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IBN KHALDOÛN PIONEER
ECONOMIST

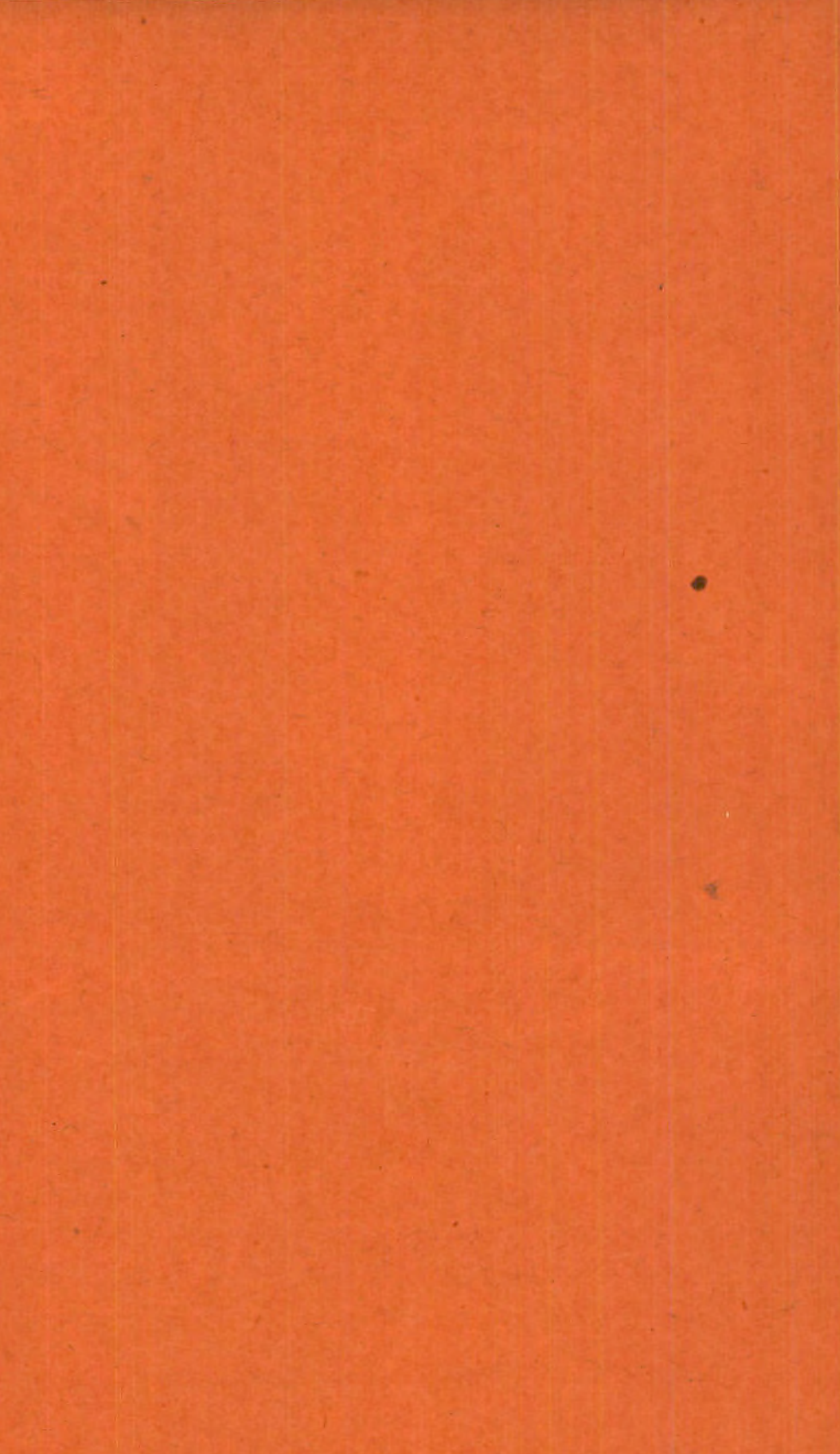
BY

MOHAMMAD ALY NASHAT



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IBN KHALDOUN PIONEER ECONOMIST

To

My Father

Dr. A. NASHAT

This book is

Affectionately Dedicated

FOREWORD

The science of Economics took its rise in the eighteenth century, when the Physiocrats and Adam Smith discovered that there is an order — a natural order — in economic phenomena, and when Adam Smith applied his positive, scientific method to the investigation of these phenomena in order to establish their causal relations — in other words, in order to make clear the natural laws that govern them.

Four centuries before Adam Smith, however, a distinguished Arab thinker, Abdel Rahman Ibn Khaldoun of Tunis, had conceived of social and economic phenomena as being subject to natural law. And in the "Prolegomena" or Introduction, to his General History he has left on record his comprehensive and connected ideas concerning the economic side of social life. His was a remarkable conception and achievement for the age in which he lived. It fully entitles him to be considered a pioneer economist.

Dr. Nashat's volume in Arabic, together with an abridged English version, was prepared and presented to the University Fouad el Awal as a thesis for the Degree of Docteur-en-Droit. Now, thanks to the kind offices of the Société Fouad 1^{er} d'Economie Politique, this English version is published. Thus the economic ideas of Ibn Khaldoun are made available to the expanding circle of English readers who are interested in the development of economic thought.

T.H. FRASER



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Chapter I.—INTRODUCTION

The Scientific interest in the work of Ibn Khaldoun.

The merit of a scientific study is not measured solely by the precision of its results; its value may depend on the broadness of its conception, the originality of its ideas, the interest it has evoked at the time; but first of all, comes the method adopted in its elaboration; it is this method which gives it its permanent value.

Modern scientific research is typified by the application of the law of causality; a book based on such a method, though old, may still retain its interest and rightly deserves to be regarded as a "scientific" work. This is why the "Wealth of Nations" in spite of its errors and defects still exerts its influence on the minds of economic students, as being the first "scientifically written" book on economics.

Four hundred years before Adam Smith, an extensive study on society of unparalleled boldness, was set forth; for those times, it was something startlingly new and fascinating; its author, Ibn Khaldoun, while surveying the development of society, laid the foundation of what came to be called the social sciences. According to him, social phenomena, in their coexistence and sequence follow definite courses and consequently are subject to laws; these laws he set to discover through induction and deduction.

"When Ibn Khaldoun speaks of science," says N. Schmidt, "he does not mean knowledge in the rough but that certain and systematized knowledge which to us is science, not Wissen but Wissenschaft."⁽¹⁾ The genuineness of his merit, is best evidenced by the fact that "a

(¹) N. SCHMIDT : Ibn Khaldoun. Historian, Sociologist and Philosopher, p. 21.

similar structure is being built to-day on a more solid basis. In its genesis and growth it resembles his." (1)

Seven centuries of islamic civilization, furnished Ibn Khaldoun with ample subject matter of thought; he reviewed the crumbling of Empires and States, the transformations in the governing classes, the changes in economic conditions, the introduction of new wants and new production, the effects of luxury, the trends of taxation, the rhythms of population and prosperity . . . ; he studied the general social conditions, the relation of political, economic, ethnic, psychological and physical factors in the development of human society.

In studying the general social conditions, Ibn Khaldoun has particularly stressed the importance of economic facts; he insisted on their decisive significance in the development of the general social conditions. His views on economics, based as they are on a sound method and moderate judgment, represent the first "scientifically written" treatise on economics. It is under this title that they advance their claim to public interest. It would be sufficiently gratifying if, by throwing a light of modern research on these views, we were to present in his due merits, a pioneer if not the founder of the science of economics.

Life of Ibn Khaldoun.

Abdel Rahman Ibn Khaldoun, whom we present here as an economist, has had a colourful life, full of vicissitudes, travels and adventure in which he played the part of courtier, warrior, statesman, diplomat, professor, Chief Justice, writer.

He was born in Tunis on the 27th of May 1332 (1st Ramadan 732 A.H.). At the age of twenty, he had completed his studies and was appointed at the Court of the Sultan. In 1362, he left for Spain and was appointed at the Court of the Sultan of Granada; the Sultan sent him to the Court of Pedro the Cruel of Castile. This king was charmed by the interview and offered to restore to Ibn Khaldoun the properties of his ancestors who lived in Seville, on the condition that he joined his service; Ibn Khaldoun declined these offers. In 1368, he was appointed Vizir in the State of Bougie. He moved to Tlemcen, took part in war, was defeated. He mixed in politics and was imprisoned in 1374 but managed

(1) N. SCHMIDT: *Op. cit.* p. 21.

to escape to Spain ; he returned to Tlemçen when his friend the Sultan Abou Hammou returned to power.

Amid these turbulent activities, came a period of rest ; he retired to Kalaat Ibn Salama, now called Taughzut, situated near Oran. During four years, from 1374 to 1378 he devoted himself to study and meditation. There he wrote his enduring title to fame "*The History of Ibn Khaldoun.*" He returned to Tunis and was greatly honoured for his achievement. It was a triumphal entry marked with great enthusiasm.

In 1382, he undertook the pilgrimage to Mecca. He stopped in Cairo where he was honoured by the Sultan who gave him a professorship. In 1384, this Sultan appointed him as Chief Justice. He was strongly opposed by the local rivals. He underwent their intrigues, was several times dismissed but always returned to his post. In the intervals, he returned to his professorship.

Once more, Ibn Khaldoun played the rôle of a negotiator and diplomat ; he was sent as Ambassador to Tamerlane, to secure favourable terms for the besieged city of Damascus ; the Mogul leader, just as forty years before Pedro the Cruel, was impressed by Ibn Khaldoun and offered him to enter his service ; again Ibn Khaldoun declined.

He returned to Cairo, where he completed his Autobiography ; a year later (1406) the journey ended. "It had brought him into touch " says Schmidt, "with Pedro the Cruel in the west, and Timur the Lame in the east. It has taken him into the huts of savages and into the palaces of Kings, into the dungeons with criminals and into the highest courts of justice, into the companionship of illiterate and into the academies of scholars into the treasure houses of the past and into the activities of the present, into deprivation and sorrow and into affluence and joy. It had led him into the depths where the spirit broods over the meaning of life." (1)

Works of Ibn Khaldoun.

The great work of Ibn Khaldoun is called "*The History of Ibn Khaldoun.*" In this book he surveys the history of seven centuries of islamic development and the history of Berbers and the contemporary Christian States.

(1) N. SCHMIDT : p. 41.

In this book, he followed a new method in writing history; he traced his history not in the form of a succession of consecutive dates but he took as a unit the uninterrupted State. Thus he classified his book in Parts, Chapters, and Sections. History, under his impulse, became the object of a systematized study and not the mere compilation of events . . .

Speaking of his General History, Schmidt says "Had Ibn Khaldoun left behind nothing else than his political history, it would have been a monument of untiring industry, vast erudition and keen judgment." ⁽¹⁾

Dozy states that no Christian historian did ever write on the history of an Islamic State, anything comparable in precision and clarity to the writing of Ibn Khaldoun on the Christian States in Spain. ⁽²⁾

It is not, however, with political history that we are interested here. It is rather with that part of his work called "The Prolegomena" that we are concerned; here Ibn Khaldoun expounds the ideas he had most at heart and which are related to sociology and economics; here is his masterly study of the general social conditions including ethnic, racial, physical, political and economic phenomena. . . .

The "Prolegomena" is the first part of the General History of Ibn Khaldoun; it is often called "The introduction to the history of Ibn Khaldoun."

How did it happen that, an introduction to a General History came to be a treatise on social sciences?

According to Ibn Khaldoun, historical events are not the product of "great men." They are not the result of ambitions, character, intellectual powers of some individuals or leaders. The interpretation of history could not be looked for solely in the theory of "famous men"; historical events are the result of a conglomeration of circumstances in which the general social conditions play the leading part; thus, he came to consider "the factors that influence and shape these social conditions."

Ibn Khaldoun considered this study as necessary to the historian; the function of the historian is not only to report what has come to his knowledge, but he must also have a sense of criticism; this task presupposes the knowledge of the mechanism of human society. He explains his view by saying "that, we must study human society and

⁽¹⁾ N. SCHMIDT: p. 14.

⁽²⁾ DOZY: *Recherches sur l'histoire et la littérature d'Espagne au Moyen-Age*, p. 96.

distinguish its essential features from its accidental ones and trace the social laws that are at work within it and use them as criteria as to the value of historical assertions . . . The study of human civilization and society and its conditions is thus the object of an independent and definite science. . .” (1)

He felt the gap existing, at his time, in this field and set himself to fill it. The “Prolegomena” represents his efforts in this sense. Its object is the ascertaining of criteria or rules of the social sciences which are to be employed for the estimation of historical assertions. Thus an introduction to a General History came to be a treatise on the Social Sciences.

Originality of Ibn Khaldoun.

We have contended that Ibn Khaldoun is the founder of sociology and economics ; he himself claims this right ; “ Speaking on this subject is a new and promising field ” he says. To what degree, can he fairly pretend to be an originator ? Had he not been influenced by his predecessors ? Ibn Khaldoun, answering these questions, says “ Some parts of this subject are accidentally found in other sciences ; for example cooperation is stressed in moral sciences. . . .” He goes on to say “ We find in the book of Aristotle on Politics, a fit part ; however, it does not exhaust the subject and is lacking in proofs and there is some confusion in it.” (2)

“ Ibn Al Mokafa came across some of the questions treated by us but his work is lacking in proofs ; he follows an oratorical method, using his power of eloquence.” (3)

“ Jndge Al Tartouchi classified his book in a manner similar to us ; however, he collects well known sayings in support of his assertions and does not investigate the truth by means of rational arguments ; he follows, instead, a sermon-like method ; though he circled round the goal, he failed to hit it ; we came across it by divine inspiration ; a new science has thus been set forth ; if I omitted some of its questions or if these were confused with others, I ask the scrutinizing reader to fill in the gap and I would still have the merit of having shown him the way. . . .” (4)

(1), (2) and (3) The Prolegomena, pp. 36, 37 and 38.

(4) The Prolegomena, p. 38.

Ibn Khaldoun did not mention all his predecessors ; these predecessors, however, dealt with scattered fragments of the vast social structure ; Ibn Khaldoun, with ponderous intellectual force resumed, innovated and systematized the various particles ; he presented — as a distinct science — those notions which were scattered here and there ; he showed the unity and the distinctive features of the new science. His claim to originality is firmly established.

The Scientific Character of the " Prolegomena."

The scientific character of the " Prolegomena " is reflected in the clear notion that Ibn Khaldoun has of the law of causality, the theory of evolution and the interdependence of social phenomena.

The idea of the Prolegomena itself bears testimony to the interdependence of social phenomena ; it is an epitome of economic, political, ethnic, social, fiscal, moral studies. . . The essential object is human society and the various social sciences are approaches from different angles to the same object.

