

## **IBN KHALDUN, FATHER OF ECONOMICS** **DR. IBRAHIM M. OWEISS**

In his *Prolegomena (The Muqaddimah)*, 'Abd al-Rahman Ibn Muhammad Ibn Khaldun al-Hadrami of Tunis (A.D. 1332-1406), commonly known as Ibn Khaldun, laid down the foundations of different fields of knowledge, in particular the science of civilization (*al-'umran*). His significant contributions to economics, however, should place him in the history of economic thought as a major forerunner, if not the "father," of economics, a title which has been given to Adam Smith, whose great works were published some three hundred and seventy years after Ibn Khaldun's death. Not only did Ibn Khaldun plant the germinating seeds of classical economics, whether in production, supply, or cost, but he also pioneered in consumption, demand, and utility, the cornerstones of modern economic theory.

Before Ibn Khaldun, Plato and his contemporary Xenophon presented, probably for the first time in writing, a crude account of the specialization and division of labor. On a non-theoretical level, the ancient Egyptians used the techniques of specialization, particularly in the era of the Eighteenth Dynasty, in order to save time and to produce more work per hour. Following Plato, Aristotle proposed a definition of economics and considered the use of money in his analysis of exchange. His example of the use of a shoe for wear and for its use in exchange was later presented by Adam Smith as the value in use and the value in exchange. Another aspect of economic thought before Ibn Khaldun was that of the Scholastics and of the Canonites, who proposed placing economics within the framework of laws based on religious and moral perceptions for the good of all human beings. Therefore all economic activities were to be undertaken in accordance with such laws.

Ibn Khaldun was cognizant of these ideas, including the one relating to religious and moral perceptions. The relationship between moral and religious principles on one hand and good government on the other is effectively expounded in his citation and discussion of Tahir Ibn al-Husayn's (A.D. 775-822) famous letter to his son 'Abdallah, who ruled Khurasan with his descendants until A.D. 872. From the rudimentary thoughts of Tahir he developed a theory of taxation which has affected modern economic thought and even economic policies in the United States and elsewhere.

This paper attempts to give Ibn Khaldun his forgotten and long overdue credit and to place him properly within the history of economic thought. He was preceded by a variety of economic but elemental ideas to which he gave substance and depth. Centuries later these same ideas were developed by the Mercantilists, the commercial capitalists of the seventeenth century-Sir William Petty (A.D. 1623-1687), Adam Smith (A.D. 1723-1790), David Ricardo (A.D. 1772-1823), Thomas R. Malthus (A.D. 1766-1834), Karl Marx (A.D. 1818-1883), and John Maynard Keynes (A.D. 1883-1946), to name only a few-and finally by contemporary economic theorists.

### **Labor Theory of Value, Economics of Labor, Labor as the Source of Growth and Capital Accumulation**

With the exception of Joseph A. Schumpeter, who discovered Ibn Khaldun's writings only a few months before his death, Joseph J. Spengler, and Charles Issawi, major Western economists trace the theory of value to Adam Smith and David Ricardo because they attempted to find a reasonable explanation for the paradox of value. According to Adam Smith and as further developed by David Ricardo, the exchange value of objects is to be equal to the labor time used in its production. On the basis of this concept, Karl Marx concluded that "wages of labour must equal the production of labour" and introduced his revolutionary term *surplus* value signifying the unjustifiable reward given to capitalists, who exploit the efforts of the labor class, or the proletariat. Yet it was Ibn Khaldun, a believer in the free market economy, who first introduced the labor theory of value without the extensions of Karl Marx.

According to Ibn Khaldun, labor is the source of value. He gave a detailed account of his labor theory of value, presenting it for the first time in history. It is worth noting that Ibn Khaldun never called it a "theory," but had skillfully presented it (in volume 2 of Rosenthal translation) in his analysis of labor and its efforts. Ibn Khaldun's contribution was later picked up by David Hume in his *Political Discourses*, published in 1752: "Everything in the world is purchased by labour."<sup>7</sup> This quotation was even used by Adam Smith as a footnote. "What is bought with money or with goods is purchased by labour, as much as what we acquire by the toil of our body. That money or those goods indeed save us this toil. They contain the value of a certain quantity of labour which we exchange for what is supposed at the time to contain the value of an equal quantity. The value of any commodity, therefore, to the person who possesses it, and who means not to use or consume it himself, but to exchange it for other commodities, is equal to the quantity of labour which it enables him to purchase or command. Labour, therefore, is the real measure of the exchangeable value of all commodities." If this passage which was published in A.D. 1776 in Adam Smith's major work, is carefully analyzed, one can find its seeds in Ibn Khaldun's *Prolegomena (The Muqaddimah)*. According to Ibn Khaldun, labor is the source of value. It is necessary for all earnings and capital accumulation. This is obvious in the case of craft. Even if earning "results from something other than a craft, the value of the resulting profit and acquired (capital) must (also) include the value of the labor by which it was obtained. Without labor, it would not have been acquired."

