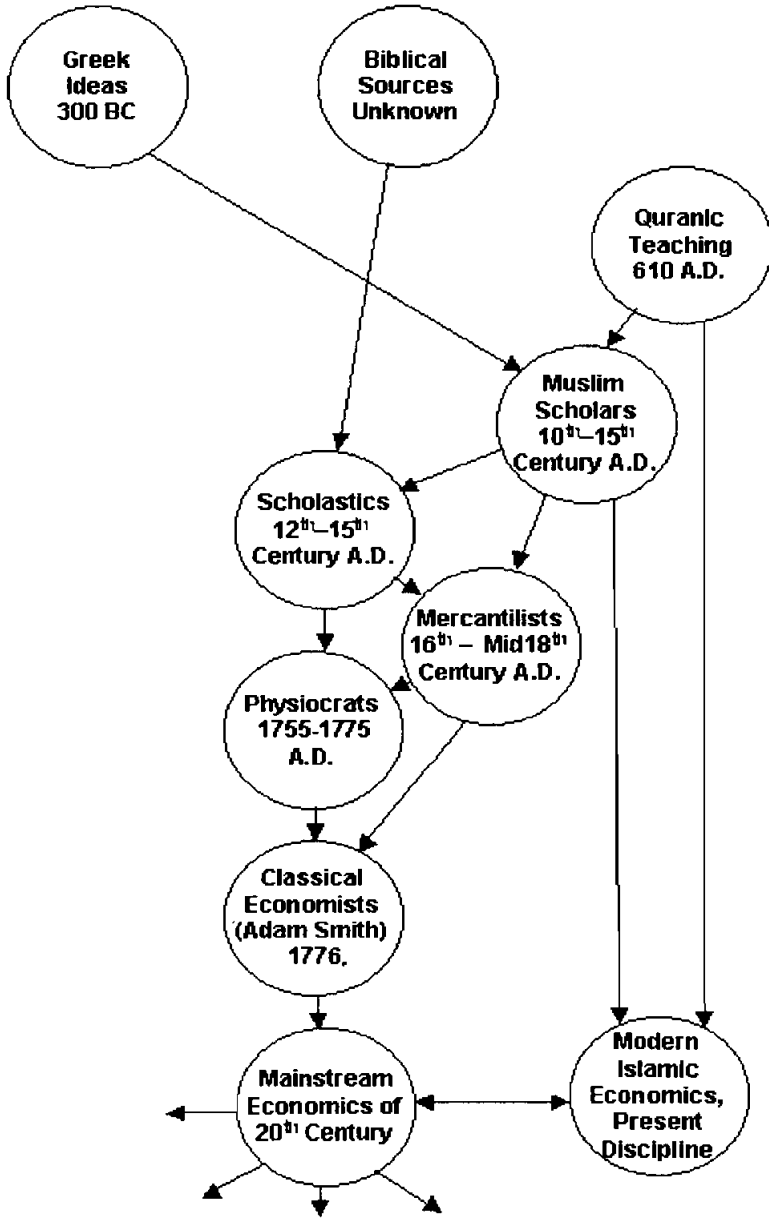


Fig. 8.5: Interaction and influence of Islamic Economics from beginning upto the modern period.

Here is an example given by Sezgin. Raymundus Lullus (d. 1315) spent his whole life in opposition of every thing that was Arabic. He authored many books on Chemistry. Later it was discovered that most of them were originally Arabic works. Even many such writers gave the slogan: 'Emancipate knowledge from the clutches of Arabs' (Sezgin, 1984, p. 34). No doubt a few scholars tried to do justice and acknowledged Muslim scholars' contribution to various sciences. But discrediting forces dominated the scene (ibid., pp. 34-35).