Speaking on the law of causality, Ibn Khaldoun says " We find the universe governed by an accurate system through which prevails the law of cause and effect. . . ." ⁽¹⁾ He goes on to say that the study of " the coexistence of phenomena or their sequence, the causes of their divergency and harmony " ⁽²⁾ makes us discover the laws that govern them.

Ibn Khaldoun insists on the errors of some historians who do not pay any heed to the " change in human conditions due to the change in countries and the march of time. . ." ⁽³⁾ According to him " Human customs and conditions are not immutable ; they do not have the same running ; they continually change along the march of time and evolve from one phase to another." ⁽⁴⁾

Western Critics.

From the XIXth century onwards, Ibn Khaldoun has fascinated western critics, who hailed him as the founder of Sociology and the science of history.

R. Flint maintains that " the work he left is sufficiently great and valuable to preserve his name and fame to latest generations." ⁽⁵⁾

⁽¹⁾ The Prolegomena, Ch. I, p. 91.

⁽²⁾ The Prolegomena, p. 4.

⁽³⁾ and ⁽⁴⁾ The Prolegomena, Ch. I, p. 27.

⁽⁵⁾ R. FLINT : The Philosophy of History in France and French Belgium, 1893.

L. Gumplowicz says that "Long before Auguste Comte, even before Vico whom the Italians regard as the first European Sociologist, an Islamic scholar studied, with accurate good sense and moderation, the social phenomena and advanced highly valuable views on the matter, and what he wrote came to be called nowadays: Sociology." (1)

S. Colosio states that Ibn Khaldoun can be considered as one of the most prominent men in history. (2)

N. Schmidt hails Ibn Khaldoun as a philosopher, historian and sociologist; he considers Ibn Khaldoun in advance of Montesquieu, Buckle and Spencer.

Most of the critics studied Ibn Khaldoun as a sociologist, philosopher or historian. Of no less merit is his claim to be a pioneer economist. It is this side of the Prolegomena that we propose to study.

Classification of the Thesis.

We propose to classify the subject into five parts; in the first part we study his economic theories; in the second part we study his social economic theories; in the third part we expound his views on public finance and taxation; in part four, we examine his views on economic policy; in part five we explain his views on the interpretation of history, an interpretation largely economic.....

References.

Our essential reference is the Prolegomena itself. As we have said, few works have been written on Ibn Khaldoun as an economist; we would however mention the articles of Professor M. Saleh Bey in the *Revue*: "Al-Quanoun Wal Iktisad.....(1933)"; we also came to know about the work of Mr. S. Mahmassany on the economic ideas of Ibn Khaldoun, and the work of Mr. G. Bouthoul on the social philosophy of Ibn Khaldoun.

By bringing into light the valuable work of a pioneer economist, we hope thus to have contributed to the discovery of an appreciable chapter in the history of economic doctrines.

(1) L. GUMPLOWICZ: Ibn Chaldun ein arabischer soziolog des XIV Jahrhunderts, 1898.

(2) S. COLOSIO: Contribution à l'étude d'Ibn Khaldoun. *Revue du monde musulman*, XXVI, 1914, pp. 308-338.

PART I

ECONOMIC THEORIES

Chapter II.—THEORY OF PRODUCTION

I.—Organization of Economic Activity

Ibn Khaldoun expresses some opinions regarding the organization of economic activity; from his writing, it may be understood that three phenomena are essentially influencing it. He begins by stressing the fundamental point of the mutual needs of individuals; hence, a closer cooperation which finds its expression in the division of labour. Secondly, there is not only a division of labour but also a gradation of labour; through the economic life, the principles of hierarchy and domination, are generally admitted. Thirdly, the individuals realizing the benefits of this organization arrive at a state of solidarity.

(1) THE DIVISION OF LABOUR

Ibn Khaldoun states that the mutual needs of individuals and the increasing productivity that results from cooperation are the fundamental causes of the division of labour. He says for instance "There must be an association of a great number of individuals who cooperate in producing their mutual needs, and the output will be more than they require to satisfy their initial wants"⁽¹⁾. Another cause of the division of labour is the differences in aptitudes; speaking on the specialization in industries, he says that the individual who develops a certain faculty in a special industry can seldom near perfection in another one.

Ibn Khaldoun furthermore stressed the relation between the increase of population and the increased division of labour.

(2) ECONOMIC HIERARCHY

In civilized societies there is not only a division of labour but there is also a gradation of labour; throughout the social structure we find works not only varied but unequal.

⁽¹⁾ IBN KHALDOUN : *The Prolegomena*, Ch. I, p. 40.

He considers that hierarchy and domination are necessary, because if left to their free will, the individuals may refuse to cooperate ; " there must be an impulse to make them serve the common interest ; this is why God has given some individuals superiority and domination over others " (1).

(3) SOLIDARITY

Ibn Khaldoun points to the fact that the mutual dependence on the efforts of others, among those who live in an organized society, engenders a feeling of solidarity which grows as the division of labour increases. The more the individual feels his weakness alone and the utility of society to him, the more he becomes imbued with the spirit of solidarity.

II.—Factors of Production

Five centuries elapsed between the writing of Ibn Khaldoun and the Industrial Revolution. The machine had not yet been invented ; the financing of enterprises, as we are nowadays familiar with, had not taken shape ; thus the industrial and financial structure differed greatly from the present one.

In that society, small scale enterprises prevail ; the entrepreneur had not yet emerged ; the essential factors of production were land and labour ; capital had not the importance it acquired later ; the organization of the factors of production as an autonomous factor, had not originated, because it is the offspring of the Industrial Revolution.

(1) LABOUR

All the factors of production do not enjoy the same importance in the different times ; in the primitive stage, nature rules supreme ; in more advanced societies, we find that the labour factor becomes most important ; ultimately we arrive at the capitalistic ages which are governed by capital. The decade in which Ibn Khaldoun wrote his *Prolegomena* is clearly marked by the supremacy of labour among the factors of production. This is why we find Ibn Khaldoun stressing its importance.

i —————

(1) The *Prolegomena*, Ch. V, p. 370.

It is a common factor in all production enterprises, and, as remarks Ibn Khaldoun, there must be labour even in the gathering of nature's produce.

Ibn Khaldoun conceived labour as a measure of value, but he saw also that effort does not necessarily coincide with productivity; we must produce what is appreciated by society and corresponds to its wants. On the one hand he takes into account the effort expended by the worker but on the other hand this effort must satisfy a want of society.

This point will be expounded in the theory of value.

(2) NATURE

Though Ibn Khaldoun has made labour the axis on which production revolves, yet he did not neglect other factors; he wrote some chapters dealing exclusively with the importance of the factor of nature.

His opinion is that nature influences greatly human conditions; he sees that climate is very important in economic activity, that a moderate climate encourages prosperity; "the people of temperate zones, he says, are very fair in their dwellings, industries, ways of living; they live in well-built houses furnished lavishly; they try to improve their tools and utensils and make all efforts in that direction and they use metals such as gold, silver, iron, copper, lead and they use gold and silver in their transactions." (1)

He is of the opinion that man acquires his qualities, including economic aptitudes, not because he is from a special race but through the effect of natural environment. He compares the economic behaviour between those who live in the same climate and regional environment "Algiers, though it is near Tunis, greatly resembles Egypt and differs very much from Tunis; Egyptians and Algerians are light hearted and live on their daily gain; Tunisians, being a mountainous people, care for the morrow and, though they may have two years' surplus of wheat stored at hand, yet they go down to market and buy their daily need." (2)

Nature influences also production through the fertility of the soil "These temperate regions are not all fertile nor are their inhabitants living leisurely; some regions are fertile; their peoples enjoy plenty

(1) The Prolegomena, Ch. I, p.p. 79-80.

(2) The Prolegomena, Ch. I, pp. 82-84.

of food and fruits ; other regions are arid and their peoples lead a life of privations and live on milk and its products, from the rearing of cattle. . . " (1)

(3) CAPITAL

As for capital, he did not attribute to it an independent status ; in fact, capital, at that time, was not distinct from the other factors of production, the craftsmen embodying in themselves the factors of labour and capital. . . It was not till the Industrial Revolution, that the capitalist class was born. Speaking of a period, somewhat near to Ibn Khaldoun's writings, Prof. Ashley says " Now speaking generally, it may be said, that during the period from the eleventh to the fourteenth century, there was but a very small field for the investment of capital. . . " (2).

III.—The Evolution of Production

As society advances from its rudimentary or primitive phase to a civilized phase its productive powers undergo a profound development and its economic structure is greatly changed. From the mere satisfaction of physiological urges, the individual becomes acquainted with new horizons of knowledge, new tastes and new social and aesthetic interests.

Toward those new and ever growing interests the productive powers of society are directed ; according to Ibn Khaldoun, this trend is governed by two laws ; the law of the least effort and the law that the necessary comes before the complementary.

(1) LAW OF THE LEAST EFFORT

The first law is that production goes from the least difficult to the more difficult, from the simple to the complex ; thus agriculture being simple is chronologically in advance of industry ; likewise hunting, fishing, production of rudimentary tools. . . ; these are the occupations of the primitive stage of production.

(1) The Prolegomena, Ch. I, pp. 82—84.

(2) ASHLEY : Economic History and Theory, p. 155.

(2) THE NECESSARY COMES BEFORE THE COMPLEMENTARY

The second law is that production is guided by wants ; it goes from the essential to the complementary, from the physiological to the social and conventional interests ; thus food production comes before house building, clothes come before music.

(3) THE FACTOR OF KNOWLEDGE

Knowledge, whether by instruction or contact with old civilization is of great importance in this evolution of production. Ibn Khaldoun stresses the necessity of instruction in industries ; furthermore, he points to the fact, that contact with older civilization engenders new wants ; more refined ways of living are learnt and thus production is guided to the satisfaction of these new wants.

(4) THE FACTOR OF DEMAND

Ibn Khaldoun also knows the law of demand and its relation to production. For example he writes as a title of one of his chapters " That industries are improved and thrive where there is a large demand for them."

Explaining this he says " Its cause is clear ; the individual does not allow his labour to go gratuitously because it is his means of living and he will employ it in what has a value in his town, so as to profit from it ; if the industry is demanded and prospers, it enjoys the position of a commodity much asked for, which is brought to market in order to be sold ; individuals try to learn this industry and to acquire it as a means of living ; if the industry is not demanded and does not prosper no attention is directed to learning it and it is abandoned and neglected." ⁽¹⁾

(5) THE FACTOR OF SECURITY

Security, also, influences production ; whereas wars and revolutions greatly impede production. The greater part of the State's attention is thus directed to military preoccupations ; schemes for prosperity come in time of rest, free from these preoccupations.

⁽¹⁾ The Prolegomena, Ch. V, p. 381.

IV.—Natural Means of Living

According to Ibn Khaldoun there are two kinds of means of living ; the natural means including agriculture, industries, crafts, services, commerce ; and unnatural means including some kinds of services, alchemy, prediction of the future (astrology) and search for hidden treasures. Production having different phases, the means of living differ accordingly.

(1) PRIMARY PHASE

In the first phase or the primary stage, the individual produces what is most simple, natural and most necessary for himself. Thus we find, that his first occupations are agriculture, hunting, rearing of cattle, milk, honey and silk extraction. "Agriculture precedes industries and commerce because it is simple, natural and spontaneous ; it does not require talents or scientific aptitudes." (1)

Definition of Agriculture.

Ibn Khaldoun defines agriculture by saying that "It is the work which has in view the production of foodstuffs, cereals, by ploughing land and cultivating it and giving attention to its plants and irrigating them and doing all that is related to them." (2)

Humility of Peasants.

"Agriculture he says being rudimentary is not practised by refined people or by those who are luxury minded ; those who practise it are humble because they are often oppressed by rulers." (3)

Prof. Saleh Bey says in this respect "that one should not be astonished at the opinions of Ibn Khaldoun on the matter because he echoed the opinions of the Arabs who detested taking the agricultural job because it implied settlement in a determined locality and this settlement gives the rulers the opportunity to extend their will and domination over peasants and to impose on them tolls and taxes.

(1) The Prolegomena, Ch. V, p. 363.

(2) The Prolegomena, Ch. V, p. 384.

(3) The Prolegomena, Ch. V, p. 373.

Add to this that the Arabs who never practised agriculture enjoyed independence during their whole history and even subdued their neighbouring countries such as Persia, Syria and Egypt, which countries practised agriculture, so that agriculture became the symbol of subjugation and humiliation” (1)

In progressive communities, agriculture falls to the back-ground and tertiary production occupies the first place. Ibn Khaldoun, who lived in the flourishing centers of trade and industry, considered agriculture as allied to backward communities.

(2) SECONDARY STAGE

In the secondary phase, production is directed to those things which require skill and which are more or less complementary ; the individual learns new crafts and industries ; he builds houses and furnishes them ; he builds ships ; he manufactures paper ; he asks for medical service ; he wants instruction ; he likes music and singing. New crafts or industries, new services are introduced. As a whole they require skill and this is gained by experience and instruction ; they are not spontaneous and natural ; they are “ artificial ” ; Ibn Khaldoun has chosen the name “ *sinaa* ” which means “ artificial ” for these new types of production ; we translate it by the word “ industry ” or “ industries. ” Under this title are grouped crafts and services. He says for example “ the industry of medicine ” and “ the house building industry. ”

He is thus one of the first economists to acknowledge the productive character to services. This has not always been recognized. Adam Smith considered the professions as unproductive, because “ they do not fix or realize themselves in any permanent object which endures after that labour is past. ”

While Adam Smith explicitly considers that the work of school teachers and professors is unproductive, Ibn Khaldoun, on the contrary, explicitly admits “ That the instruction of science is one of the industries and thus is productive. ” He considers also the profession of singing as productive.

(1) *Revue Al-Quanoun Wal Iktisad*, 1933, p. 767.

Specialization in Industries.

Ibn Khaldoun has noticed two kinds of specialization; among individuals there must be a specialization in professions and crafts; there is also a certain localization of industries among the different countries.

He explains the individual specialization by saying that the individual who acquires a certain talent in one craft can seldom acquire equally well another one. He also says that those who are not skilled in a definite craft can acquire skill more easily than those who already are skilled, because the first kind are more readily instructed and taught a new trade. ⁽¹⁾

As for the specialization in industries among localities he says that industries are practised according to the demand of the community. "The producers of what is necessary for living are found in every locality such as the tailor, blacksmith and carpenter and the like; the production of what is asked for by luxury-minded people is only found in large cities; luxury gives impulse to new industries to meet the demand; these industries are thus localized in these cities." ⁽²⁾

He explains thus the localization of industries by pointing to the fact that industries expand according to demand, this being the result of the circumstances of the locality and the ways of living of its inhabitants. Nowadays, it seems that the essential factor in this phenomenon is the supply factor; raw materials and the motive power often determine the locality of an industry; we should, however, remember that at the time of Ibn Khaldoun, the essential factor of production was labour and it flocked where the demand for it was more imperious.