Ibn Khaldun divided all earnings into two categories, *ribh* (gross earning) and *kasb* (earning a living). *Ribh* is earned when a man works for himself and sells his objects to others; here the value must include the cost of raw material and natural

resources. *Kasb* is earned when a man works for himself. Most translators of Ibn Khaldun have made a common mistake in their understanding of *ribh*. *Ribh* may either mean a profit or a gross earning, depending upon the context. In this instance, *ribh* means gross earning because the cost of raw material and natural resources are included in the sale price of an object.

Whether *ribh* or *kasb*, all earnings are value realized from human labor, that is, obtained through human effort. Even though the value of objects includes the cost of other inputs of raw material and natural resources, it is through labor and its efforts that value increases and wealth expands, according to Ibn Khaldun. With less human effort, a reversal to an opposite direction may occur. Ibn Khaldun placed a great emphasis on the role of "extra effort," which later became known as "marginal productivity," in the prosperity of a society. His labor effort theory gave a reason for the rise of cities, which, as his insightful analysis of history indicated, were the focal points of civilizations.

Whereas labor may be interpreted from Ibn Khaldun's ideas as both necessary and sufficient conditions for earnings and profit, natural resources are only necessary. Labor and its effort lead to production, which is in turn used for an exchange through barter or through the use of money, that is, gold and silver. The process therefore creates incomes and profits which a man derives from a craft as the value of his labor after having deducted the cost of raw material. Long before David Ricardo published his significant contribution to the field of economics in 1817, *The Principles of Political Economy and Taxation*, Ibn Khaldun gave the original explanation for the reasons behind the differences in labor earnings. They may be attributed to differences in skills, size of markets, location, craftsmanship or occupation, and the extent to which the ruler and his governors purchase the final product. As a certain type of labor becomes more precious, that is, if the demand for it exceeds its available supply, its earnings must rise.

High earnings in one craft attract others to it, a dynamic phenomenon which will eventually lead to an increase in its available supply and consequently lower profits. This principle explains Ibn Khaldun's original and insightful analysis of long-term adjustments within occupations and between one occupation and another. However, this point of view was attacked by John Maynard Keynes in his famous statement that in the long run we are all dead. Nevertheless, Ibn Khaldun's analysis has not only proved to be historically correct but has also constituted the core thinking of classical economists.

Ibn Khaldun succinctly observed, explained, and analyzed how earnings in one place may be different from another, even for the same profession. Earnings of judges, craftsmen, and even beggars, for example, are directly related to each town's degree of affluence and standard of living, which in themselves are to be achieved through the fruits of labor and the crystallization of productive communities. Adam Smith explained differences in labor earnings by comparing them in England and in Bengal along the same lines of reasoning given by Ibn Khaldun four centuries earlier as he compared earnings in Fez with those of Tlemcen. It was Ibn Khaldun, not Adam Smith, who first presented the contribution of labor as a means of building up the wealth of a nation, stating that labor effort, increase in productivity, and exchange of products in large markets are the main reasons behind a country's wealth and prosperity. Inversely, a decline in productivity could lead to the deterioration of an economy and the earnings of its people. "A large civilization yields large profits [earnings] because of the large amount of [available] labor which is the cause of [profit]."

It was also Ibn Khaldun, long before Adam Smith, who made a strong case for a free economy and for freedom of choice.

Among the most oppressive measures, and the ones most deeply harming society, is the compelling of subjects to perform forced work unjustly. For labour is a commodity, as we shall show later, in as much as incomes and profits represent value of labour of their recipients...nay most men have no source of income other than their labour. If, therefore, they should be forced to do work other than that for which they have been trained, or made to do forced work in their own occupation, they would lose the fruit of their labour and be deprived of the greater part, nay of the whole, of their income.