Removal of Muslim scholars' names and discarding their citation was also motivated by intention of its adoption in ones own name. There are several examples of medieval scholars who removed the name of original Muslim author and presented the book in their own name (ibid., pp. 33, 96, 128-29). Langholm states that after war, famine and Black Death of 14<sup>th</sup> Century that left a gap in primary sources, 'threads were picked up again in the fifteenth century and some of the late scholastics have become famous as economists, but recent research has shown that they were often copying verbatim from previously forgotten pre-plague sources' (Langholm, 1987, p. 116). In the age of slow communication and absence of print media, occurrence of such incidences was conceivable. But it was not confined to that period only. Even in this age sometime similar incidence is detected (Sezgin, p. 123).

According to Mirakhor, another reason for not finding acknowledgement is that 'borrowing without acknowledgement seems to have been an accepted and a general practice among the scholastics' (Mirakhor, 1987, p. 263)<sup>15</sup>. He cites many examples of such borrowing without acknowledgement within the scholastics themselves. It was very common while borrowing from Muslim scholars. Many chapters of al-Ghazali's *Ihya Ulum al-Din* were copied by Bar Heraeus, a minister at Syriac Jacobite Church in thirteenth century (ibid, p. 263). Margaret Smith in her work *al-Ghazali: The Mystic* has shown convincing evidences of St. Thomas' borrowing from al-Ghazali's work *Ihya Ulum al-Din*. She compares the works of the two scholars and finds that in many cases "St. Thomas uses the very words of al-Ghazali." There is similarity between themes and arguments of the two works (Smith, 1944, pp. 220-22). It may be remembered that al-Ghazali's *Ihya* is the main source of his economic ideas.

Finally, citation and acknowledgement depended on the nature of material targeted at and used by the Scholastic scholars. In the words of Mirakhor, 'if there were any ideas in the writings and teachings of the Muslim scholars which were either dogma positive or dogma neutral with respect to Christianity, the scholastics borrowed with openness'. 'In this case, these ideas were borrowed without the Scholastics necessarily acknowledging the source' (Mirakhor, 1987, p. 264). As far ideas that were contrary to Christianity – dogma negative – they

were rejected in the strongest possible terms while the bearer of the idea was criticized by name (ibid.).

As a whole, various possible relationships between ideas of Muslim scholars, Greek philosophy and Christianity hence scholastics' stand towards borrowing without acknowledgement or rejection, may be explained with the help of the following diagram (Fig. 8.6).

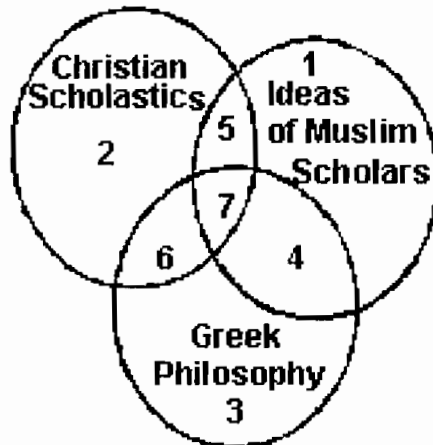


Fig. 8.6: Kinds of relationship between ideas of Muslim Scholars, Christian Scholastics and Greek philosophy.

Numbers 1, 2, 3 show specific ideas of each identity which are opposed to each other. No. 4 shows the ideas that are common between Muslim and Greek but opposed or strange to Christianity. No. 5 shows teachings which are common to Muslims and Christianity, while No. 6 shows ideas common between Christianity and Greek philosophy but alien to Islamic tradition. No. 7 shows ideas which are common to all the three systems.

In case of 1, 2, 3 categories, Muslim scholars tried to interpret Greek ideas to establish a synthesis if possible. Otherwise, they criticized and refuted them. Since Christianity also faced the same problems, scholastic scholars borrowed those arguments, if they found them favourable in their case also, without acknowledgement. In this category generally come philosophical and metaphysical ideas. However, if scholastics perceived interpretation of a Muslim scholar as a threat to Christian dogma, he was referred to by scholastic sources to show his error.