(3) COMMERCE

Definition of Commerce.

"Commerce is the search for gain through buying commodities at low prices and selling them at high prices, whatever may be the commodity: agricultural products, animals, cloth, etc. . . . To attain this gain, the trader either stores goods and waits for the fluctuations of the market, from low to high prices, . . . or he transfers the commodity to a locality where it prospers more than in the locality in

⁽¹⁾ The Prolegomena, Ch. V, p. 333.

⁽²⁾ " " " IV, p. 358.

which he bought it . . . in brief commerce can be summed up in two words : to buy cheap and sell dear." (1)

Thus, according to Ibn Khaldoun's definition, commerce is performed through the transfer of goods either in space or in time.

Conditions of Commerce.

(a) In the trader.

"The gain acquired by commerce, is small in proportion to the capital used ; but if there is a large capital used then the gain represents a good lot because a slight quantity multiplied by a large number makes a good deal." (2)

The trader, however, in his search for gain, has to surmount many difficulties ; so it is not sufficient to possess a large capital but one must have certain necessary qualities. Ibn Khaldoun explains the circumstances in which trade is carried on : frauds, falsifications, denial of rights, non payment, delay in payment " which represents a loss because it impedes the investment in profitable use during the delay." (3)

"The trader must be capable of defending successfully his rights and must have enough courage in order to deal with the rulers and should acquire prestige which will aid him in obtaining his rights. . . The individual who has not enough courage and who does not enjoy prestige should not practise trade or he risks to lose his wealth which is devoured by buyers. . ." (4)

(b) In Commodities.

Ibn Khaldoun is aware that all commodities do not give the same opportunities of gain, so, the trader, he says, " should choose those commodities which are commonly needed, whether by rich or poor, governors or ordinary folk because this makes them more demanded ; if he deals only in a commodity required by a special category, he

(1), (2), (3) and (4) The Prolegomena, Ch. V, p. 374.

risks to face a slumber in his trade when their demand is stopped because of some circumstances or incidents. . .” (1)

He advises the trader to deal in the middle quality of the commodity because high quality is only demanded by rich people and high dignitaries, and those form a small fraction of the people. Perhaps even at that time they were thinking in terms of standardization. . . .

He remarks that where the risk is greater in the importation of goods, gains also tend to be greater. “The transfer of goods from far away countries or through dangerous zones is of greater profit to traders and secures the fluctuations of the market in their favour, because the transferred good is rare and eagerly demanded, owing to its distant source or the risk incurred in its importation ; it becomes thus rare, and much demanded and its price consequently rises. . . if however its exporting country were near, and its communications secure, there would be many importers and it would be abundantly supplied and its prices tend to be low. . .” (2)

Monopoly.

Ibn Khaldoun criticizes the phenomenon of monopoly (3), yet the greatest burden of his criticism concerns the monopoly of foodstuffs ; monopoly of luxuries is not much detested ; Ibn Khaldoun has shown in the most scientific way the merits of a free market ; he said that free competition leads to the maximum satisfaction of wants ; it is natural then that he should combat monopoly which is the antagonist of the free market ; yet the harm caused to consumers differs according to whether this monopoly affects essentials or luxuries. He pours all his wrath on the monopolisers of essentials ; it should be pointed out that monopoly by its nature asks for an object with an inelastic demand ; were it an object with an elastic demand the law of substitution would enter into action ; it ensues that monopolistic firms try to monopolize what is essential to society and so the influence of their monopoly is greater in its injury to consumers ; what we point to here indicates the importance of the differentiation made by Ibn Khaldoun between monopoly of essentials and monopoly of non-essential commodities.

(1) The Prolegomena, Ch. V, p. 375.

(2) The Prolegomena, Ch. V, pp. 375-376.

(3) The Prolegomena, Ch. V, p. 376.

This injury which consumers endure makes them hate the monopolizing producers; and this dislike becomes more pronounced in a world where capitalists form a class apart; monopoly then is in the hands of capitalists, and this class incurs the hatred of other classes and monopoly becomes one of the causes which embitter class struggles.

Here also time justified Ibn Khaldoun's view when he said that there is a psychological gap between consumers and monopolists. "Individuals, he says, being in need of the essential foodstuffs are compelled to pay the price by sheer compulsion, and their souls rest attached to the money they have paid, and, in this attachment to one's money, there lies the secret of its being awful to those who take it forcibly. . . . Monopolists incur the malediction of consumers and their gains deteriorate. . . ." (1)

V.—On the Unnatural Means of Living

In contrast to the natural ways of living, which are agriculture, industries, trade, services and professions, Ibn Khaldoun mentions some occupations as being unnatural ways of earning a living. This differentiation has been made by Aristotle; however, Aristotle states among the natural means, conquest and pillage; Aristotle states also that commerce is not natural and is to be disdained. Ibn Khaldoun treated the matter from a much higher point of view. What is not natural, is what is based on frauds, exploitation, or ignorance. He gives some examples of this kind. (2)

(1) SEARCH FOR HIDDEN TREASURES

"Many of the weak minded people try to excavate hidden treasures and they believe that riches of bygone nations are stored underground, and sealed upon by magic talismans. . . . Some people who are inapt to lead their life through natural means, pretend to have come across the lost talismans and present worn papers and claim that these are documents of the treasures, containing their description and location. They approach influential people and persuade them that they have approached them in order to profit from their prestige and protection

(1) *The Prolegomena*, Ch. V, p. 376.

(2) Aristotle was concerned with the methods of acquisition. Ibn Khaldoun conceived production, not from the point of view of the acquisition of material goods, but from the point of view of the creation of utility.

and they exploit their credulity by taking money for search and excavation. . . . Weak minded people are fond of such work in secret and when they find nothing they impute the cause to their ignorance of the talisman. . . ." (1)

He points to the fact that "it is no use asking where are the riches of the ancient nations because riches of gold, silver, precious stones, are metals acquired just as iron, copper, lead. . . the economic activity makes them manifest by human labour and they circulate among society; they may go from one country to another, from one State to another according to the state of prosperity. . . ." (2)

He says that in Egypt treasure seekers were so active that, when taxes were imposed, they were extended to treasure seekers, which work was thus legalized. . . however they found nothing but disillusion. . . (3)

Does not all this sound like the following statement on treasure seekers in the XXth century "Legend tells of great treasure caches in the sierra. Any "west coaster" can tell tales of lost cities in the interior. Beach combers have sold maps to the unwary showing the "exact location" of fabulous treasures. We were approached time after time with advice on how to locate various treasures. Once we figured up the total. We had passed up wealth worth \$ 46,000,000." (4)

(2) ALCHEMY

In the time of Ibn Khaldoun and throughout the Middle Ages, the preoccupation of the alchemists was to change metals as iron or copper into gold. . . .

Ibn Khaldoun condemns these vain efforts and says that it is not a natural industry but something related to magic. . . . (5)

(3) PREDICTION OF THE FUTURE

Some astrologists claimed to predict the future from the study of stars. . . Ibn Khaldoun says that "it is not a science, because science

(1), (2) and (3) The Prolegomena, Ch. V, pp. 365-366.

(4) The National Geographic Magazine, January 1933, p. 89.

(5) The Prolegomena, Ch. VI, p. 503.

is based on experiment and experiments require repetition of the same phenomenon. . . As for stars, they take long courses to return to their initial position once more ; some of them take so long a course that all the human ages would not be enough to see its completion. . . . Thus repetition lacks. . . and the given results may be the result of hazard. . . Furthermore it is not sufficient to see under what star one was born ; but there are other factors governing the human development such as heredity. . . Sometimes astrology has been used to spread false news and panic. . . It must be condemned by rulers." (1)

(4) SUBMISSIVE OR SALARIED STATE

Servants are of two kinds : public servants and private servants. Public servants are those employed by the Sultan for governing such as soldiers, policemen, clerks ; these take their salaries from public receipts. Private servants are employed because the majority of luxury -- accustomed people are prevented by pride from serving themselves by themselves, or because they may be ignorant of how to serve themselves, due to the idle living in which they have been brought up. (2)

He remarks that public servants lead an unnatural way of living ; he says that it is natural that there should be a government but it depends on how it acts ; now, there is often in its actions injustice, fiscal pressure ; so according to him, those public servants who receive their shares from public receipts, vitiated by injustice, oppression and fiscal pressure, are leading unnatural ways of living. Perhaps this view has its foundation in the fact that Ibn Khaldoun has been shocked by seeing government officials leading a life of plenty among fiscally oppressed people ; he may also have been influenced by islamic tradition which showed contempt of the exploitation of public employments for personal welfare.

Ibn Khaldoun combats also the salaried state ; he considered it as unnatural means of living ; by this view, he does not pass a general judgment on services. Ibn Khaldoun did not say that services were unproductive ; he recognizes in general the importance of

(1) The Prolegomena, Ch. VI, p. 518.

(2) The Prolegomena, Ch. V, p. 364.

labour. Services related to industry, agriculture, and commerce are necessarily, by his definition, natural. The remark, then, concerns private salaried servants and tends to point to the fact that employees in general are lacking in self interest and that lazy employees obtain a reward that is not justified by their productivity. The hypothesis is that one can do a certain work but does not do it by himself through haughtiness or laziness; the employees or servants doing this for him are not having a natural way of earning a living. He argues thus "most of the well-off people think it unfit for them to satisfy their wants directly, or are unfit to do this because of the life of luxury they have been accustomed to; they engage servants to do this for them, but this is not a commendable state of manhood, because confidence may mean incapacity." (1) Certainly the existence of "idlers" is not to be looked at favourably from the economic point of view of society.

Then he says that the employee must be one of four things "capable and honest or incapable and dishonest, or capable but dishonest, or honest but incapable; the first one cannot be employed because he is not in need of employment except for posts of prestige; the second one is a good for nothing; the other kinds are those generally employed and the capable but dishonest is preferable if he can be controlled." (2) So he condemns morally the habit of engaging many servants which represents from an economic point of view a real waste and he shows the disadvantages of salaried work.

Causes of this Tendency.

In the opinion of Ibn Khaldoun, the tendency towards unnatural ways of living such as treasure seeking is due to "ignorance and especially to the inability to afford the natural ways. The State imposes penalties, yet penalties remain without effect because this phenomenon is deeply rooted in society as a result of its increased luxury customs and extravagances; so that natural ways are not sufficient to meet the increased expenses; now if one is not able to stick to natural ways, he will hope to find in a single stroke a fortune in order to satisfy the wants and customs which have captivated him." (3)

(1) and (2) The Prolegomena, Ch. V, p. 364.

(3) The Prolegomena, Ch. V, pp. 368-369.

VI.— Was it a Static Economy ?

G. Bouthoul considers that the society described by Ibn Khaldoun had a static economy ⁽¹⁾, characterised by economic rigidity. His reasons are :—

- (1) the lack of credit ;
- (2) the political authority was despotic ;
- (3) organization of industry by means of corporations ;
- (4) the lack of money.

It should be noted however that credit was not much demanded because labour was the most important factor of production while capital enjoyed a secondary rôle.

Secondly : The State being despotic does not mean that its acts were all arbitrary and unjustified. Islam imbued the government with principles of moderation.

Thirdly : We find no trace in Ibn Khaldoun's writing of the controls of corporations. On the contrary, industries developed according to the state of civilization, step by step. Inventions and improvements were always welcomed. Skilled craftsmen were eagerly sought for.

Fourthly : Ibn Khaldoun did not notice this said lack of money. On the contrary, he says that the quantity of money depends on the state of prosperity ; it abounds with prosperity and decreases in slack times.

Moreover, he stresses the tendency of production towards luxuries ; this tendency is seen in progressive societies and some authors advise to encourage it, in order to ward off economic rigidity. This tendency is parallel to expanding appreciations and the maximizing of satisfactions which are characteristics of progressive economic societies.

However, it should be admitted, that the economic structure at the time of Ibn Khaldoun had not the elasticity nor the magnitude of nowadays. It does not necessarily ensue that it was a static economy.

(1) G. BOUTHOUŁ : *La Philosophie Sociale d'Ibn Khaldoun*, pp. 35-36.

Chapter III.—THEORY OF VALUE AND PRICES

I.—Concept of Value

(1) OUTLINE OF MODERN THEORIES ON VALUE

The concept of value and its determination has long been an object of controversy among economists especially from the eighteenth century onward. Was it to be determined by the utility of the good or by the effort spent to produce it, or was it to be based on scarcity or on the cost of production?

Different opinions were advanced to explain the concept of value. The more important theories have been: labour value, cost of production, utility, marginal utility and the theory of economic equilibrium. The theory of utility could not explain the low prices of certain essential commodities and the dearness of prices of commodities of poor utility like precious stones; Ricardo and Smith stressed the importance of the cost of production and the rôle of labour; the cost of production however is not the cause of value but is the consequence of the employment of things having value; whatever may be spent on a certain commodity, it will be without any value when it no longer procures utility to its possessor.

It appears from the study of the different opinions that there are two tendencies in the explanation of value; the first is objective; it looks to the commodity itself, the cost of its production; the other is subjective, it considers utility and demonstrates that the basis of value is a psychological one.

Pareto considers that the concept of value is obscure and he prefers to use the concept of prices.

His opinion is that no single explanation can be advanced in explanation of value because this would imply an utter ignorance of the phenomenon of economic equilibrium. The value of a commodity is not the direct result of its utility, cost of production, scarcity, supply and demand, but it depends also on the circumstances affecting other commodities. The condition that "all other things remain equal" is not realized and thus all single explanations of value are inadequate.

We can sum up the essence of the various explanations of value in these points :—

- (1) Value is affected by the cost of production.
- (2) Labour is one of the most important factors affecting cost of production and consequently value.
- (3) Demand varies according to the utility of the commodity.
- (4) Value is affected by the interaction of demand (utility) and supply (cost of production).
- (5) Values of commodities are interdependent.

Ibn Khaldoun has written some opinions on value and prices in different chapters. He has not tried to formulate a complete theory ; his writing, however, includes important elements comprising the points above-mentioned.

He has shown that value is the result of the interaction of demand and supply, utility and cost of production ; value results from human efforts and external factors not under human will. He stressed the importance of the labour factor, this being the most important factor of production. Furthermore, he had a clear idea of the interdependence of economic phenomena and the interdependence of markets and prices.

