
IBN KHALDUN'S ECONOMIC THOUGHT: A PRECURSOR TO MODERN ECONOMICS

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Abstract

This article explores the economic thought of Ibn Khaldun, a 14th-century North African scholar, and its significance as a precursor to modern economics. Ibn Khaldun's magnum opus, the "Muqaddimah," serves as the primary source of his economic ideas, which encompass labour, production, taxation, state revenue, and economic cycles. His insights into the role of labour, the importance of agriculture, the dynamics of surplus and trade, and the impact of taxation remain remarkably relevant today. Additionally, Ibn Khaldun's theory of economic cycles, shaped by the concept of "assabiyah" (social cohesion), offers a unique perspective on the rise and fall of civilizations. By examining Ibn Khaldun's economic thought, we gain a deeper understanding of the historical roots of economic theory and its enduring relevance in shaping contemporary economic discourse.

Keywords

Ibn Khaldun, economic thought, modern economics, muqaddimah, labour and production, labour theory, taxation, state revenue, economic cycles, assabiyah, historical economics, economic history.

Introduction

Economic thought has evolved over centuries, with notable contributions from renowned economists such as Adam Smith, Karl Marx, and John Maynard Keynes. However, beneath the towering figures of modern economics lies the work of earlier scholars whose ideas laid the foundation for contemporary economic theories. One such luminary is Ibn Khaldun, whose economic insights predate those of many famous economists. In this article, we will delve into the economic thoughts of Ibn Khaldun and explore their enduring relevance in the development of economic theory.

I. The Life and Times of Ibn Khaldun²¹

Ibn Khaldun, whose full name is Abu Zayd Abd ar-Rahman ibn Khaldun, was born in 1332 in Tunis, which was then part of the Hafsid Empire. His life unfolded during a particularly tumultuous period in history. The 14th century was marked by political upheaval, dynastic changes, and the rise and fall of empires across North Africa, the Middle East, and Europe.

Growing up in Tunis, Ibn Khaldun was exposed to a diverse array of cultures, as the city served as a melting pot of various civilizations. This multicultural environment greatly influenced his intellectual development, providing him with a broad perspective on the world. Ibn Khaldun's early education was steeped in the traditional Islamic disciplines of theology, jurisprudence, and linguistics. However, his thirst for knowledge led him to study under prominent scholars of his time. His travels and interactions with scholars from different regions enriched his understanding of history, philosophy, and the social sciences.

In addition to his scholarly pursuits, Ibn Khaldun held various administrative positions throughout his life. He served as a diplomat, a judge, and an advisor to rulers in different parts of the Islamic world. These practical experiences provided him with insights into governance, economics, and the dynamics of power. It was during his exile in the western Maghreb, in the city of Fes, Morocco, that Ibn Khaldun penned his magnum opus, the "Muqaddimah" (also known as the "Introduction to History"). This work, which covers a wide range of subjects, including history, sociology, and economics, stands as a testament to his intellectual prowess and deep understanding of the world.

Ibn Khaldun's life and times were marked by the shifting sands of political power, intellectual curiosity, and a commitment to understanding the complexities of human society. His experiences and education provided him with a unique perspective that laid the foundation for his groundbreaking contributions to economic thought.

II. The Muqaddimah: A Foundation for Economic Thought

Ibn Khaldun's most renowned work, the "Muqaddimah", serves as a comprehensive and visionary exploration of various academic disciplines, including economics. It stands as a testament to his intellectual prowess and profound insights into the complexities of human society. Within this monumental work, he expounded his economic theories, which were remarkably ahead of their time.

²¹ Rosenthal, Franz, "Ibn Khaldun: The Muqaddimah: An Introduction to History - Abridged Edition." Princeton University Press, 2005

A. Assabiyah and Economic Cycles

Ibn Khaldun's economic thought is intricately linked to the concept of "assabiyah", which plays a crucial role in his theory of economic cycles as outlined in the "Muqaddimah."