The same was the case in categories 4 and 6. They formed the part of 'dogma negative'. Muslim scholars were condemned by name. For example, in 1277, Stephen Tampion, Bishop of Paris published a list of Averroes's ideas which were condemned by him (Durrant 1950, pp. 957-58). Thomas Aquinas was led to write his *Summa* to halt the threatened liquidation of Christian theology by Arabic interpretations of Aristotle' (ibid., p. 913). 'Indeed the industry of Aquinas was due not to love of Aristotle but to fear of Averroes'. (ibid., p. 954). It was an acknowledgement but with ill-intention. Such references are not uncommon even in the contemporary texts, that fully ignore Muslim scholars' contributions to economic thought. For example, while fully ignoring Muslim contribution to economic thought, Roll refers to them as '..... Moslems who had begun as raiding warriors ....' (Roll, 1974, p. 42). Even Arabs' favourable attitude towards individual property right, is to Ashly 'self-seeking of pagans' (Ashly, 1893, p. 128) – a phrase perhaps borrowed from scholastics, alluding to Muslims. Whittaker does not bother to register Muslim scholars' contribution to economic thought but he does not forget to remind that, "the spread of the Mohammedan power had not only threatened the existence of the eastern or Byzantine empire, centered on Constantinople, but having conquered northern Africa the Mohammedans had also spread into Spain and Sicily" (Whittaker, 1960, p. 21). He says again: "For a harassing and risky overland trade with Asia there was substituted a relatively easy sea route, which moreover, was free from menace by the Mohammedans" (ibid., p. 22). How would Muslims create problems when they themselves were traders?

Category 5 is kind of 'dogma positive' which was fully borrowed from Muslim scholars without acknowledgement. For instance, 'the Spanish Dominican Monk, Raymond Martini, borrowed many of al-Ghazali's ideas taken from *Tahafut al-Falasifah*, *al-Maqasid*, *al-Munqidh*, *Mishkat al-Anwar* and *Ihya*, again without reference' (Sharif, 1966, p. 1361).

Category 7 forms 'dogma neutral'. In this case also, as noted above, scholastics borrowed without hesitation and preferred to refer to Greek scholars if they felt such a need. In the words of Daniel (1975, pp.176-77): "There was a spontaneous and determined general agreement about what to take and what to reject; what was taken was always either culturally common, or culturally neutral. The body of scientific knowledge was culturally neutral. Its cultural bearings were easily absorbed, because they were part of the common inheritance of the Arab world and of Europe". It may be noted that most of economic ideas belonged to category 6 and 7 and so were adopted by scholastics without any acknowledgement. However, denial of a debt or forgetting it, does not cancel it.