(2) IBN KHALDOUN'S VIEWS ON VALUE

Ibn Khaldoun begins by saying " that God has given man a free hand to exploit nature and that mankind has a common hand on its wealth. What is acquired by one, however, becomes inaccessible for others until they pay the reward " ; he says that the individual tries to acquire, things having value in order to exchange them for the satisfaction of his wants. " (1)

The acquisition or production of those things having a value is in general the result of human efforts and capacity ; in this case it is called according to Ibn Khaldoun " Kasb " or gain ; it corresponds to means of subsistence " maash " or to comfort standards " riash. " (2)

Sometimes utilities are not acquired as a direct result of human efforts e.g., the rain that gives value to land. He says that such cases are not the rule and must be accompanied by human efforts. (3)

(1) (2) and (3) The Prolegomena, Ch. V, p. 361.

He distinguishes between two kinds of income: *Kash* which we have explained and *rizk* which is the consumed part of income. ⁽¹⁾

Nowadays a similar distinction is made between that part of income which is consumed and that which is not, the latter part loses the nature of revenue and becomes capital.

(3) IMPORTANCE OF LABOUR IN VALUE

Ibn Khaldoun stresses the effect of labour on value; he says "there must be labour in all objects of wealth; this is clear in industries and professions; there also must be labour in order to profit from the acquisition of animals, plants, metals; if not they are not put to any use; in some industries there must be raw materials, as, in carpentering, there must be wood; yet labour's share in their product is greater and the greater part of value is due to it; in other cases we must consider the labour spent to acquire the object in question; sometimes the rôle due to labour is clearly seen, and to it is attributed a great or small part of value. It requires sometimes a keen insight in order to ascertain the effect of labour on value, e.g. the effect of labour and costs on the value of agricultural products; it is seldom felt in fertile countries where the agricultural expenses are few." ⁽²⁾

Though Ibn Khaldoun acknowledged that human efforts are the major cause of value, yet he did not say that they are its exclusive origin, his view is merely to stress the importance of human efforts in value. His view does not coincide with the labour theory of value; all that he deemed to demonstrate is the importance of labour in production and value.

(4) THE CONCEPT OF RENT

As we have shown above, Ibn Khaldoun states as a rule the necessity of human efforts in the production of things having value. He mentioned the case of rain which benefits agriculture as a rare one and said that it must be allied to human efforts.

In the preceding example, we may say that the land which has been visited by rain has a rent over the other lands: a rent, a privilege which is not due to human efforts. However the concept of rent

⁽¹⁾ The Prolegomena, Ch. V, p. 361.

⁽²⁾ The Prolegomena, Ch. V, p. 363.

is indicated in a more expressive way in two other examples. The first applies to the differential rent in lands because of the use of marginal lands less productive than those previously cultivated, the second applies to a quasi-rent of time in the prospects of gain.

(a) *Differential rent in land.*

Speaking of the differences in productivity among different lands, he says "It happened in Andalusia that the Arabs were compelled to cultivate arid lands, when Christians wrested the fertile lands from them; they cultivated the new lands by importing fertilizers; these costs became included in the cost of production of their agricultural products and thus their country became known for its high level of prices, from the time they were pushed from fertile lands to mountainous regions. When one hears of the high level of prices of their agricultural products, he should not think that this is due to the inadequacy of their methods of production; on the contrary, they cultivate their lands intensively and have a highly developed agriculture." (1), (2)

(b) *Differences in the value of property.*

The productivity of the same property differs according to the change of economic conditions.

These differences in the possibilities of exploitation of the same property are reflected in its value. "Large estates are acquired, he says, either by the concentration of large fortunes in one heir or through buying property when its value is low because of the decline of the State and the lack of protection and security and the poor utility which it conveys; when the State recovers, prosperity returns, exchanges multiply and the utility which property conveys increases; its value increases and wealth is thus secured." (3)

"Wealth is thus secured, he says, not through human efforts and capacity because this capacity is inapt to realize such large fortunes." (4)

(1) The Prolegomena, Ch. IV, pp. 345, 346.

(2) M. Claudio Jannet says that Ibn Khaldoun noticed the increasing dearness of land due to its scarcity and the pressure of population." *Capital, speculation et finance au XIXe siècle*, p. 117.

(3) and (4) The Prolegomena, Ch. IV, p. 344.

II.—Theory of Prices

(1) CONCEPT OF THE MARKET

Ibn Khaldoun has defined the market as being the machinery through which human wants can be satisfied, "some commodities are essential, such as foodstuffs and cereals; others are complementary as fruits, ships, building material . . ." (1)

The progress in the means of communications, large production, export industries, introduction of machinery, etc. . . , have deeply altered the market structure known at the time of Ibn Khaldoun. The market, in regard to some commodities, has become international and has been freed of local ties.

Before this expansion and this evolution, the market was more or less of local character, varying in importance according to its location, population and prosperity of the country. Thus, there have been two kinds of markets: the markets of great cities, rich and prosperous, and the markets of small localities with limited resources. Ibn Khaldoun has distinguished both kinds and has studied prices in both of them; before expounding his views on them, let us have a glimpse at his opinions about the law of supply and demand.

(2) LAW OF SUPPLY AND DEMAND

We find applications of the law of supply and demand in his writings; in some instances he stresses the factor of demand; on other occasions he specially mentions the factor of supply; on the whole his view is that prices are the result of the interaction of these two factors.

The Factor of Supply.

(a) Ibn Khaldoun points to the effect of the cost of production on prices; the cost of production includes, according to him, the cost of living and taxes; he says "traders add to the prices of their commodities all that they spend, even what they spend in maintaining their living; thus taxes are included in the values and prices of commodities. . ." (2)

(1) The Prolegomena, Ch. IV, p. 344.

(2) The Prolegomena, Ch. V, p. 353.

(b) He mentions the factor of the rarity of goods; he says "the importation of goods from far off countries or through dangerous zones is of greater profit to traders and secures the fluctuation of prices in their favour, because the transferred good is scantily supplied and eagerly asked for; . . . its price consequently rises; if it were imported from a nearby country, or through secure communications, there could be many importers and it could be abundantly supplied and its prices tend to be low. . . ." ⁽¹⁾

(c) He gave the example of the recourse to marginal lands and its effect on the level of prices "in Morocco, he says, where land is fertile, cost of production is very slight and prices of agricultural products are low." ⁽²⁾

The Factor of Demand.

(a) Prices of luxuries, he says, are high; according to his opinion this is due in a large measure to the intensity of demand of the luxury-minded people. ⁽³⁾

(b) He also points to the effect of the purchasing power on prices, he says that in small markets where the purchasing power of customers is weak, prices tend to be low; purchasing power, it should be remembered, directly concerns demand.

III.—Prices in Large and Small Markets

PRICES IN LARGE MARKETS

The large market is distinguished by the size of demand and supply because of the density of population and the city's prosperity. Prices vary in large markets according to the quality of the commodity, whether it is essential or provided for luxury purposes.

(a) Cheapness of Essential Commodities in Large Markets.

Ibn Khaldoun states that the prices of necessities as cereals become low as the market enlarges. The reason for this, he says, is "that these commodities, being essential to the society attract great attention

⁽¹⁾ The Prolegomena, Ch. V, p. 375.

⁽²⁾ and ⁽³⁾ The Prolegomena, Ch. IV, p. 345.

of producers; they are produced abundantly; there is a surplus of these cereals which thus more than satisfies the needs of others; their prices are low in general, except in cases of abnormal atmospheric or natural conditions; if they were not stored, for fear of such circumstances, they would have been given without reward because of their large production. . . " (1)

Prof. Saleh Bey criticizes these views and says that large population asks for more foodstuffs and accordingly their prices increase; moreover if individuals do not store them, this does not mean that they will be given gratuitously because the producer would have no interest in continuing his production; in case of the lack of storage, prices would drop at a time, if the supply is too large, but not to the degree of giving these commodities gratuitously.

The phenomenon itself, namely the cheapness of prices of cereals in large markets, really takes place, but certainly not to the point of giving these commodities gratuitously.

(b) *Dearness of Luxury Commodities in Large Markets.*

According to Ibn Khaldoun luxury goods are not of a common use among the people and therefore are produced in limited quantities; on the contrary demand is great for them in prosperous communities; "there is an intense competition among their seekers; rich people pay extravagant prices for them; from this ensues the dearness of their prices." (2)

Ibn Khaldoun gives the reasons for the dearness of industries and services in prosperous markets; he says "the causes of dearness are threefold; the first is the intense demand for luxuries; the second is that producers have a great bargaining power because of the easiness of maintaining a living due to the cheapness of food; the third is the great number of luxury-minded people who compete for the acquirement of services and thus workers and craftsmen demand high prices and there is a great deal of the national income spent on these luxuries." (3)

(1) The Prolegomena, Ch. IV, p. 344.

(2) and (3) IBN KHALDOUN: The Prolegomena, Ch. IV, p. 345.

Once more, Prof. Saleh Bey criticized Ibn Khaldoun in this opinion and tried to explain his errors by the prevailing circumstances of his time; he says "this may be true when the supply of these goods is inelastic, that is, when their production requires a great deal of time according to modern economic theories high prices of goods due to; insufficiency of supply induce producers to produce them and their competition makes prices decrease; however this presupposes mobility of labour and no moral or cast hindrances; then, he asks "Was this the case in Ibn Khaldoun's time?" and he replies that there were hindrances suppressing the mobility of labour." (1)

Ibn Khaldoun's view can be defended; modern economists have provided for its explanation through the theory of the purchasing power of money, understood in terms of marginal utility. This theory implies that individuals compare the marginal utility of the good to the marginal utility of money. In the popular strata the marginal utility of money is great, prices of their commonly consumed goods should be low; in rich classes the marginal utility of money being slight, prices of luxuries tend to be high. There is thus a huge gap between the prices of luxuries and the prices of essential commodities; this difference is mostly noticed in great cities where large divergencies in purchasing power are the rule. This is the fundamental fact which Ibn Khaldoun described regarding prices in large markets.

PRICES IN SMALL MARKETS

(a) *Dearness of Foodstuffs in Small Markets.*

He says "in small markets the supply of food is scarce because labour is scarce and because, as their localities are small, the people are in fear of not finding their food, and so they cling to what they possess of it and store it; it thus becomes rare and dear." (2)

(b) *Cheapness of Complementary Goods and Services.*

Ibn Khaldoun considers that in small markets, there is but little demand for luxury goods and consequently, they command low prices; in small markets purchasing power is nearly equal and generally weak, this is why luxuries are not demanded. (3)

(1) Prof. M. SALEH BEY: *Revue Al Quanoun Wal I ktissad*, p. 795, 1933.

(2) and (3) The Prolegomena, Ch. IV, p. 345.

IV.—Interdependence of Prices

A slump, once begun partially, soon extends to other branches; from agriculture to agricultural industries, to public finance, etc., economic activities are interdependent and form a unity.

He describes how the slump in some branches affects other branches and says "if low prices prevail in agriculture, this will affect all those interested in land products; in the first instance come peasants, then workers, bakers, and the slump reaches the cloth industry, etc. . ." (1)

He is of the opinion that extremely low prices as well as extremely high prices affect adversely those interested in the goods in question; moderate prices are the best; high prices hinder the obtaining of maximum satisfaction; excessively low prices are to be encouraged in foodstuffs because they are bought by rich and poor alike, the poor being the majority. He thus stresses the fact that economic considerations alone cannot make us disregard totally the social and moral considerations.

V.—Prices in Controlled System

Ibn Khaldoun speaks about two forms of controlled markets: monopoly and price fixation; monopoly may be legal or effective; this last kind is the one studied by Ibn Khaldoun; he condemns monopoly because he considers it as an abuse, "products are bought at the lowest prices and they are sold to consumers at the highest prices. The monopolist incurs the malediction of consumers. Bitter resentment and psychic factors pursue and affect him adversely." (2)

Price fixation by the Sultan is a dangerous method which hinders the progress of the free market.

He says "the Sultan may take goods at the lowest prices, or he may not find individuals that dare to bargain with him on prices and thus he buys his goods at the lowest prices, or compels traders to buy his goods at fixed prices; this may be repeated until it confiscates their capital." (3)

(1) The Prolegomena, Ch. V, p. 377.

(2) The Prolegomena, Ch. V, p. 376.

(3) The Prolegomena, Ch. III, p. 266.

The price fixation that Ibn Khaldoun denounces was a measure of confiscation and is different from the modern systems which have in view the furtherance of social justice hindered by special circumstances. It is also different from the concept of just price known in the Middle Ages.

VI.—The Wages Level

The law of supply and demand also governs this question but its application is subject to some adjustments.

He says, "the value of different kinds of labour varies according to the need for them." (1)

He gives the example of professors and teachers; he says that their wealth is limited because the need of the society for them is not great, and at times they have been considered unnecessary; furthermore, they refuse to have recourse to flattery of the powerful potentates in order to be patronised by them and through their prestige gain wealth; they consider this as dishonourable.

He supports his opinion by statistics and says "Some have refused to believe in the veracity of this statement but I came across some archives of Al Mamoun's State containing the receipts and expenditure of the State; through these papers I was able to convince those who were not ready to believe." (2)

There is however a minimum level of wages which is the subsistence level; he says "the majority of peasants, traders, if devoid of prestige, hardly escape poverty." (3)

According to Ibn Khaldoun, political protection gives greater opportunities of wealth. This point will be studied in Chapter V. "Moral factors, Production and Prosperity."

Chapter IV.—THEORY OF MONEY

I.—Minting

Minting, says Ibn Khaldoun, is an attribute of rulers; it is a necessary function of rulers because it is the means to distinguish good from false money and thus guarantees the security of transactions.

(1) and (2) The Prolegomena, Ch. V, p. 373.

(3) The Prolegomena, Ch. V, p. 371.

Minting is the name of the operation of stamping an iron seal on a piece of gold or silver so as to inscribe certain figures indicating the calibre.

First, minting "sicca" was used to indicate the seal itself which was used in the operation; afterwards it served to indicate the imprint itself, and finally, it denoted the operation. ⁽¹⁾

Ibn Khaldoun explains how the Arabs at first did not know minting but used to weigh gold and silver coinage produced by the Persian and by the Byzantine Empires; when false coinage became common, the Caliph Abdul Malek Ibn Marawan ordered the introduction of minting.

False coinage was especially the work of some alchemists who tried to imitate gold by using amalgams of silver and copper. "These dangerous persons, urged Ibn Khaldoun, must be exterminated at any cost. The Sultan must see to this because it is his duty to preserve the medium of exchange intact." ⁽²⁾

After the introduction of minting in Islamic countries two systems were used concerning money: namely gold and silver coins, and gold and silver plates. He says "If the weight of the unit of money is determined, these gold or silver coins are exchanged in number; if the gold and silver pieces have no determined weight they are weighed before being exchanged." ⁽³⁾ Thus the exchange went through minted coins or gold and silver bullion.