Assabiyah is a complex Arabic term that can be translated as "social cohesion," "group solidarity," or "group feeling." In Ibn Khaldun's theory, *assabiyah* refers to the collective spirit and social bonds that hold a group or society together. He argued that the rise and fall of dynasties and civilizations were closely tied to the strength or weakness of *assabiyah* within those societies.²²

Ibn Khaldun's theory of economic cycles is deeply intertwined with the concept of *assabiyah*. For instance, he describes this relation in five stages: "The conditions and stages of a dynasty are, as a rule, no more than five (in number). The first stage is that of success, the overthrow of all opposition, and the appropriation of royal authority from the preceding dynasty... The second stage is the one in which 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... The third stage is one of leisure and tranquillity in which the fruits of royal authority are enjoyed... The fourth stage is contentment and peacefulness. The ruler is content with what his predecessors have built... The fifth stage is one of waste and squandering".²³

He proposed that economic prosperity and growth were most pronounced during the early stages of a dynasty when *assabiyah* was strong. In this phase, there was a focus on productivity, wealth creation, and societal cohesion. However, as time passed and generations succeeded one another, Ibn Khaldun posited that *assabiyah* would naturally weaken. Rulers and society at large would become more interested in luxury, leisure, and consumption rather than productive labour and economic growth. This shift in values and priorities, often associated with the decline of *assabiyah*, would lead to economic stagnation and eventually the decline of the dynasty or civilization.

Comparing Ibn Khaldun's ideas on *assabiyah* and economic cycles with those of other authors can provide further insights into the evolution of economic thought:

1. Max Weber's "The Protestant Ethic and the Spirit of Capitalism". In his work, Weber explored the relationship between religious values and economic development. He argued that the Protestant work ethic, characterized by diligence,

²² Tibi, Bassam, "Arab nationalism" 1997, page 139

²³ Khaldun, Ibn. "The Muqaddimah: An Introduction to History." Translated by Franz Rosenthal. Princeton University Press, 1967, p.233

frugality, and a sense of calling, played a significant role in the rise of capitalism. While different in context, Weber's emphasis on the influence of values on economic behaviour aligns with Ibn Khaldun's focus on societal values, although in a different historical and cultural context.²⁴

2. *David Ricardo's Theory of Comparative Advantage.* David Ricardo's theory emphasizes the role of specialization and international trade in promoting economic growth. While distinct from Ibn Khaldun's ideas, both theories acknowledge the impact of societal factors on economic outcomes. Ricardo's theory suggests that economic cooperation and specialization are driven by rational self-interest, reflecting societal values and decision-making.²⁵

Ibn Khaldun's theory of economic cycles, therefore, incorporates the dynamic interplay between *assabiyah*, societal values, and economic development. It highlights the pivotal role of social cohesion and collective spirit in shaping the economic destiny of civilizations.

B. Labour and Production by Ibn Khaldun

Ibn Khaldun's insights into labour and production are central to his economic thought, as detailed in the "Muqaddimah". His views on these topics offer a nuanced understanding of their roles in driving economic prosperity. His insights into the importance of labour and production as sources of wealth foreshadowed later economic theories that would accentuate the role of factors of production. As he pointed out: "... human labour is necessary for every profit and capital accumulation. When the source of profit is a job provided, such as (the exercise of) a craft, this is obvious. When the source of gain is animals, plants, or minerals (this is not quite as obvious, but). Human labour is still necessary, as one can see. Without (human labour), no gain will be obtained, and there will be no useful (result)...".²⁶

Labour, in various forms, is responsible for the production of goods and services that sustain societies and promote economic growth ("*labour is the real basis of profit. When labour is not appreciated and is done for nothing, the hope for profit vanishes, and no (productive) work is done. The sedentary population disperses, and civilization decays*"²⁷).

Comparisons with Other Economic Theories:

1. *Adam Smith's Wealth of Nations.* Adam Smith, often regarded as the father of modern economics, also emphasized the significance of labour and

²⁴ Max Weber, "The Protestant Ethic and the Spirit of Capitalism", 1905

²⁵ David Ricardo, "Principles of Political Economy and Taxation", 1817

²⁶ Khaldun, Ibn. "The Muqaddimah: An Introduction to History." Translated by Franz Rosenthal. Princeton University Press, 1967, p.480

²⁷ Khaldun, Ibn. "The Muqaddimah: An Introduction to History." Translated by Franz Rosenthal. Princeton University Press, 1967, p.199

production in his seminal work, "The Wealth of Nations" (1776). Smith's theory of the division of labour and the productivity gains it can yield aligns with Ibn Khaldun's recognition of the importance of productive activities in driving economic growth. Both thinkers acknowledge the role of specialization and efficiency in wealth creation (Smith, 1776).²⁸