## Endnotes

1. According to Sharif, Muslim philosophy has influenced Medieval Europe in the following ways: It initiated humanistic movement, introduced the historical sciences and the scientific methods, helped the Western scholastics in harmonizing philosophy with faith, stimulated Western mysticism, laid the foundation of the Italian Renaissance and to a degree molded the modern European thought down to the time of Immanuel Kant in certain directions even later. (Sharif, M.M. (ed.), 1966, *A History of Muslim Philosophy*, Vol. 2, p. 1349).
2. "In the transition from Late Antiquity to the Emergence of Latin West in the Twelfth century, Islam was at its apogee and played an eminent role ...." (Baeck, p. 95). Abbas Mirakhor (1987) refers to a number of works that establishes beyond doubt Muslim scholars' influence on great scholastics of Medieval West. For details please refer to p. 260 and p. 268 footnote. Again, C.R.S. Harris, an expert of Medieval thought, writes: 'Without the influence of the Arabian peripateticism, the theology of Aquinas is unthinkable as his philosophy', *Duns Scotus*, New York, Humanity Press, 1954, p. 40.
3. A few authors have mentioned Muslim scholars' role as 'translators, interpreters' and 'transmitters' of Greek ideas. But that is only to belittle their contribution and omit their place in development of economic thought. They enriched economic thinking with new ideas and concepts. For verification, see the foregoing Chapters on 'Islamic Tradition in Economic Thought.'
4. Constantine, the African. His original name is unknown, according to usual accounts, he gained a livelihood as a merchant travelling between Tunisia and southern Italy, perhaps dealing in drugs. On a visit to Salerno he realized how backward the school there was and for reasons unknown to us decided to go and study medicine in the Islamic world....He spent the final part of his life at the Benedictine monastery of Monte Casino, translating into Latin the medical works he had studied (Watt, 1972, pp. 59-60).
5. Adelard of Bath, twelfth century English scholastic philosopher and translator from the Arabic was one of the most prominent writers on scientific subjects of his time in England His translations include the astronomical tables of al-Khwarizmi and *Elements* of Euclid which for centuries served as the chief geometry textbook in the West. He traveled in Italy, Cilicia, Syria, Palestine and Spain before returning to Bath, England, and becoming a teacher of the future king Henry II.
6. In one of his articles George Makdisi (2000, p. 1) has shown the structural parallelism between the Islamic *waqf* and European forms of charitable foundations. It is note worthy that 'the charitable trust was the basis of all the early colleges in the Christian West, as in Islam, East and West. In London, the Church-Inns and the Inns of Court, and in Paris, the College des Dix-Huit, were all charitable trust foundations'.
7. Musa b. Maymun, known in Europe as Maimonides (525-607/1135-1204). Born in Cordova who migrated with his family to Fez in 1160, around 1165 he traveled to Egypt and joined the court of Sultan as physician. He was appointed chief judge of the Jewish community in Egypt where he lived till the end of his life.
8. Nasir Khusraw (394-452/1003-1060). Born in a city near Balkh in Turkistan. Traveled a number of countries in seven years during 1045 to 1052. He gives a good account of economic condition of countries he visited which is helpful in understanding the economic ideas behind their economic policies and behaviour.
9. Muhammad b. Ahmad Ibn Jubayr (540-614/1145-1214). Born in Valencia a city of Andalus and died in Alexandria, traveled a number of countries in his way to Hijaz. His fame rests on his account of this fairly eventual journey, the *Rihlah*. In his travel account he gives different economic provisions in countries he toured. The work is a very useful source for economic history and to derive economic ideas from it.

10. Ingrid Rima (1991) provides a detailed flow chart of pre-classical-economics in her work *Development of Economic Analysis* but link of Muslim scholars is missing. Paul Wonnacott and Ronald Wonnacott (1986) in their work *Economics* give a flow chart entitled 'Our Intellectual Heritage' right inside title, and Oser and Blanchfield (1975) in their work *The Evolution of Economic Thought*, third edition pp. 94-95. But they start from the Mercantilists only.
11. Prof. Lowry quotes Charles Fay (1956), *Adam Smith and Scotland of His Day*, Cambridge, Cambridge University Press.
12. He quotes William R. Scott (1949), pp. 79-99.
13. Those who like to make such a family tree can contend that lineage tree does not necessitate similar belief or harmony in thinking. There is example of Prophet Noah and his non-believing son.
14. Such as: Scholastics based their economics on Greek ideas which was available with Arab commentaries and their additions. Langholm realizes that the Aristotelian tradition is no more Aristotle than is Neo-classical classical or Post-Keynesianism is Keynes.' He is aware that "the Aristotelianism of the Medieval period was to a great extent influenced by Muslim scholars as he traces' the origin of value theory to Averroes'. (Mirakhor, 1987, p. 262). Scholastics' immediate predecessors had nothing of economic sort. Documentary evidences are available on their influence in other sciences. There existed very close parallel between economic ideas of scholastics and those of Muslim scholars. Almost all scholastic scholars whom Schumpeter mentioned were aware of and influenced by Muslim philosophers.
15. It was also found among Muslim scholars. For example: Both Abu Yala al-Farra and al-Mawardi had a work entitled *al-Ahkam al-Sultaniyyah*, contents are almost same. They were contemporaries. It is not known who wrote first and who borrowed it. Another example: Ibn al-Qayyim (1953) incorporated the whole treatise of his teacher Ibn Taymiyyah (1976) on *al-hisbah* in his book *al-Turuq al-Hukmiyyah*. No doubt, on certain occasions he referred to his *shaykh* Ibn Taymiyyah.