II.—The Unit of Money

Ibn Khaldoun explained the historical evolution of the monetary system and how it came that the units of money were fixed according to some weights. He is of the opinion that custom was responsible for this; when the Sultan introduced minting, he adopted the weight of the most commonly used units; there were different dirhems each of a certain calibre; he took the most commonly used dirhem ⁽⁴⁾; this being 12 kt.; in picking the monetary unit the Sultan has followed what has been established by custom.

⁽¹⁾ The Prolegomena, Ch. III, p. 247.

⁽²⁾ The Prolegomena, Ch. VI, p. 524.

⁽³⁾ and ⁽⁴⁾ The Prolegomena, Ch. III, p. 247.

III.—The Function of Money

(a) *Means of Exchange and Store of Value.*

Ibn Khaldoun considered that gold and silver, though being commodities as iron, copper, etc. . . , are especially taken as "the measure of prices of all commodities and the value of services." (1) Gold and silver, according to him, are not only means of exchange, but they are considered as a store of value; he says that the individual who becomes prosperous, invests his savings in gold and silver coins or bullion "because gold and silver are the most valuable acquirements as they are not subject to market fluctuations." (2)

(b) *Monetary Stability.*

Ibn Khaldoun thus lays great stress on the stability of value of gold and silver; it appears that this monetary stability was one of the benefits of the old monetary systems before the introduction of bank-notes and the development of credit; the advance in guarantees of individual rights and liberties has given to mankind prospects of progress, but monetary instability, so peculiar to our modern times, has in a great measure spoiled these prospects.

Commenting on this Prof. Saleh Bey says that "the stability of gold and silver values is true as far as it concerns periods anterior to the XVth century; before the XVth century the quantity of the precious metals was limited and the level of prices was five or four times lower than in the XIXth century; the stability of gold and silver value remained unchanged until the discovery of new mines in America and other countries. . ." (3) We see however, that, except for periods of exceptional mine discoveries, gold and silver tend to be stable in value because of the aleatory character of their production, and especially of gold production.

(1) and (2) The Prolegomena, Ch. V, p. 362.

(3) Prof. M. SALEH BEY: *Revue Al Quanon Wal Iktisad*, p. 801, 1933.

With the development of credit, the uncertain element made its appearance in the monetary field; gold and silver provided for more stability; because of the instability of the monetary system we have seen a return to methods of barter, the bilateral balance of trade taking place of the multilateral balance, to the detriment of an ideal economic expansion.

Were it not for abuses in the issue of auxiliary money made of other metals such as copper, the monetary system of these times responded perfectly to the conditions of monetary stability.

IV.—Quantity of Money in Relation to Economic Activity

(a) *Circulation of Gold and Silver and its Relation to Economic Activity.*

A country must not necessarily produce gold and silver in order to acquire them; gold and silver are a medium of exchange and they can be imported through the export of products.

He says, for instance, "Gold and silver are commodities as iron, copper, lead and other goods; they emerge with prosperity through human efforts; the quantity that exists of gold and silver is exchanged and does not remain in the same hands; it may go from one country to another according to the state of economic activity; it increases or diminishes according to the prevailing prosperity." (1)

He gives the examples of Egypt, Syria, Irak, India, China and shows how money abounds in them; "their States are great, their towns numerous, their firms prosperous. We hear stories about their magnificences like fairy tales. . . the common people may believe that this is because they produce gold and silver or because they may have inherited the ancients' gold and silver treasures; this is not the case; gold comes from the Sudan and all their commodities are exported to other countries; if money originated in their lands why should they have exported their goods? They would not have exported their goods because they have the money which these goods procure for them." (2)

(1) The Prolegomena, Ch. V, p. 368.

(2) The Prolegomena, Ch. IV, p. 347.

This clearly indicates his views on the function of money and that it is not an end in itself and that it increases or diminishes according to the state of exchanges and the economic activity; he had a better understanding of the function of money than the Mercantilists; he had a better view than Adam Smith who considered export trade as the canalization of the "producer's surplus."

He showed that exchanges are transacted in order to reap mutual benefits and that they were effected through gold and silver, the two stable media of exchange, with the end in view to acquire through their means other commodities.

(b) *Velocity of Circulation.*

Ibn Khaldoun states that money is supplied or disappears according to the state of economic activity; in prosperous countries money is abundant.

Ibn Khaldoun connects the thriving of the economic activity with the increase in transactions and circulation; he says that during economic recovery, we see a boom in exchanges and enterprises; he also says that human activities increasing or decreasing, the quantity of money accordingly increases or decreases; thus the velocity of circulation is a cause of the abundance or rarity of the supply of money. . . .

V.—Comparison with other Contemporary Writings on Money

(a) *Middle-Ages Writers.*

It appears that there was a general complaint of the falsification of money at that time; alchemy enjoyed its golden age then, and many false moneyers exploited the credulity of the people. Some writers set in search for a remedy, notably, Copernicus⁽¹⁾, who wrote a "Treatise on the alteration and diversity of money" in which he advised the unification and the sincerity of monetary coins, and Biel (1488) who professed similar views⁽²⁾. Their writings, however, are more practical essays than theoretic inductions; furthermore they came a century after the writing of Ibn Khaldoun.

(1) COPERNICUS, 1472-1543.

(2) RAMBAUD: *Histoire des Doctrines Economiques*, p. 83.

(b) *His Influence on Al Makrizy.*

Later on, Al Makrizy, who followed the courses of Ibn Khaldoun when he came to Cairo, wrote a book on the economic conditions in Egypt. ⁽¹⁾

He developed the idea that the monetary instability was responsible to a great extent for the economic disorders which prevailed in his times. Following the trail of Ibn Khaldoun he advised the use of gold and silver only as media of exchange.

He studied minutely the prevailing monetary standards ; he denounced the use of small iron and copper coins as legal money ; originally, he says, they were used to buy the goods priced at fractions of the monetary gold or silver units ; however they were commonly used instead of gold and silver and not as auxiliary money and their excessive issue made prices rise high ; inflation prevailed ; the purchasing power of money deteriorated ; monetary instability affected seriously the economic system. ⁽²⁾

(1) AL-MAKRIZY : *Ighasat Al Omma*.

(2) AL-MAKRIZY : *Ighasat Al Omma*, pp. 47-74.

PART II

SOCIAL ECONOMIC THEORIES

Chapter V.—MORAL FACTORS, PRODUCTION AND PROSPERITY

Ibn Khaldoun treated in different chapters the effects of some moral factors on production and economic prosperity. We propose to present these scattered elements in one chapter because of their common essential idea.

He grasped the relation between the immaterial factors and prosperity and though he did not try to constitute a general theory, yet he gave some applications of the general principle. We are to speak about two applications :—

- (1) The relation of justice, freedom, private initiative, to prosperity
- (2) The phenomenon of prestige from the economic side.

I.—Equity, Liberty, Private Initiative and Prosperity

(1) DEFINITION OF INJUSTICE

“Do not think, he says, that injustice is only to take the good or the property out of the hand of the proprietor without cause or remuneration, as this is generally known ; injustice, however, is more general than this ; all those who take a property, or spoil a work, or demand what they have no right to ask for, or impose an obligation without legislative foundation, are inequitable persons and the result of these injustices is that the State perishes.” (1)

(2) SOME ASPECTS OF INJUSTICE

As typical examples of injustice, he mentions expropriation, imposition of goods, price fixation and compulsory labour ; we intend to explain here his view on compulsory labour, the other examples are dealt with in other chapters.

(1) The Prolegomena, Ch. III, p. 273.

Compulsory Labour.

He says, "One of the worst injustice is compulsory labour because labour is a cause of value and it happens that subjects have no other way of living than to work. Now if they work for others without remuneration they are greatly abused and thus leave the hope of bettering their conditions and this results in a downfall." (1)

Islam forbade this labour without remuneration, and compulsory labour; the Islamic Law accepts as a fundamental premise the freedom of the contracting parties. Moreover, Ibn Khaldoun was influenced by the Arabic thoughts of freedom, compulsory labour being unknown in freedom-loving peoples. As the nomadic peoples leave their simple habits, and settle, and look for comfort, they correspondingly become more easily subjected; compulsory labour is common where the state of subservience prevails in the community.

(3) EFFECTS OF LIBERTY, EQUITY, PRIVATE INITIATIVE ON PROSPERITY

Ibn Khaldoun wages a bitter campaign against injustice showing its effect on the hopes of producers and how it makes them slacken because they see their produce confiscated by rulers and thus the foundations of prosperity are impaired.

The essential idea in this is that the individual, while he tries to better his living, contributes by so doing to the general welfare. He hopes that, as his production increases in quality or quantity, this will improve his welfare. The stronger his hopes, the more will his energy be worked to its utmost in order to arrive at the proposed results. These hopes condition production and distribute productive energy on the varied branches of production. The psychological factor is of great importance in the field of production and prosperity.

Private initiative is prompted by the feeling that the individual acquires the results of his work and that he reaps as much as he sows; this is why we see that private property and economic freedom are the institutions supposed to secure the most propitious development of economic activity.

This should also be accompanied by moderate taxation; in fact property would have no sense if the fruits are confiscated through

(1) The Prolegomena, Ch. III, p. 274.

heavy taxes ; property in this case becomes merely theoretic ; the like can be said of systems which impose compulsory labour. In order that production may reach its optimum, Ibn Khaldoun stipulates that it must operate in an atmosphere of justice, moderate taxation and economic liberty ; these being the foundations of the flourishing of hopes, to which Ibn Khaldoun attaches the greatest importance.

He says " The aggression on individual property, makes the owners abandon the hope of reaping its fruits, because they see that its ultimate issue is its confiscation from their hands. Now if their hopes vanish, they will not make productive efforts. According to the degree of the aggression the slackening takes place ; if aggression is general the slackening becomes general because there is a total abandonment of hopes ; if aggression is slight, the slackening is accordingly less ; as human efforts are the basis of economic activity, when the individuals slacken, markets slacken and economic disequilibrium ensues ; the State's organs decay because the State is the picture or physiognomy of prosperity. . ." (1)

Ibn Khaldoun quotes from Al Massoudi a Persian anecdote which shows how injustice, discrimination in taxation, and favouritism, impair prosperity. A wise courtier advises his ruler to have equal and moderate taxes and to abandon discrimination in view of economic recovery.

In large States, however, the effects of injustice do not appear immediately ; he says " when the country is large and its civilization and prosperity in full swing, then the decay which results from injustice and aggression does not take place at once ; the decline happens gradually and it assumes an impressive extent only after a lapse of time." (2)

(4) CONDEMNATION OF INJUSTICE

" This is why, he says, the legislator has condemned injustice, which is the prelude to the end of the human species ; we see in the Koran, strong condemnation of injustice, in many parts, and injustice would have been punished, as in theft or murder, had it not been that those who can sanction infractions of justice are those from whom injustice may occur ; general injustice comes through mighty rulers and thus it has been condemned with a threat of heavenly punishment so that

(1) The Prolegomena, Ch. III, p. 272.

(2) The Prolegomena, Ch. III, p. 273.

the sanction ⁽¹⁾ may exist in one's own scruple. An unjust and despotic government is the prelude to anarchy." ⁽²⁾

This is similar to modern opinions regarding international rules; the international conscience is the guarantee of the respect of international rules just as the ruler's conscience is the guarantee of the constitutional rules and diverse liberties.

(5) CIVILIZATION AND ITS PRESSURE ON THE INDIVIDUAL

Ibn Khaldoun notes, in many instances, that civilization brings on the individual freedom and personality a heavy pressure; the price of welfare is paid in terms of subordination and subjection. To him, the proud and haughty nomad, is the ideal of freedom and dignity; he is free from cumbersome taxes, and free from the yoke of rulers. However, he says that his significance from the standpoint of material progress is very small; his work is ephemeral in character and is rude. It is in the old communities, where submission prevails, that industries and services thrive. As, Bouthoul puts it, we see Ibn Khaldoun discussing already, the question which was to present itself in the West in the XVIIIth century, especially with Rousseau, and in terms representing a certain analogy with this author . . . We are to choose between rudimentary life and servitude; independence and dignity do not always coincide with urban living in luxury and welfare which presupposes the subjection of the greater number of the community. Bouthoul expresses his astonishment to find Ibn Khaldoun's attention drawn to this discrepancy which is one of the primary preoccupations of modern society. ⁽³⁾

Ibn Khaldoun admits that in civilized society, there is a more or less necessary kind of subjection or subordination; his essential idea is that this tendency should not be expanded at the expense of the personality or the freedom of the individual; the individual should receive from the rulers an equal, fair and mild treatment; so he advises moderate taxation as a necessary condition for the continuation of prosperity; he advises the respect of human liberty; compulsory labour is not admitted; he defends the right of property by condemning price fixation and goods confiscation.

⁽¹⁾ As in all non-sanctioned normative systems.

⁽²⁾ The Prolegomena, Ch. III, p. 274.

⁽³⁾ BOUTHOUZ : p. 76.

If not backed by freedom from economic exploitation, political freedom comes to be an empty phrase; to-day, with the advance of modern technique and the complexity of modern life, the individual's personality withers away beside the growing personality of the group; the community is ever asking for new rights as it takes on its charge new burdens; the frontiers of economic freedom are receding and there is an ever increasing State intervention in the economic field; the war circumstances have intensified this tendency but they are not the original cause. As the subjection, or subordination, of the individual in the social and economic field is ever increasing, we can ask whether political democracy necessarily implies economic democracy. Political democracy that dictates its will on the individual in the economic field through its organs is but a dictatorship Democracy, it should be stressed, implies that the community should avoid compulsion, and subjection. . . ; it is the elimination of pressure on the personality of the individual and his liberties, notably, his economic liberty. In this sense we can say that Ibn Khaldoun was an advocate of democracy, a democracy characterized by liberty, justice, private initiative and moderate taxation.

These views of Ibn Khaldoun have been followed by other writers like Al Dalgui, and Al Makrizi who emphasized the relation of moral factors especially justice, on production and prosperity.

II.—Prestige and Wealth

(1) RELATION OF PRESTIGE AND WEALTH

Here is a simplified example; suppose that two neighbours cultivate similar lands of similar qualities; they incur the same costs of seeds, ploughing, sowing, gathering, tools, etc. . . . One of the two is feared and respected; the other is not; suppose that the first one who is feared is not in need of guardians, no one daring to trespass on his lands; the other, not enjoying this advantage, is compelled to incur cost of guardianship. Now supposing that they reap the same crop and sell it at the same price, the net profit of the first one who enjoys prestige is greater than the net profit of the other; the costs which have been cancelled by prestige, and which can be evaluated in terms of money, are the produce of prestige.