To maximize both earnings and levels of satisfaction, a man should be free to perform whatever his gifted talents and skilled abilities dictate. Through natural talents and acquired skills, man can freely produce objects of high quality, and, often, more units of labor per hour.

## **Demand, Supply, Prices, and Profits**

In addition to his original contribution to the economics of labor, Ibn Khaldun introduced and ingeniously analyzed the interplay of several tools of economic analysis; such is demand, supply, prices, and profits.

Demand for an object is based on the utility of acquiring it and not necessarily the need for it. Utility is therefore the motive force behind demand. It creates the incentives for consumer spending in the marketplace. Ibn Khaldun had therefore planted the first seed of modern demand theory, which since been developed and expanded by Thomas Robert Malthus, Alfred Marshall, John Hicks, and others. As a commodity in demand attracts increased consumer spending, both the price and the quantity sold are increased. Similarly, if the demand for certain crafts decreases, its sales fall and consequently its

price is reduced.

Demand for a certain commodity also depends upon the extent to which it will be purchased by the state. The king and his ruling class purchase much larger quantities than any single private individual is capable of purchasing. A craft flourishes when the state buys its product. With his ingenious analytical mind, Ibn Khaldun had further discovered the concept known in modern economic literature as "derived demand." "Crafts improve and increase when the demand for their products increases." Demand for a craftsman is therefore derived from the demand for his product in the marketplace.

As is commonly known, modern price theory states that cost is the backbone of supply theory. It was Ibn Khaldun who first examined analytically the role of the cost of production on supply and prices. In observing the differences between the prices of foodstuffs produced in fertile land and of that produced in poor soils, he traced them mainly to the disparity in the cost of production.

[In] the coastal and hilly regions, whose soil is unfit for agriculture, (inhabitants) were forced to apply themselves to improving the conditions of those fields and plantations. This they did by applying valuable work and manure and other costly materials. All this raised the cost of agricultural production, which costs they took into account when fixing their price for selling. And ever since that time Andalusia has been noted for its high prices .... The position is just the reverse in the land of the Berbers. Their land is so rich and fertile that they do not have to incur any expenses in agriculture; hence in that country foodstuffs are cheap.

Besides individual and state demand and cost of production, Ibn Khaldun introduced other factors which affect the price of goods or services, namely, the degree of affluence and the prosperity of districts, the degree of concentration of the wealthy, and the degree of customs duties being levied on middlemen and traders. The direct functional relationship between income and consumption as presented by Ibn Khaldun paved the road to the theory of consumption function as a cornerstone of Keynesian economics.

Ibn Khaldun also made an original contribution in his concept of profits. In economic literature, a theory of profit as a reward for undertaking risk in a future of uncertainties is generally attributed to Frank Knight, who published his ideas in 1921. There is no doubt that Frank Knight substantially advanced a well-established theory of profit. Nevertheless, it was Ibn Khaldun, not Frank Knight, who originally planted the seed of this theory: "Commerce means the buying of merchandise and goods, storing them, and waiting until fluctuation of the market brings about an increase in the prices of (these goods). *This is called profit (rihb).*" In another context, Ibn Khaldun stated again the same idea: "Intelligent and experienced people in the cities know that it is inauspicious to hoard grain and to wait for high prices, and that the profit (expected) may be spoiled or lost through (hoarding)." Profit is therefore a reward for undertaking a risk. In the face of future uncertainties, a risk-bearer may very well lose instead of gain. Similarly, profits or losses may accrue as a result of speculation which is carried out by profit-seekers in the marketplace. To maximize profits, Ibn Khaldun introduced a gospel for traders, "Buy cheap and sell dear," which has been widely quoted ever since. In his translation of the *Muqaddimah* of Ibn Khaldun, Franz Rosenthal stated in a footnote, "In 1952 a book by Frank V. Fischer appeared, entitled *Buy Low Sell High: Guidance for the General Reader in Sound Investment Methods and Wise Trade Techniques.*"