## *CHAPTER IX*

# CONCLUSION

- **The Changing Scenario**
- **Recognition and Rehabilitation**



# CONCLUSION

## 1. The Changing Scenario

Highlighting the importance of economic teachings prevailing in Medieval Europe, O'Brien observes; "No Study of modern European economic thought can be complete or satisfactory unless it is based upon a knowledge of the economic teaching which was accepted in Medieval Europe" (O'Brien, 1920, p. 1). We have tried to present well-documented evidences as to the historical linkages between Arab-Islamic world and Medieval Europe, through scholastic scholars. The reader, I hope, will realize that no study of economic teaching of Medieval Europe can be complete without going through Muslim scholars' contribution to economic thought<sup>1</sup>.

We have already noted Schumpeter's statement that Medieval Europe had to start in social sciences 'from little or nothing' (Chapter Seven, Section 3). Watt reiterates: "When about 1100 Europeans became seriously interested in the science and philosophy of their Saracen enemies, these disciplines were at their zenith; and the Europeans had to learn all they could from the Arabs, before they themselves could make further advances" (Watt, 1972, p. 43). Another scholar admits: "What we call science arose in Europe as a result of a new spirit of inquiry, of new methods of investigation, of the methods of experiment, observation, and measurement, of the development of mathematics, in a form unknown to the Greeks. The spirit and those methods were introduced into the European world by the Arabs" (Briffant, 1929, quoted in Sharif, 1966, pp. 1355-56). Seen in this way pre-scholastic Muslim scholars' contribution is very strongly related to mainstream Western economics.

Translation of Greco-Arab and Islamic sources to European languages continued for about five centuries (by the end of 4<sup>th</sup> century to 9<sup>th</sup> century Hijrah

corresponding eleventh century to fifteenth century A.D.). Greek economic ideas which form the starting point of European economic thought, reached the West mixed with Muslim scholars' commentary and addition<sup>2</sup>. Knowles admits, "Beside acting as agents in the long process of transmitting Aristotelian thought from Syrian and Persian through Egypt to Spain, the Arabian thinkers handed over a legacy of their own to the Latins" (Knowles, 1963, p. 195). Ibn Rushd's (Averroes's) commentary on Aristotle's *Nicomachean Ethics* and *Politics* became very popular in the West. These are the two books in which Aristotle's views of economic interest are found. Because of such an important role played by Arabic translations in Europe, Karl Pribram raises the question of 'how far the Scholastics – as influenced by Arabian philosophers – misunderstood and misinterpreted the Aristotelian teachings' (Pribram, 1983, p. 633 footnote).

But translation was only one of the channels through which Arab-Islamic thought reached the West. As we have noted in preceding pages, many European scholars traveled to cultural capitals of the Islamic world, learnt Arabic, studied under the Muslim teachers and on return to their countries they spread their ideas through their writings, lectures and teaching assignments. Trade and travel, war and peace, conquest and defeat, together living and departing, all helped in transmission of Muslim scholars original ideas as well as their exposition and interpretations of Greek ideas. Certain Indian and Iranian sciences also filtered through them to Europe.

Muslims had practical experience of dealing with the economy and state, spread over many centuries. Their ideas bore pragmatic orientation. Scope and subject matter of their economic thinking was not confined to only want satisfaction, economy of self sufficient household, division of labour, barter and money. They discussed a host of other problems and developed many new ideas – an account of selected themes has been presented in the preceding chapters. As Muslim scholars based their ideas on both revealed knowledge and human reason, they were more suited to scholastic scholars. So they benefited from them to a greater extent which is clear from the gap which is found between their voluminous body of thought on economic issues and almost no contribution of their predecessors who could not have access to Arabian sources. However, the war, hatred and rivalry hardly allowed them to acknowledge their benefactors. Unfortunately, the hangover from past antagonism still continues which is manifested in retaining a gap in the history of economic thought by not investigating the missing link which was obviously provided by Muslim scholars.



## 2. Recognition and Rehabilitation

However, it is a matter of satisfaction that the situation is not altogether hopeless. There are Western scholars who acknowledge Muslims' contribution to science and culture in general and their role in development of economic thought in particular. It will be ungracious not to register their valuable remarks here.