The relation between prestige and wealth, has attracted the attention of economists from the 18th century upward. The Physiocrats Proudhon, Karl Marx, Lassalle, were of the opinion

that prestige produces wealth ; Loria tried to prove that the acquisition of wealth, having become independent of prestige, has for object the acquirement of prestige and that authority has ultimately become subservient to wealth. Arabic writers treated this subject, but their studies are rather social in character ; Al Ghazali and Ibn Khaldoun centered their attention on its economic aspects. ⁽¹⁾

(2) PRESTIGE A RESULT OF HIERARCHY

Prestige, according to Ibn Khaldoun, is the result of the society's organization into a hierarchy ; through this hierarchical structure, subordination prevails ; the power of the superior over the subordinate is the essence of prestige ; subordination and domination are the tools of Providence through which society is maintained in an organised state.

He explains his views by saying "Prestige is distributed among the different categories ; the commanding category is the king, the subordinates ranging until we arrive, at the other end of the scale, at those persons which have no authority over others ; between the two extremes there exist numerous categories ; this is intended by Providence so that men organize themselves and satisfy their wants and thus prosper because mankind cannot remain without cooperation ; this cooperation is not realised without there being some compulsion because of men's ignorance of their real interests and because human actions emanate from the human reason and not from a natural attitude ; individuals may refuse to cooperate and there must be something that compels them to cooperate ; this motive, this factor of compulsion is in the interest of mankind and is necessary for its preservation." ⁽²⁾

Ibn Khaldoun explains thus the motive, the organizing force in society ; society is hierarchical in structure, each category being in need of the superior category ; this mutual (though not equal) need makes men unite, organize, and cooperate.

It seems that Ibn Khaldoun considers this hierarchy as being of a political character ; he says "Prestige is that power which makes the individual dispose of his subordinates by granting permission or stating interdiction or dominating by force ; such power gives the opportunity of avoiding injuries to one self and acquiring utilities by means of exercising the function of justice and handling the laws and mixing in

⁽¹⁾ Prof. M. SALEH BEY : *Revue Al Quonoun Wal Iktisad*, p. 784, 1933.

⁽²⁾ The Prolegomena, Ch. V, p. 370.

politics." (1) "This authority to command and this power of domination have seen many abuses ; in Providence's view, the object of this authority is to be handled judiciously ; if, however, abuses occur they are marginal or accidental as all these evils which happen in the world, because beside the general welfare, there happen some evils but they do not nullify the total welfare." (2)

(3) THE SOURCE OF PRESTIGE

The head of the political hierarchy, the King or the Sultan, is the source of prestige ; the ruler has in his hand the highest authority, and he grants some power to his subordinates, who, in their turn, transmit a part of it to their subordinates, and so on. (3)

Al Ghazali considers that the source of prestige is not public authority but perfection "because human sympathy is gained only through a special treatment ; the heart that believes in the perfection of a man is subjected to him ; the believer or admirer is subordinated to the one in whom he admires perfection." (4) Al Ghazali presents thus a psychological explanation of the phenomenon.

(4) EFFECT OF PRESTIGE

Under the title of "That prestige serves wealth" he expounds the effects of prestige ; he says "We find that the one who enjoys prestige is more prosperous in all branches of living than the one who is devoid of it. . . The cause of this is that the one who enjoys prestige is served by others ; they try to gain his sympathy because they are in need of his prestige ; they aid him through their services in satisfying his needs so that the value of these services becomes a part of his gains ; the onerous services are given to him gratuitously and so he realizes economies ; he thus acquires gains or economizes costs, and this results in the fact that wealth is soon at hand and he becomes rich and prosperous." (5)

Thus, prestige engenders wealth by decreasing costs and giving positive advantages, because individuals hasten to acquire the sympathy of the one who enjoys prestige. Al Ghazali in this instance says "Money

(1), (2) and (3) IBN KHALDOUN : *The Prolegomena*, Ch. V, p. 370.

(4) AL GHAZALI : *Ihya Oloum Al Dine*, Part 3, pp. 222-223.

(5) IBN KHALDOUN : *The Prolegomena*, Ch. V, p. 369.

is not an end in itself ; it is not used as food or clothing ; it is in this regard just like sand gravels ; if money is demanded it is because it is a means to all the beloved things ; and a means to satisfying human wants ; this end in view is realised by prestige ; prestige is the power acquired over hearts ; that power over hearts is just as gold and silver, a means to satisfy human wants and it gives the power of domination "(1) Al Ghazali further states "Prestige is a means to wealth. . . the one who enjoys prestige acquires wealth but he who possesses wealth does not necessarily acquire prestige." (2) Adam Smith says likewise "But the person who either acquires or succeeds to a great fortune does not necessarily acquire or succeed to any political power either civil or military. The power which that possession immediately conveys to him is the power of purchasing." (3)

Some special categories are most in need of prestige ; in the first place come merchants, craftsmen and rich owners ; traders who enjoy prestige can use public authority to defend their interests against buyers who covet their commodities and wish to buy and then deny the purchase and refuse to pay the rest of the price ; without prestige, traders and craftsmen merely gain what is sufficient to maintain their living ; they do not acquire great wealth if they are devoid of prestige. He says "When the town dweller acquires a great deal of wealth he becomes coveted by the rulers ; they try all tricks so as to take him in the commitment of a fault and expropriate him consequently ; he must have protectors or enjoy prestige ; if not he becomes the prey of rulers." (4)

In modern times we find capitalists trying to acquire prestige by financing political parties ; it happens often that behind political struggles lurks economic and financial competition. Did they know, at the time of Ibn Khaldoun, the political paratournerres, also ?

(5) PRESTIGE AND FAVOURITISM

Ibn Khaldoun states that prestige is gained in general through flattery and submission ; it is the lot of courtiers and not of able men ; he says "The able craftsman or the learned scientist or the eloquent poet seldom enjoys prestige ; because of the honour of their commodities

(1) and (2) AL GHAZALI, op. cit. pp. 222-223.

(3) ADAM SMITH : *Wealth of Nations*, Vol. I, p. 33.

(4) IBN KHALDOUN : *The Prolegomena*, Ch. IV, p. 349.

they have a sense of pride and dignity ; they do not submit to influential persons ; they are so engrossed in their work that they have no time for such court-making ; this is why their wealth is not great in general." (1) Ibn Khaldoun denounces this unbecoming pride of valuable men; such haughtiness and pride allow the mob to rise to posts of command through "infinite submission, humility and flattery." (2) Thus, able personalities are in general held out of key positions which are peopled by courtiers of doubtful capacity. It is interesting to note that this is the judgment of an able courtier who, beside his scientific merits, has been versed in the procedure of palaces and diplomacy.

How much does this declaration resemble the opinions of Pareto when this well known sociologist says "La prédominance des intérêts purement industriels et commerciaux, peuple la classe gouvernante d'hommes rusés, astucieux, possédant de nombreux instincts de combinaison et la dépeuple d'hommes au caractère fort, d'hommes fiers, possédant de nombreux instincts de la persistance des agrégats" (3) and when he says also "Les effets dynamiques de la protection industrielle enrichissent non seulement l'individu bien doué au point de vue technique mais surtout l'homme bien doué sous le rapport des combinaisons financières ou de la ruse, permettant de se concilier les faveurs des politiciens, qui confèrent les avantages de la protection..." (4)

Chapter VI.—QUESTIONS OF POPULATION

I.—How did Ibn Khaldoun View the Questions of Population ?

Questions of population have great importance in the eyes of economists especially the relation of population to the standard of living. Mere economic considerations, however, are not the only kind that affects this subject ; besides economic ones we find military, social, moral considerations.

They are not of recent origin ; the ancients took them into consideration ; in ancient studies, however, predominate moral, social and military considerations and the economic considerations do not emerge clearly at the surface. In Athens and in Sparta they looked

(1) and (2) The Prolegomena, Ch. V, p. 371.

(3) V. PARETO : *Traité de Sociologie*, p. 1424.

(4) V. PARETO : *Traité de Sociologie*, p. 1415.

to population as a means of supremacy and domination over their neighbours. Progeny was demanded also to make good the losses inflicted by famine, epidemics, and wars. The pre-Islamic Arabs were of those few peoples which related economic and social considerations in looking to these questions. The pre-Islamic Arab feared that famine would exert its pressure and endanger his family's honour, so he used to kill his female offspring. The "Koran" utterly prohibited this infamous act by affirming that God who makes fathers subsist will also provide for the subsistence of their progeny.

In the classical school of economics, economic considerations prevailed in the discussions about the questions of population; what was to be the influence of an increase of population on the standard of living? A favourable one through increasing productivity or a depressing effect as a result of decreasing productivity?

In modern years, social, military, political considerations have had great influence on the study of questions of population. The fears that have emerged from the economic side have been quieted. In fact, the study of this question acquired the imprint of the prevailing circumstances. In the time of Malthus and the classical writers, the economic question was the question of the moment.

When Ibn Khaldoun wrote on these questions, the prevailing considerations had a social and political character. An increase of population was an urgent need to drive back the sweeping wave of Spaniards down to Andalusia; moreover Islam encourages the increase of population.

Ibn Khaldoun, however, dealt with the subject from the economic point of view; he studied the effect of large population on production and its relation to the standard of living; he also contributed an original study to the relation of despotism and subjection and population.

He did not miss the significance of great population from the political point of view; he says that the importance of the State depends on the number of its defenders; "because the State is based on the esprit de corps; and the individuals which are united through the esprit de corps are the real defenders of the State. As these individuals increase the sphere of the State increases also." (1)

(1) The Prolegomena, Ch. III, pp. 153, 154.

II.—The Effect of Large Population on Economic Activity

Ibn Khaldoun expresses the opinion that the increase of population is followed by greater division of labour and consequently closer co-operation, better exploitation, and from this ensues an increase in production. On the other hand, the increased prosperity leads to a greater purchasing power and consequently to an increase of demand which is followed by a new increase in production. No fear is then to be entertained from the increase of population because though this means an increased supply of labour, yet it is more than compensated by an increased demand for labour; society absorbs the increase in population without this injuring the standard of living, because the increase of population has been counterbalanced by an increase in prosperity and economic activity.

He says "The individual cannot satisfy his wants independently out must cooperate with his fellow men; the foodstuff is not produced by one's efforts nor does each one produce his own consumption; in its production cooperate six or ten: blacksmith, carpenter, labourer, etc., now when all these cooperate they produce together a quantity of foodstuffs by far exceeding their wants. Production enterprises based on more association exceed the wants of the producers and satisfy more than their necessities." (1)

He considers that increased cooperation through increased division of labour which results from the increase of population, makes the law of increasing productivity apply. He thus precedes Marshall when this economist says: "An increase of population is likely to continue to be accompanied by a more than proportionate increase of the means of satisfying human wants." (2)

This is the main weapon used to combat the fears of some economists; increasing productivity is the sure guarantee and the safety valve of the increase of population. We should bear in mind that the natural resources were not exploited intensively at the time of Ibn Khaldoun and that the margin of production could allow for increasing returns; on the other hand the factor of labour was the essential factor in production and large population meant large supply of labour and consequently large production and greater prosperity.

(1) The Prolegomena, Ch. IV, pp. 342.

(2) MARSHALL: Principles, Ch. IV, p. 321.

Ibn Khaldoun, not only stated the general tendency of production to increase, but he also depicted the conditions of this increase. He expounds in the following passage its details; he says, "If town dwellers concentrate their efforts on producing their essentials and necessities, these essentials and necessities can be satisfied with the minimum of these efforts; their remaining capacity of production is not absorbed by production of necessities and is thus directed to the production of luxuries and in producing goods needed by peoples of other countries." (1) He goes on to say, "Now as gains are the value of labour, as enterprises increase, wealth increases also and gain accordingly; their state of prosperity and fortune makes well-off people ask for more luxuries in clothes, potteries, dwellings, ships, servants, etc. . . all these demand skilled workers and thus the labour market and the industries market are in boom; the income and the expenditure of the town increase, prosperity comes to the producers of these goods; now as prosperity increases, economic activity increases once more, followed by a subsequent increase of luxury which is the result of the increased gains; new wants are introduced and new industries are established to satisfy them. . . prospects of gains grow in the city once more; industries and professions prosper more than before and so on in the second and third increase, because the surplus activity is directed to luxury in contrast to the original efforts which are concentrated in the production of essentials and foodstuffs." (2)

His view is that there is no fear that essentials should not be produced in sufficient quantities; a trifling part of the combined human efforts can readily suffice to produce them. As for the production of amenities they are the result of the overflow of productive power in a large population; the increase in population does not affect the subsistence level which is always secured by a trifling part of the productive power of society. Nor does it affect the comfort level because it is counter-balanced by the increase of prosperity which accompanies it.

When Ibn Khaldoun made the distinction between the production of essentials and the production of non-essential commodities and distinguished between the pressure of the increase of population on the comfort level and its pressure on subsistence level, he thus rightly viewed the question. The essential question does not relate to the

(1) and (2) *The Prolegomena*, Ch. IV, p. 342.

sufficient production of food ; there have been even complaints of the over production in some branches of foodstuffs. The essential question relates to the pressure of the increase of population on the level of comfort. . . Ibn Khaldoun has thus a clearer understanding than Malthus and others who talked about food and its proportion to population. . .

The question of foodstuffs is not the essential problem ; it is a relative question and depends on various elements like will, climate, habits, etc. . . .

Ibn Khaldoun states that "those who perish through hunger have been killed not by the posterior hunger, but by the anterior repletion..."⁽¹⁾ The side that is menaced is the even production and distribution of comfort ; towards acquiring those comfort commodities all efforts converge ; colonial expansion, imperialism have in view the acquisition of a better standard of comfort and not the securing of the necessary food of a nation. . . .

It should not be denied that some countries have been faced by a difficult situation regarding their food ; this may be due to a disequilibrium between the volume of industry and agriculture, or to the barriers in the way of importation, or to unnatural constitution of political entities from the geographical point of view. (*e.g.* the units of the Austrian Empire after its dismemberment). . etc.

The increase of population is not to be feared from the economic point of view, not even in relation to the level of comfort as increased consumption is counterbalanced by increased production ; to increased supply of labour corresponds increased demand for labour because of the establishment of new industries and the expansion of the existing ones ; increased expenditure is made good by increased income ; on the whole increased population is met by increased prosperity. . .

III.—The Effect of Prosperity on Population

We have presented his view that large population is accompanied by prosperity ; he was also of the opinion that prosperity leads to an expansion of population.

⁽¹⁾ The Prolegomena, Ch. I, p. 86.