If Ibn Khaldun's gospel is applied to cost analysis, it becomes obvious that profit may be increased, even for a given price of a final product, when one reduces the cost of raw material and other inputs used in production by buying them at a discount or, in general, at a low price even from distant markets, as he indicated in his account of benefits of foreign trade. Nevertheless, Ibn Khaldun concluded that both excessively low prices and excessively high prices are disruptive to markets. It is therefore advisable that states not hold prices artificially low through subsidies or other methods of market intervention. Such policies are economically disastrous because the low-priced goods will disappear from the market and there will be no incentive for suppliers to produce and sell whenever their profits are adversely affected. Ibn Khaldun also concluded that excessively high prices will not be compatible with market expansion. As the high-priced goods sell less in the market, the policy of excessively high pricing becomes counterproductive and disrupts the flow of goods in markets. Ibn Khaldun had thus laid down the foundations of ideas which later led to the formulation of disequilibrium analysis. He also cited several factors affecting the upward general price level, such as increase in demand, restrictions of supply, and increase in the cost of production, which includes a sales tax as one of the components of a total cost. After his analysis of what stimulates overall demand in it growing economy, Ibn Khaldun stated the following:

Because of the demand for (luxury articles), they become customary, and thus come to be necessities. In addition, all labor becomes precious in the city, and the conveniences become expensive, because there are many purposes for which then, are in demand in view of the prevailing luxury and because the government makes levies on market and business transactions. This is reflected in the sales prices. Conveniences, foodstuffs, and labor thus become very expensive. As a result, the expenditures of the inhabitants increase tremendously in proportion to the civilization of (the city). A great deal of money is spent. Under these circumstances, (people) need a great deal of money for expenditures, to procure the necessities of life for themselves and their families, as well as all other requirements.

As to the impact of restricted supply on the price level, Ibn Khaldun summed it up thus: "When goods are few and rare,

their prices go up."

By carefully reading the above two passages, it becomes obvious that Ibn Khaldun discovered what is now known as cost-push and demand-pull causes of inflationary pressures. In fact, he was the first philosopher in history who systematically identified factors affecting either the price of a good or the general price level.

## **Macroeconomics, Growth, Taxes, Role of Governments, and Money**

In macroeconomics, Ibn Khaldun laid the foundations of what John Maynard Keynes called "aggregate effective demand," the multiplier effect and the equality of income and expenditure.<sup>25</sup> When there is more total demand as population increases, there is more production, profits, customs, and taxes. The upward cycle of growth continues as civilization flourishes and a new wave of total demand is created for the crafts and luxury products. "The value realized from them increases, and, as a result, profits are again *multiplied* in the town. Production there is thriving even more than before. And so it goes with the second and third increase." People's "wealth, therefore, increases and their riches grow, the customs and ways of luxury multiply, and all the various kinds of crafts are firmly established among them." The concept of the multiplier was later developed and expanded by several economists, in particular by John Maynard Keynes. However, it was discovered for the first time in history by Ibn Khaldun.

Modern national income accounts were also developed and expanded using the equality of income and expenditures. Expenditures of one citizen are income to others; therefore total expenditures are equal to total incomes. This equality was first discovered by Ibn Khaldun. In fact, he used both terms as synonymous to one another after having established the equality between them. "Income and expenditure balance each other in every city. If the income is large, the expenditure is large, and vice versa. And if both income and expenditure are large, the inhabitants become more favourably situated, and the city grows."

Ibn Khaldun introduced the pioneering theory of growth based on capital accumulation through man's efforts.

(Man) obtains (some profits) through no efforts of his own, as, for instance, through rain that makes the fields thrive, and similar things. However, these things are only contributory. His own efforts must be combined with them, as will be mentioned. (His) profits will constitute his livelihood, if they correspond to his necessities and needs. They will be capital accumulation if they are greater than (his needs)."

Ibn Khaldun gave his account of the stages of economic development, from nomadic to agricultural to more "cooperation in economic matters" which occur through an expansion of a town to a city, where demand increases and skilled labor congregates and expands production both in quantity and in "refinement." Economic growth continues so long as there is an extra effort which creates capital accumulation, which in turn, combined with effort, leads to more production and the development of crafts in the cities. As was presented earlier, wealth expands through labor and its efforts, whereas with less human effort there may occur a reversal to stagnation, followed by a downward trend in people's standard of living.