The ice was broken forty years ago when Spengler authored "Economic Thought of Islam: Ibn Khaldun". He appreciated Ibn Khaldun's knowledge of economic behaviour and remarked that 'one' is compelled to infer from a comparison of Ibn Khaldun's economic ideas with those set down in Muslim moral philosophical literature that the knowledge of economic behavior in some circles was very great indeed, having been acquired through contact with cumulating experience, and that one must turn to the writing of those with access to this knowledge and experience if one would know the actual state of Muslim economic knowledge" (Spengler, 1964, p. 403). In another paper published in the *History of Political Economy*, Spengler (1971) held al-Biruni a forerunner of Malthus.

After a detail study of Ibn Khaldun's economic thought published in the *Journal of Political Economy*, Jean Boulakia concludes:

"Ibn Khaldun discovered a great number of fundamental economic notions a few centuries before their official births. He discovered the virtues and the necessity of a division of labor before Smith and the principle of labor value before Ricardo. He elaborated a theory of population before Malthus and insisted on the role of the state on the economy before Keynes. The economists who discovered mechanisms that he had already found are too many to be named.

"But, much more than that, Ibn Khaldun used these concepts to build a coherent dynamic system in which economic mechanisms inexorably lead economic activity to long-term fluctuations. Because of the coherence of his system, the criticisms which can be formulated against most economic constructions using the same notions do not apply here" (Boulakia, 1971, p. 1117).

Finally she raises the question "Should we retire the fatherhood of these economic concepts from the authors to whom they are attributed in our histories of thought?" (ibid.)

Karl Pribram who died in 1973 and whose work was published posthumously had 'sought to provide the students and scholars of economics with a well-documented history of economic reasoning from the Middle Ages to the middle of twentieth century'. He acknowledges Muslim scholars' influence in very clear and candid manner at various places in his work '*A History of Economic Reasoning*', some of them we have already quoted in preceding pages. According to Pribram, knowledge and experience gained from the crusades played an important role in 'the consolidation of economic views in Europe' during the thirteenth century. But 'even more instrumental, perhaps, in promoting a new approach to economic problems was another fact: all relevant writings of the Greek philosopher Aristotle (384-322 BC) were gradually made available in Latin translations along with various treatises in which Arabian philosophers had interpreted Aristotle's work in the light of their own reasoning" (Pribram, 1983, p. 4).

Another scholar Nicholas Rescher states, 'In the twelfth and thirteenth centuries, the first period of European impingement, Arabic philosophical writing exerted a significant stimulative influence on the great synthesis Christians Aristotalianism by St. Albert the Great and St. Thomas Aquinas'. 'This influence has not only been extensive and profound, but relatively continuous and astonishingly diversified' (Rescher, 1966, pp. 156-57). In-fact, scholastics learned their principles from Muslim scholars for 'the scholastic method used by medieval Christian scholastics was already in current use among Muslim jurists long before St. Thomas' (Chejne, 1980, pp. 111-112).

Many researchers now have realized that any work on the history of economic thought will be incomplete if Muslim scholars' contribution is excluded from such a work. They have, therefore, included in their edited volume or original writing a section or chapter on this aspect. In 1978 Grice-Hutchinson authored '*Early Economic Thought in Spain*' in which he extensively wrote how Greek economics was developed and propounded by Muslim scholars and how they transmitted it, along with their own original ideas, to the Christian West (Grice-Hutchinson, pp. 61-80). This has been one of our sources in the present study. In 1987 Lowry presented his excellent edited volume '*Pre-Classical Economic Thought*' in which he has rightly assigned a place to 'Islamic Economic Thought' (Chapter four) between "Biblical and Early Judeo-Christian Thought" and "Scholastic Economics" (Lowry, pp. 77-114).