2. *Karl Marx's Labour Theory of Value.* Karl Marx's economic theory, outlined in "Das Kapital," places labour at the core of value creation. While his perspective differs from Ibn Khaldun's in many respects, they share the notion that labour is a fundamental determinant of economic value. Marx's focus on the social relations of production and exploitation offers a distinct perspective on labour within the economic context (Marx, 1867).²⁹

C. Taxation and State Revenue

In his analysis of taxation, Ibn Khaldun was critical of excessive taxation, which he believed could lead to economic stagnation and the decline of a state. He argued that taxes should be levied fairly and reasonably, taking into account the ability of the population to pay. As he stated in his book: *"When the dynasty follows the ways of group feeling and (political) superiority, it necessarily has at first a desert attitude, as has been mentioned before. The desert attitude requires kindness, reverence, humility, respect for the property of other people, and disinclination to appropriate it, ... When tax assessments and imposts upon the subjects are low, the latter have the energy and desire to do things. Cultural enterprises grow and increase because the low taxes bring satisfaction. When cultural enterprises grow, the number of individual imposts and assessments mounts. In consequence, the tax revenue, which is the total of (the individual assessments), increases. When the dynasty continues in power and their rulers follow each other in succession, they become sophisticated. ... their customs and needs become more varied because of the prosperity and luxury in which they are immersed. As a result, the individual imposts and assessments upon the subjects, agricultural labourers, farmers, and all the other taxpayers, increase. Every individual impost and assessment is greatly increased, to obtain a higher tax revenue"*.³⁰ After reading these lines, a clear negative correlation between taxation and state revenue can be seen, which is explained in modern-day economics as "The Laffer Curve".

III. Ibn Khaldun's Influence on Modern Economics

Ibn Khaldun's economic ideas remained largely overlooked in the Western world until the 19th century. However, in the 20th century, scholars and

²⁸ Adam Smith. "An Inquiry into the Nature and Causes of the Wealth of Nations." 1776

²⁹ Karl Marx. "Das Kapital." 1867

³⁰ Khaldun, Ibn. "The Muqaddimah: An Introduction to History." Translated by Franz Rosenthal. Princeton University Press, 1967, p.352

economists began to acknowledge his significant contributions to economic thought. Both Arnold J. Toynbee and Joseph Schumpeter have made references to Ibn Khaldun in their works, recognizing his contributions to historical and economic thought. Toynbee, a renowned historian, mentioned Ibn Khaldun in his work "A Study of History." While Ibn Khaldun is not a central figure in Toynbee's work, he briefly acknowledges his contributions to the study of civilizations and their rise and fall. Joseph Schumpeter, another prominent economist, made references to Ibn Khaldun in his book "Capitalism, Socialism, and Democracy." He recognized Ibn Khaldun's insights into economic development and the role of entrepreneurship. In this context, Schumpeter discussed Ibn Khaldun's relevance to the study of economic history.

Conclusion

Ibn Khaldun's economic thought, as articulated in the "Muqaddimah," stands as a remarkable precursor to modern economics. His insights into economic cycles, labour, production, and taxation laid the foundation for many concepts that later economists would develop and refine. While his ideas were ahead of his time, they have since gained recognition for their enduring relevance in the field of economics. As we continue to study the history of economic thought, it is imperative to acknowledge Ibn Khaldun's invaluable contributions.

1. Rosenthal, Franz, "Ibn Khaldun: The Muqaddimah: An Introduction to History - Abridged Edition." Princeton University Press, 2005
2. Tibi, Bassam, "Arab nationalism" 1997, page 139
3. Khaldun, Ibn. "The Muqaddimah: An Introduction to History." Translated by Franz Rosenthal. Princeton University Press, 1967, p.199, 233, 352, 480
4. Max Weber, "The Protestant Ethic and the Spirit of Capitalism", 1905
5. David Ricardo, "Principles of Political Economy and Taxation", 1817
6. Adam Smith. "An Inquiry into the Nature and Causes of the Wealth of Nations." 1776
7. Karl Marx. "Das Kapital." 1867