Governments play an important role in growth and in the country's economy in general through their purchases of goods and services and through their fiscal policy of taxation and expenditures. Governments may also provide an environment of incentives for work and prosperity or, inversely, a system of oppression which is ultimately self-defeating. Even though Ibn Khaldun regards governments as inefficient, "not so much calculation" is carried out by them of what is contemporarily known as cost and benefit; they still play an important role in the country's economy through their big purchases. Government expenditures stimulate the economy by increasing incomes, which are further hiked through a multiplier effect. However, if the king hoards the amount he collects in taxes, business slackens and the economic activities of the state are adversely affected through the multiplier effect. In addition to its welfare program for the poor, the widows, the orphans, and the blind, provided there is no overburden for the treasury, the government should spend its tax revenue wisely to improve conditions of its "subjects, to safeguard their rights and to preserve them from harm."

Ibn Khaldun was the first major contributor to tax theory in history. He is the philosopher who shaped the minds of several rulers throughout history. More recently his impact was evident on John F. Kennedy and later on Ronald Reagan. "Our true choice is not between tax reduction on the one hand and avoidance of large federal deficits on the other. An economy stilled by restrictive tax rates will never produce enough revenue to balance the budget, just as it will never produce enough jobs or enough profits." John F. Kennedy said that back in 1962, when he was asking for a tax decrease, a cut in tax rates across the board. But when John Kennedy said those words, he was echoing the words of Ibn Khaldun, a Muslim philosopher back in the fourteenth century, who said the following: "At the beginning of the dynasty taxation yields large revenues from small assessments. At the end of the dynasty taxation yields small revenue from large assessments.... This is why we had to have the tax program as well as the budget cuts, because budget cuts, yes, would reduce government spending."

According to Ibn Khaldun, tax revenues of the ruling dynasty increase because of business prosperity, which flourishes with easy, not excessive taxes. He was therefore the first in history to lay the foundation of a theory for the optimum rate of

taxation, a theory which has even affected contemporary leading advocates of supply-side economics such as Arthur Laffer and others. The well-known Laffer curve is nothing but a graphical presentation of the theory of taxation developed by Ibn Khaldun in the fourteenth century.

"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 mount. In consequence, the tax revenue, which is the sum total of the individual assessments, increases"; whereas with large tax assessments, incomes and profits are adversely affected, resulting, in the final analysis, in a decline in tax revenue. Ibn Khaldun made a strong case against any government attempt to confiscate or otherwise affect private property. Governments' arbitrary interferences in man's property result in loss of incentives, which could eventually lead to a weakening of the state. Expropriation is self-defeating for any government because it is a form of oppression, and oppression ruins society.

In macroeconomics Ibn Khaldun also contributed to the theory of money. According to him, money is not a real form of wealth but a vehicle through which it can be acquired. He was the first to present the major functions of money as a measure of value, a store of value and a "numeraire." "The two mineral 'stones,' gold and silver as the (measure of) value for all capital accumulations ... [are] considered treasure and property. Even if under certain circumstances, other things are acquired, it only for the purpose of ultimately obtaining [them]. All other things are subject to market fluctuations from which (gold and silver) are exempt. They are the basis of profit, property and treasure." The real form of wealth is not money, however; wealth is rather created or otherwise transformed through labor in the form of capital accumulation in real terms. It was, therefore, Ibn Khaldun who first distinguished between money and real wealth, even though he realized that the latter may be acquired by the former. Yet money plays a much more efficient role than barter in business transactions in a society where man exchanges the fruits of his labor, whether in the form of goods or of services, with another to satisfy the needs which he cannot fulfill alone on his own. Money also facilitates the flow of goods from one market to another, even across the border of countries.

## Foreign Trade

Ibn Khaldun also contributed to the field of international economics. Through his perceptive observations and his analytical mind, he undoubtedly shed light on the advantages of trade among nations. Through foreign trade, according to Ibn Khaldun, people's satisfaction, merchants' profits, and countries' wealth are all increased.

The merchant who knows his business will travel only with such goods as are generally needed by rich and poor, rulers and commoners alike. (General need) makes for a large demand for his goods...it is more advantageous and more profitable for the merchants' enterprise... (that he will be able to take advantage of) market fluctuations, if he brings goods from a country that is far away...merchandise becomes more *valuable* when merchants transport it from one country to another.