Ibn Khaldoun stresses the importance of prosperity in making easier the means of living; he compares the crowding of individuals in places where economic activity and prosperity abound to the "crowding of animals on the meals of rich men in order to pick the remnants of food in rich men's houses; these are crowded with ants, etc. . . which try to eat the remaining food; birds fly around in order to pick something. . . In the houses of the poor not even a rat hides in one of the corners of the house. . ." (1)

"Now consider this as being the case in real life; the animals seeking something to eat are the individuals, the remaining food is the by-way gains. . . in those countries where they spend lavishly their surplus goods, because of their abundance. . ." (2)

He very nearly describes something similar to the consumers' surplus in the aggregate which increases as the economic activity increases; with the increase of population the consumers' surplus increases, because increased population means increased prosperity and this means greater satisfaction for consumers.

Commenting on the opinions of Ibn Khaldoun on population, Bouthoul says, "Ibn Khaldoun has given great importance to the phenomena of population; he shows that it is closely linked to the wealth of the country. Some of his passages would show that he is an adherent of the "populationist thesis" that is, this thesis which regards population as the cause of wealth; for example he says "Some cities surpass others in commercial activity and welfare because they surpass them in population." (3)

The thesis of Ibn Khaldoun, however, is not unilateral; he further makes some statements which clearly indicate that it is population which depends on wealth. He says, "A good government, by encouraging industries, can increase its population and increase its revenue." This proves that he rightly viewed the complexity of this question." (4)

IV.—Population and the Standard of Living

Expenditure and revenue tend to be equal. . . ; when revenue increases in largely peopled countries, it is followed by an increase in expenditure and vice-versa; the new equilibrium, in case of increased expenditure

(1) and (2) *The Prolegomena*, Ch. IV, p. 344.

(3) and (4) BOUTHOUZ, p.p. 33-34.

and revenue, sets at a higher standard. In this instance Ibn Khaldoun says "Expenditure and receipts tend to equate each other in all countries; when receipts increase, expenditure also increases and vice-versa; wealth increases, and the country absorbs everything. . ." (1) In these largely peopled countries, the standard of comfort rises and tends to improve; we should compare the prospects of gain in the countries which differ in prosperity and population. . . Ibn Khaldoun expresses himself thus "The comparison of the prosperity of countries is made through the increase in gain. . . the inhabitants of the more prosperous countries enjoy greater prospects of gain. . . each category compared with the corresponding one in the other country, the judge with the judge, the trader with the trader, etc. You find the inhabitants of small towns weak in their purchasing power, and on the same level of poverty and misery; their activity does not exceed the satisfaction of their essentials and nothing is saved by them; their gains do not increase and they remain poor and miserable except in very few cases." (2)

The increase of population implies increase of economic activity, increased purchasing power and disparities in purchasing power among individuals, while in the small collectivities there prevails a slack economic activity and weak and nearly equal purchasing power. . . . More expressive than this is that the beggar in great towns has a begging capacity greater than the beggar in small localities. "The beggar in Fez is better off than the beggar in Oran. I have seen beggars in Fez asking the prices of cattle, in feasts, in order that they could present their sacrifices like others; they also asked for luxury commodities; if a beggar in Oran or Talmassan ventured to ask the same, he would have been reprimanded." (3)

He further says, "We hear about the opulence of Cairo astonishing stories so that great numbers of poor Moroccans migrate to Egypt in search of gain." This migration from little peopled areas to densely populated and prosperous areas is a proof of the fact that the prospects of gain and work which are engendered by economic activity are greater in countries with large populations. If this was not true, migration would have taken place from Cairo to Morocco.

It is interesting to note that Ibn Khaldoun has connected the rise in the standard of living with the tendency of productive capacity to concentrate on objects of luxury; in fact, modern economists point

(1) *The Prolegomena*, Ch. IV, p. 343.

(2) and (3) *The Prolegomena*, Ch. IV, p. 343.

to the importance of the production of luxuries and amenities in a progressive economy. Professor Allan G. B. Fisher says, "So long as the objective conditions for material progress are present there will always be a tendency for the relative importance of primary production to diminish and the relative importance of "tertiary" production to increase." (1)

Again he says, "It is essential that steadily increasing attention should be paid to the production of the amenities of life, of things which poorer communities have been in the habit of regarding as luxuries." (2)

V.—Limits of Population

We may well ask if Ibn Khaldoun estimates that the human kind is bound to multiply indefinitely in a limitless increase. . . He did not say this ; he even saw some limits to the population increase. These limits are not, however, the result of the insufficiency of food and its inadequacy to follow closely the ascending ratio of population which increases geometrically as Malthus puts it. The limits are to be found inside the cycle of the State's age.

When civilization reaches the stage of excesses and luxury with its accompanying vices, limits are automatically set on population. . . because there happen then devastating famines ; famines are not the result of the land's incapacity to cope with the increasing demand but are the result of the political chaos and fiscal oppression which invade the state in its decline ; this is the cause of a decrease in production and in the disequilibrium of the distribution mechanism.

"The cultivators slacken ; good crops are not constantly produced ; rain may vary and accordingly the crop ; individuals secure their food through storing ; if supplies are not stored, famines are to be expected ; agricultural products become dear and the poor become incapable of securing their food and perish." (3)

Ibn Khaldoun thus demonstrates the importance of storing in regulating supply and demand, and considers it to be subject to the psychological factor ; if this factor of confidence disappears, there is no storing

(1) A. G. B. FISHER : *Clash of Progress and Security*, p. 33.

(2) A. G. B. FISHER : *Clash of Progress and Security*, p. 31.

(3) *The Prolegomena*, Ch. III, p. 286.

and thus we become exposed to famines, especially if the produce is not steady. Famines thus put a limit to the increase of population.

Another factor, also of psychological origin, is despotism; we have shown, before, the influence of injustice on prosperity; Ibn Khaldoun studied the effect of subjection in general on population also; he says, "If a nation is vanquished and dominated by another, it perishes quickly because it feels that it has become a mere tool and it abandons all hope and neglects propagation. Economic activity is based on the flourishing of hopes and what it infuses in one's self of stimulating energy. When hopes vanish and individuals slacken, economic activity decreases; the nation breaks down; it continues to disintegrate until it perishes; take for example the Persian nation which was numerous; it decreased when it was conquered by the Arabs; this is not due to oppression because Islam guarantees justice but this was due to the human nature when it becomes subjected and subservient." (1)

Professor Saleh Bey says, "We know no one before or after Ibn Khaldoun who analysed so minutely the effect of liberty on mankind and demonstrated so vividly the importance of human dignity. . ." (2) This love of freedom is not strange in a writer who has constantly advocated freedom, liberty and justice.

VI.—Comparison of His Views with other Economists' Views

We do not want to repeat here what the various economists have enumerated regarding questions of population. We shall simply compare his views with the great trends which prevailed in these questions.

The Mercantilists' view, like that of Ibn Khaldoun, was that the State's power depends on large population.

This can be said to some extent about the Physiocrats; however, they lack unity in their opinions.

Malthus objected to this view and stressed the ultimate inadequacy of food; Ibn Khaldoun, however, dissipated such fears, by drawing the distinction between the pressure of the increase of population on the comfort level and its pressure on the subsistence level . . .

This has been proved by experience; the world suffered in many circumstances from the over production of foodstuffs.

(1) The Prolegomena, Ch. II, p.p. 140-141.

(2) Prof. M. SALEH BEY: *Revue Al Quawan Wal Iktisad*, 1933, p. 760.

Pierson studied the density of population and its relation to prosperity. In fact the increase of population cannot be viewed from the same angle in Canada, for example, as in Belgium. Pierson is of the opinion that the density of population in prosperous countries is, as a rule, greater than in backward countries; this is similar to the view of Ibn Khaldoun who talked not of the increase of population but of a large population.

Professor Saleh Bey says, "We must have in mind that when Malthus expounded his famous theory on population he did not affirm the limits of his theory especially that the increase in population results in an increased division of labour which increases the production of foodstuffs, a fact which Ibn Khaldoun grasped thanks to his genius." (1)

It may be objected that though increased population leads to an increase in the aggregate production of foodstuffs yet it does not necessarily lead to increased production per head but it should be noted that this may be due to a fault in the mechanism of distribution and not of production because the individual is bound to profit from the aggregate social benefit, as rightly expounded by Ibn Khaldoun.

Chapter VII.—ECONOMICS OF LUXURY

I.—Evolution of Civilization Towards Luxury

THE INTRODUCTION OF NEW WANTS

According to Ibn Khaldoun, the civilised stage differs from the elementary or primary stage of civilization, from the point of view of the introduction of new needs and new production. He says that the civilized stage is characterized by the existence of standards "which exceed the necessities of economic activity; this excess varies according to the state of prosperity and the volume of population." (2)

This evolution in consumption and production is influenced by three main factors; the first is that individuals when they associate in larger communities, cooperate more fully and their productive

(1) Prof. M. SALEH BEY: *Revue Al Quanon Wal Iktisad*, 1933, pp. 758-759.

(2) The Prolegomena, Ch. IV, p. 350.

power increases ; thus in cities with large population the scale of production is larger than in smaller communities ; the second factor is that needs increase through the imitation of older civilizations and the introduction of their habits ; the third is that emulation encourages the consumption of luxuries.

GRADATION OF WANTS

As needs develop, production develops accordingly ; thus we find at first that man produces his necessities only ; afterwards he passes to the production of complementary things and then to objects of luxury ; finally we arrive at the satisfaction of extravagant needs. He says, "The first wants of the individual are the necessities ; the individual asks for complementary and luxury objects only after the satisfaction of these necessities ; the rudeness of primitive life precedes the amenities of civilization ; thus we see that civilization is the object which primitive people have in view and their efforts converge on its attainment." (1) He goes on to describe the steps of this evolution.

(a) *Necessities.*

The individual at first applies for the satisfaction of necessities ; he defines the necessities by giving some examples of them ; he mentions " food, shelter, heating, in the measure that provides for the preservation of life without anything more." (2) The necessities come to be those concerning the physiological wants.

At this stage the individuals lead a rudimentary life ; they aim at acquiring the very means of subsistence " in food, clothing, habitation. . . without aspiring for the complimentary or luxury objects ; they build their homes in the form of straw or mud huts or tents ; their dwellings are simply taken for refuge ; they may take refuge in caves or caverns ; they eat raw or coarse food ; some are agricultural people and they settle and become sedentary ; others rear cattle and move continually in search of pasture." (3)

(b) *Amenities.*

In a further stage " men settle in cities and cooperate in acquiring complimentary commodities ; they produce more clothes and display

(1), (2) and (3) The Prolegomena, Ch. II, p. 116.

greater elegance ; they diversify their foods ; they enlarge their houses and plan their cities." (1)

(c) *Luxuries.*

As the development continues we arrive at the stage of luxuries ; " there we find refined methods of food making, choice of splendid clothes made from silk, . . houses are built with many storeys ; they are well built and furnished ; industries near perfection ; they dwell in palaces and residences which they supply with running water. . . they vary in their clothes and furniture. . . these are the civilized people." (2)

At this stage there is a new outlook on life ; greater attention is given to culture and science " the intellectual interest " and Ibn Khaldoun emphasizes the relation between civilization and sciences ; there is also a marked tendency to control the surroundings such as the construction of canals and aqueducts, the use of fertilizers, the industrial improvements " the technological interest " ; besides this we find a new appreciation for the " aesthetic interest " such as fine arts, music, architecture, decoration, colours. . . Ibn Khaldoun gives the example of trees which are planted for their appearance and not for their fruits ; he mentions also the organization of festivals and leisure time as characteristic of this stage. (3)

(d) *Extravagances.*

Finally when this evolution outgrows the limits of reason we arrive at the stage of extravagances. Production is devoted to amusements and attraction ; in Egypt, he says, " we find things such as acrobacy, teaching of acrobatic feats to animals, dancing. . . etc., these crafts existed in Egypt because of its advanced state of civilization but do not exist in the more simple Morocco." (4)

THE CONSOLIDATION OF WANTS

It is to be noted that the concept of luxury depends on relative circumstances of place and time. Ibn Khaldoun's aim, however, is

(1) and (2) The Prolegomena, Ch. II, pp. 115-116.

(3) The Prolegomena, Ch. V, p. 405.

(4) The Prolegomena, Ch. V, p. 380.

to stress that consolidation of new needs in the society's conscience the result of which is that demand becomes inelastic in relation to more goods and services; on the one hand this may mean an advance in civilization and material progress; however, he insists that it is far from being free of drawbacks.

LUXURY AND EMULATION

Ibn Khaldoun does not imply a necessary relation between luxury-mindedness and that idea of pride or snobism; this consolidation of new needs is a step in the progress of civilization and it is not necessarily related to moral conceptions, to snobism or love of pomp; it is an evolution in human needs according to the nature of prosperity. Yet it should be noted that the element of emulation influences the consumption of luxury goods; Ibn Khaldoun expresses a similar opinion when he says "They consider the use of more refined ways in food, clothes, furniture. . . they boast of these things in the presence of others. . ." ⁽¹⁾; again he says "they reached perfection in clothes, buildings, arms, furniture, utensils and they emulated each other on the occasions of festivals and ceremonies. . ." ⁽²⁾

Veblen in his theory of the leisure class, has expressed similar views. Hoyt, in appreciation of Veblen's theory, says, "For a brilliant exposition of the way in which emulation in number and expense of goods and services has affected economic life we are indebted to Veblen's theory of the leisure class. In primitive groups, where all the members of the group are well-acquainted, there are many ways of obtaining distinction other than by the use of economic goods. A man's skill in hunting, bravery in fighting, are well-known to his associates and win him glory. . . But as population increases, as society grows more complex and as the number of people with whom man is thrown in contact becomes larger, the non-material means of attaining distinction, while they doubtless become no less important absolutely, do become relatively less important. . . In a pecuniary society where wealth-getting ability is an indication of superiority, the mere display of material possessions is in itself a token of superiority. In fact, as pecuniary valuations become more widespread and significant, the

(1) The Prolegomena, Ch. III, p. 158.

(2) The Prolegomena, Ch. III, p. 163.

display of, and use of goods becomes increasingly important not only outside one's intimate circle but to a large extent within it." ⁽¹⁾

LUXURY AND WASTE

We should likewise distinguish between luxury and waste; waste may occur from poor or rich alike; an economic waste implies generally an ill appreciation of utility; luxury living presupposes a constant purchasing power of a certain level.

II.—Effects of Luxury on the Ways of Living

Through the consolidation of new wants, ways of living are affected; this often entails a disequilibrium between revenue and expenditure; needs often go ahead of productive capacity; luxury-mindedness encourages the increasing recourse to hired employees; inelasticity of demand leads to rigidity in the economic system.