In his another edited volume '*Perspectives on the History of Economic Thought*', volume seven, Lowry included two papers on aspects of Islamic economic thought - one "Greek Economic Thought in the Islamic Milieu:

Bryson and Dimashqi” by Yassine Essid (1992, pp. 39-44) and another “Explorations in Medieval Arab-Islamic economic thought: Some aspects of Ibn Taimiyah’s economics” by S.M. Ghazanfar and A. Azim Islahi (1992, pp. 45-63). In 1994 Louis Baeck published *‘The Mediterranean Tradition in Economic Thought’* in which he has extensively dealt with “the Economic Thought of Classical Islam and Its Revival”, (pp. 95-124). This has been also one of the important sources for our present work. These works show that Islamic economic thought and the role played by Muslim scholars and its place in development of mainstream economics are increasingly attracting the attention of scholars and researchers. However, unless at least a chapter is not allocated on Islamic economic thought in the textbooks of economic thought, ignorance and misconception will persist. It is heartening that some writers are expressing their readiness to remove this deficiency of the textbooks. This is clear from the following extracts from the letters of two authors of the history of economic thought and analysis addressed to a former colleague of this writer:

Ingrid Rima wrote: “I want to let you know that the sixth edition of *Development of Economic Analysis* has tried to give better recognition to the importance of Arab-Islamic scholars”. (IAFIE, 2000, *Islamic Economics Bulletin*, Vol. 10, No. 6, p. 4, November-December). However, she could make only a brief reference to Islamic scholarship in the said edition. (2001, p.10).

Harry Landreth wrote: “I .... agree .... that Schumpeter erred and that modern historians of economic thought have followed Schumpeter in failing to appreciate the Arab-Islamic writings in the approximately 500 years before Aquinas. .... the failure of economists on this issue is part of a broader failure of Western scholars to fully understand the important contributions of Arab-Islamic scholars. I have a first draft of a rewrite of Chapter 2 and have added a new section entitled “Arab-Islamic Thought.....” (IAFIE, 2000, Vol. 10, No. 6, p.4). As promised he has included a section on Arab-Islamic thought in the latest edition and provided some references for the interested readers (Landreth and Colander, 2002, pp. 32-34). No doubt, such changes not only bridge the gap in history of economic thought left by the earlier writers but increase understanding between the East and the West and facilitate interaction at academic and intellectual levels. Perhaps these were the feelings of Watt when he observed that “For the sake of good relations with Arabs and Muslims we must acknowledge our indebtedness to the full. To try to cover it over and deny it is a mark of false pride” (Watt, 1972, p. 2). Intellectual integration is the call of the time.

Now that shortcomings of neoclassical economics are being blamed for the excesses of U.S. led globalization, the due attention paid to the contribution of

Muslim scholars can secure two important purposes: Coming from Asia and Africa, these voices represent concern different from those from Europe and (later on) from America. It is no secret that the East and religions springing in Eastern sides always gave precedence to equity, social justice, ethics and morality. Secondly it will lessen the dangers of senseless clash of civilizations being trampled by some intellectuals in the West and pave the way for exchange and dialogue between West and East on equal footing<sup>3</sup>. Indeed, through dialogue on the basis of tolerance and mutual respect the shared values become more familiar than those that distinguish and divide.

## **Endnotes**

1. In a personal letter Prof. Toad Lowry writes, "The Medieval Europe got their economics served on an Islamic plate." But this plate was substantially garnished by Arab scholarship. (Ghazanfar, 2003., p. 20, footnote no. 5).
2. In his foreword of a recently published work Lowry observes, "The torchbearer of ancient learning during the medieval period were the Muslims, and it was from them that the Renaissance was sparked and the enlightenment kindled. This has been amply demonstrated in the history of science and mathematics. What has been generally ignored, however, is the character and sophistication of Arabic writings on economic subjects" (Ghazanfar, 2003, p.xi).
3. Expressing similar concern, the Prince of Wales in a lecture observed: "Western civilization has become increasingly acquisitive and exploitative in defiance of our environmental responsibilities. This crucial sense of oneness and trusteeship of the vital sacramental and spiritual character of the world about us is surely some thing important that we can learn from Islam". (The Prince of Wales, 1993, pp.19-20)

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