The italicized word, *valuable*, indicates Ibn Khaldun's perception of the gains of trade. If a good becomes more valuable by being transported from country A to country B and still sells at a profit in B after the cost of transportation and all other costs are taken into account, then it is (1) cheaper than the same good produced internally, (2) of better quality, or (3) a totally new product. If the foreign good is cheaper than that produced internally, foreign trade will serve to economize labor and other resources by having them diverted from the high-cost good which cannot face competition to other low-cost products. The resources which are saved from this process of diversion may be used to produce other goods or may add another layer of capital accumulation. Foreign trade may therefore contribute positively to the country's level of income as well as to its level of growth and prosperity. If the foreign good is of a better quality than that produced internally, the imported good will add to the level of satisfaction of those who purchase it. In the meantime, internal producers facing the competitive high-quality product must attempt to improve their production or accept a reduction in their sales and revenues. There will be a welfare gain in either case: a rise in the quality of internal products or a diversion of resources from the production of a high-cost good to a low-cost good, as in the first case. In the last case, when the imported good is a totally new product, the welfare gain from foreign trade may be expressed in terms of an increase in the level of satisfaction of those who purchase it or in terms of an increase in quantity or quality of production of other goods if the imported item is a new tool or a modification of an existing one. Furthermore, an introduction of a totally new product through foreign trade may attract internal producers, if it is feasible, to produce it once they are capable to compete with the foreign product.

Ibn Khaldun was conscious of what was later termed the "opportunity cost." Applying *valuable* labor to improving poor soils means that the labor could have been better used in the production of other goods. Resources in general should be put to the best possible use. Otherwise there will be a cost which will surface in a loss in value. Foreign trade provides further incentives in the attempts to optimize the use of labor and other natural resources.

Ibn Khaldun's originality in his perceptive observations and analysis of foreign trade deserves proper recognition in the field of international economics. The subject of gains from trade has been substantially developed and expanded, in particular, since the publication of *Political Discourses* by David Hume in 1752. But the first original seed of the subject

was planted by Ibn Khaldun four centuries earlier.

## **Ibn Khaldun and Adam Smith**

In spite of Ibn Khaldun's overall contribution to the field of economics, it is Adam Smith who has been widely called the "father of economics." Schumpeter's view of Smith's economics is more critical than admiring. "Personally, I do not share such a view, for I still consider Adam Smith one of the great philosophers who has significantly contributed to the field of economics even by having been a mere collector of previous economic thoughts. He eloquently presented these ideas in detail in an excellent new form and style. Nevertheless, by comparison, Ibn Khaldun was far more original than Adam Smith, in spite of the fact that the former had also restructured and built upon foundations laid down before him, such as Plato's account of specialization, Aristotle's analysis of money, and Tahir Ibn al-Husayn's treatment of government's role. Still, it was Ibn Khaldun who founded the original ideas in numerous areas of economic thought.

Despite Ibn Khaldun's contributions, some economic ideas as well as some economic philosophy of the freedom of choice, as presented above, were later attributed to Adam Smith without giving due credit to the original thinker Ibn Khaldun. "Smith's great economic treatise contains both his 'preaching' of the 'gospel' of economic liberalism, i.e., economic freedom for all individuals."<sup>39</sup> Since there is such a striking similarity in the economic thought of Ibn Khaldun and of Adam Smith, it must be left to the economic historian to ascertain direct or indirect links between these two great thinkers who were four centuries apart. However, I would like to suggest some possible and likely points of contact. Even though Adam Smith did not explicitly refer to Ibn Khaldun's contributions, it may well be argued that there were several channels through which he may have encountered the latter's pioneering and original economic thought.

Adam Smith graduated from Glasgow University, where he was influenced by his teacher Francis Hutcheson, who was in turn affected by Antony Ashley Cooper, known as Lord Shaftesbury in the late seventeenth century and early eighteenth century, and other philosophers who were concerned with "liberal enlightenment," all of whom may have been directly or indirectly affected by Ibn Khaldun's thought. After his graduation, Adam Smith devoted six years to research at Oxford University's library, where he may have been exposed to Ibn Khaldun's contributions even without having been aware of the author's name. It was not uncommon in early times that ideas were circulated, discussed, and delivered from one generation to another without the name of an author. Furthermore, ever since the Crusades, which lasted from the eleventh to the thirteenth centuries, most Western philosophers attempted to discount the impact of Muslim scholars through a multiplicity of approaches, which included using Muslim ideas without mentioning the name of a Muslim author. The protracted war waged by the Crusaders to capture the Holy Land from the Muslims created a strong antagonistic feeling, well embedded in the Western mind, from which Western scholars were not immune and which lasted for centuries, probably until modern times. Another possible channel through which Adam Smith may have been directly or indirectly exposed to Ibn Khaldun's economic thought was through his tour of Europe. During this tour he encountered Quesnay, other Physiocrats in Paris, and other European intellectuals who may have been influenced by Ibn Khaldun in one way or another.

Adam Smith could also have been exposed to the economic contributions of Ibn Khaldun through the dominant influence of the Ottoman Empire. Ever since the Ottoman Empire rose in the fourteenth century-and vastly extended its boundaries at its peak in the sixteenth century to include much of southeast Europe, southwest Asia, and northern Africa-a new bridge was erected linking intellectuals in the Continent with their counterparts in the vast territories of the empire, of which Egypt became a part in 1517. It was in Egypt that Ibn Khaldun spent the latter part of his life revising manuscripts of his works which he had originally completed in Tunis in November of 1377. His thoughts were then transmitted from one generation to another, from one century to another, and from one country to another. Influenced by Ibn Khaldun's idea that craftsmen and industrialists play a significant role in a country's growth, prosperity, and power, Sultan Selim 1, after having successfully extended his domain of influence over Egypt in 1517, took back with him from Cairo to Constantinople the best-known artisans at that time. In modern terminology, this was a case of a "transfer of technology."

The impact of Ibn Khaldun was extensive and profound, not only in the minds of some rulers and statesmen, but also among intellectuals and educators long before his books were even translated into other languages. In response to great interest in his works, his books were finally translated to the Turkish language in 1730, exactly forty-six years before the publication of Adam Smith's *The Wealth of Nations*.

## **Concluding Remarks**

Even if Adam Smith was not directly exposed to Ibn Khaldun's economic thoughts, the fact remains that they were the original seeds of classical economics and even modern economic theory. Ibn Khaldun had not only been well established as the father of the field of sociology, but he had also been well recognized in the field of history, as the following passage from Arnold Toynbee indicates:

In his chosen field of intellectual activity [Ibn Khaldun] appears to have been inspired by no predecessors ... and yet, in the Prolegomena ... to his *Universal History* he has conceived and formulated a philosophy of history which is undoubtedly the

greatest work of its kind that has yet been created by any mind in any time or place.

Through his great sense and knowledge of history, together with his microscopic observations of men, times, and places, Ibn Khaldun used an insightful empirical investigation to analyze and produce original economic thought. He left a wealth of contributions for the first time in history in the field of economics. He clearly demonstrated breadth and depth in his coverage of value and its relationship to labor; his analysis of his theory of capital accumulation and its relationship to the rise and fall of dynasties; his perceptions of the dynamics of demand, supply, prices, and profits; his treatment of the subjects of money and the role of governments; his remarkable theory of taxation, and other economic subjects. His unprecedented contributions to the overall field of economics should make him, Ibn Khaldun, the father of economics.

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### **Muslim Scholars on Islamic Economic**



#### **IBN KHALDUN**

was born in Tunis on  
1 Ramadan 732  
AH/27  
1 May 1332 AD

died in Cairo on 25  
Ramadan 808 AH  
19 March 1406 AD

**Father of Economics**

In his Prolegomena (*The Muqaddimah*), **Abd al-Rahman Ibn Muhammad Ibn Khaldun al-Hadrami** of Tunis (A.D. 1332-1406), commonly known as Ibn Khaldun, laid down the foundations of different fields of knowledge, in particular the science of civilization (*al-'umran*).

His significant contributions to economics, however, should place him in the history of economic thought as a major forerunner, if not the "father," of economics, a title which has been given to Adam Smith, whose great works were published some three hundred and seventy years after Ibn Khaldun's death. Not only did Ibn Khaldun plant the germinating seeds of classical economics, whether in production, supply, or cost, but he also pioneered in consumption, demand, and utility, the cornerstones of modern economic theory. [more»»»](#)