DISEQUILIBRIUM BETWEEN REVENUE AND EXPENDITURE

The increase of needs is not in itself an evil but it becomes so if it is not simultaneously accompanied with a reciprocal increase in the productive capacity; according to Ibn Khaldoun equilibrium between consumption and production is an essential element; in practice, we see many applications of this principle; in individual budgets expenses are regulated according to the receipts; the entrepreneur takes into consideration the market's consumption, etc. . . Ibn Khaldoun emphasizes the rule that any progress in the standards of living must be backed by adequate progress in productive capacities. Wherever consumption surpasses productive capacity of the individual we are faced with an economic disequilibrium.

UNNATURAL WAYS OF LIVING, A RESULT OF LUXURY

If wants increase without being accompanied by a corresponding increase of income, individuals become inclined to have recourse to unnatural ways of living; he says, "What pushes them in this way, other than ignorance, is their inability to satisfy their wants through natural

⁽¹⁾ E. HOYT: *Consumption in our Society*, p. 48.

means such as agriculture, trade, industry; then they have recourse to unnatural ways because they hope to realize wealth in one single stroke and without fatigue. . . Their greatest motive in so doing is, however, the increase in luxury and extravagance, so that natural ways become insufficient and inadequate; we see that the majority of those who have recourse to these unnatural ways are the luxury-minded people; and this is especially seen in countries where civilization is deeply rooted. . ." (1)

In fact, we see that frauds, gambling and other means of gaining great fortunes without fatigue, are commoner among more civilized societies. In quieter societies, as in rural districts, this tendency is visibly less marked.

INCREASED EMPLOYMENT OF HIRED LABOUR

One of the effects of luxury is that people accustomed to it do not govern their concerns by themselves but have recourse to hired employees. Ibn Khaldoun denounces vehemently this tendency; he says "The majority of luxury-minded people do not govern their own concerns or are incapable of doing so because of the idleness in which they have been brought up, and consequently they hire services of others, but this state is contrary to manhood, because confidence in others may mean incapacity, and because it entails an increase in employment and expenses and indicates an effeminate spirit which it is well to avoid; customs are however stronger than man's nature." (2)

He criticizes, from the moral point of view, the customs of the people living in opulence, and says that these customs are contrary to manhood and symbolize incapacity; from the economic point of view he considers that paid work increases employment; hired employees are lacking in initiative; economic waste is thus entailed.

RIGIDITY OF ECONOMIC SYSTEM DUE TO LUXURY

Ibn Khaldoun has grasped some of the essential effects of luxury on economic life; moreover, modern experience has shown the injury caused to the economic system by the consolidation of new needs which result in rigidity and loss of adaptability in the economic system. We have seen how the refusal of workers in England in 1930 to adapt

(1) The Prolegomena, Ch. V, p. 365.

(2) The Prolegomena, Ch. V, p. 364.

their wages to the new standards paralyzed English industry ; instead of consenting to reduce their standard of living they preferred to keep it untouched and support the unemployment of a large part of them. Workers were aided in this sense, it is true, by the generous doles that were given to them ; but the essential motive of their refusal was the consolidation of new wants and standards of living among them, which they were not inclined to abandon.

This idea of the rigidity of the economic system due to the consolidation of new wants is found in Ibn Khaldoun's writings ; it will be expounded more at length in the drawbacks of luxury and in his interpretation of history.

CREDIT FACILITIES AND THE PROPAGATION OF LUXURIES

In modern times credit has encouraged the leading of an unreasonable manner of life by the grants of loans. Individuals found facilities not only in spending their revenues but in consuming their capitals gradually. Though the fundamental fault is moral, yet it has its economic repercussions.

Credit facilities were one of the main causes which allowed, in 1919, landowners in Egypt, who have been lured by ephemeral profits due to the rise in price of cotton, to keep on their manner of life while the value of their products went on decreasing ; social extravagances can be limited by a policy of limitation of credit for consumption purposes.

III.—Effects of Luxury on Industries, Prices and Production

As demand for commodities increases, their prices tend to increase, the rate of increase in prices differs, however, according to the purchasing power of those who increased their demand ; the purchasing power of the rich people being much greater than that of the other classes, we see consequently that the luxury industries flourish enormously.

Ibn Khaldoun has stressed the fact that in large towns where disparities in purchasing power are great, production tends to be directed to luxury purposes especially in industries and services. We have explained Ibn Khaldoun's view when explaining the problem of the effects of the increase of population on production.

Because of the demand for luxuries, their prices rise high ; however this dearness of luxury articles influences the general level of prices ; according to the expansion of luxuries, the Sultan increases taxes to

meet the increasing expenses; these taxes rebound on the prices of commodities and general dearness of prices ensues.

From the point of view of labour, it should be noted, that luxury production absorbs the overflow of productive capacity in society; large population finds in it an outlet; it thus improves the standard of living of the workers and craftsmen and in general the standard of satisfaction in society.

LUXURY AND THE STATE

The State is constituted through the domination of a group over other groups. After the political struggle for leadership, the efforts of individuals are turned towards increasing their welfare. "They leave rudimentary ways of living, he says, and adopt refined ways; new wants, which before were complementary, become essential; people compete in displaying fine clothes, enjoying the finest meals, acquiring the finest furnitures, etc. . . ." ⁽¹⁾

EFFECT ON ECONOMIC CONDITIONS OF THE STATE

Internal and external security is the preliminary condition of this evolution in standards of living. This consolidation of standards of comfort is however a source of insecurity to the State; at first it gives an impetus to the State's prosperity; the margin of production enlarges; in the further stage it engenders financial and military disturbances for the State. He says, "Royalty asks for opulence and magnificence amid tranquility; new wants are introduced and consequently new expenditure; a disequilibrium occurs between receipts and expenditure; the poor cannot keep pace with the new trend; the rich man spends more than his income; this disequilibrium increases until general misery ensues. . . ." ⁽²⁾

IV.—Effect on Military Conditions

Moreover luxury has an unfavourable repercussion on the military strength of the State; as the pay becomes inadequate, the Sultan increases it; but as the expansion of the output of taxes is limited,

⁽¹⁾ The Prolegomena, Ch. III, p. 158.

⁽²⁾ The Prolegomena, Ch. III, p. 159.

the Sultan reduces also the number of his military forces ; as luxury increases and the military pay consequently, armed forces are reduced to a minimum and thus public defence is endangered.

According to Ibn Khaldoun, then, luxury affects the State by entailing disequilibrium in the budgets of individuals and of the State. Furthermore, it has an unfavourable effect on morals; luxury implies many social vices ; all these attack the State until they strike their coup de grâce.

V.—Social Drawbacks of Luxury-Mindedness

Ibn Khaldoun imputed to luxury social, economic, political and physical drawbacks. From the physical point of view, the luxury-minded man is weak and is more vulnerable to disease. He does not preserve his fighting instinct and this is why the State has recourse to mercenaries. He forgets his traditional courage ; this is clearly seen in city dwellers because they are more accustomed to luxury. "Malice, fraud, unnatural means of living are common among them." ⁽¹⁾

THE COST OF LIVING

From the economic point of view we find that luxury entails high prices ; this is in part due to the increased taxation which influences prices through incidence ; he says for instance "The great cities are characterised by high prices of commodities and this is accentuated by taxes ; taxes rebound on commodities and increase their prices ; consequently the expenses of the people increase and they cannot avoid that, because they are the slaves of the new habits ; their gains and profits are consumed by their expenses and they follow each other in the path of poverty ; demand slackens and there is a slump in the market and the city loses its former boom." ⁽²⁾

INFLUENCE OF LUXURY ON THE GROUP BOND

On the political side, luxury is responsible for the disintegration of the group bond. Ibn Khaldoun lays great stress on that bond which unites those of the same race, or group ; "luxury, he says, makes the individual neglect this feeling because his essential end in view

⁽¹⁾ and ⁽²⁾ The Prolegomena, Ch. IV, p. 353.

becomes the pursuit of material comfort ; that bond which upheld the domination of the ruling group withers away ; unbound and divided the community becomes an easy prey for the attacker." (1)

VI.—Synthesis of Ibn Khaldoun's Theory of Luxury

From the facts we have mentioned we can trace the following ideas regarding the economics of luxury, as understood by Ibn Khaldoun :—

- (1) Luxury is a stage in the march of civilization.
- (2) It comes after the political settlement and the settlement in towns.
- (3) it increases at first the State's power and the community's prosperity.
- (4) It is ultimately the cause of the State's disintegration.

It brings disequilibrium into the individuals' budgets which become negative ; it encourages unnatural ways of living ; it leads to a neglect of production because of the use of hired labour ; it causes disequilibrium in the State's budget ; financial pressure increases together with injustice ; this endangers prosperity. In brief, it leads to a chaotic state in economics, politics, morals and is ultimately accompanied by a decrease in population. . The luxury-minded State perishes and yields its place to those who are more sober and more simple in their living. Luxury-mindedness destroys the stability of the cost of living ; this succession of events doubles its course indefinitely along the march of history.

The economics of luxury present nowadays some problems of vital interest ; economists and public finance writers give them their best attention ; we witness especially in these war times, a campaign against waste which is also directed against luxury-mindedness ; differential tariffs have been applied to luxury goods ; the problem of the direction of industry towards the production of luxury goods has been stressed by modern economists, etc. . .

Ibn Khaldoun has pointed to an essential defect in the evolution of civilization which is the teaching of new wants without paving the way for their adequate satisfaction ; an increase in productive capacity

(*) The Prolegomena, Ch. III, p. 160.

should always accompany an increase in wants; production must always keep pace with consumption.

Production, consumption, revenue, expenditure, prosperity, luxury, strength of the State, all these are interrelated concepts. "All the following concepts are linked, he says: strength of the State, large population, opulence of the city, prosperity; the State is the embodiment of prosperity and all the preceding notions are interrelated; taxes, receipts, expenses and prosperity all interact; as the individual prospers the State also prospers, because the human activity is the origin of all these considerations." ⁽¹⁾

Chapter VIII.—THE ECONOMIC MILIEU

I.—Civilization Setting

(1) THE TOWN, A MILITARY AND ECONOMIC NEED.

In the town, according to the opinion of Ibn Khaldoun, comfort grows, and solidarity and co-operation attain their highest degree. Besides being an economic and social phenomenon, the city is also a military phenomenon and a political phenomenon. It is the result of two factors, one the need of strongholds for defence, the other the desire to settle and thrive in comfort. We have had to speak about the economic significance of towns in the chapter on economics of luxury. Ibn Khaldoun speaking about its military significance, says: "The city takes the place of quantity of soldiers because it is rendered inaccessible by walls, without need of a great number of defenders . . . the conquest of the country in which there are such strongholds becomes difficult; fortified cities are established for settling and for defence purposes. . ." ⁽²⁾

Say expresses a similar opinion when he says: "La nécessité de pourvoir à leur sécurité a dû, plus qu'aucune autre cause, pousser originairement les hommes à fonder des villes. Ils comprirent qu'en se réunissant dans des enceintes fortifiées, ils seraient plus en sécurité qu'en demeurant disséminés sur une vaste étendue de territoire. . ." ⁽³⁾

⁽¹⁾ The Prolegomena, Ch. IV, p. 352.

⁽²⁾ The Prolegomena, Ch. IV, p. 327.

⁽³⁾ J. B. SAY: Traité d'Economie Politique, Livre II, Ch. XI.

Towns, however, do not spring up spontaneously; there must be an authority which organizes their foundation; "towns building, says Ibn Khaldoun, requires an agglomeration of workers and the mobilization of efforts and compact collaboration; towns not being of the primordial human necessities, men must be compelled to found towns, not of their own initiative but through public authority or for the sake of an adequate reward which the State only can provide; this is why the planning of a town and its peopling requires a ruler and a State." (1)

Ibn Khaldoun then deduces that the State exists before the establishment of towns, the State being the essential prerequisite for the existence of towns; these towns will then wither with the decline of the State and thus he arrives at the conclusion that the age of the State is the age of the city. "If the State is of a short duration the prosperity of the town comes soon to a stop; if the State remains for a long time, the city grows in size and activity; great factories are built, large buildings become numerous, the markets increase in importance, etc., as it happened in Baghdad and similar towns." (2)

When the State falls, the town has one of three destinies (3):—

(1) Another State is established and takes the same town as capital instead of building a new one; in this case the town resumes its growth.

(2) or it finds in its vicinity material for resuming its activity;

(3) or, deprived of political and economic importance, it falls into decay.

(2) CONDITIONS OF CITIES

The town, as we demonstrated, satisfies a military and economic need; thus it must fill the conditions required by this dual purpose:—

(1) It should be immune against attack.

(2) It should realise hygienic requisites.

(3) It should possess economic material for human activity, within it or in its vicinity.

He says, "towns are taken as settling places wherein to enjoy in peace comfortable life; they should thus realise the necessary conditions of repulsing attack, and provide utilities and the facilities

(1) The Prolegomena, Ch. IV, p. 325.

(2) and (3) The Prolegomena, Ch. IV, p. 326.

for their exploitation ; for defence purposes, the town should be surrounded by fortified walls and it should be situated on inaccessible ground protected by a steep cliff, or by sea or river so that the foe must have to cross over a bridge which would then be easily defended and thus its protection would be secure ; the city must also be immune against local epidemics due to the vicinity of stagnant waters or marshes ; if this is not realized, diseases become common, and animals become infected."

From the point of view of economic welfare, the city should have secure watersupplies, *e.g.* it should be situated near a river, or near wells so, potable water, water service being an essential public utility ; good pastures should also be near by, for the use of the cattle and domestic animals ; fields should also be near the town so as to supply it with food, and the more it is near the more it is easy to satisfy the wants of society such as wood for building and fuel... ; the vicinity of the town to the sea facilitates the importation of goods from far off lands but this is not an essential condition.

"These conditions are not mentioned according to their importance ; this differs according to the varying needs of the population ; the town planner may ignore the conditions of the situation and site but takes into consideration what is more important according to his view, for example, the vicinity of pastures for people rearing cattle etc".⁽¹⁾

(3) THE URBAN SPIRIT

Another element should be added to the above-mentioned conditions ; this concerns the development of the urban spirit in the town's dwellers ; when nomads people the town, its outward appearance shows signs of decay and its activity slackens ; nomads are not fit for peopling cities ; they have few needs which are easily satisfied in their nomadic life ; once they settle in towns their inadequacy to meet their growing needs becomes evident ; the wealthy nomads, however, can settle in large cities. The lack of the urban spirit, he says, is the reason why nomad Arabs did not build, as a rule, enduring buildings, and why towns in Morocco are few ; the urban spirit is a necessary condition for the flourishing and establishing of prosperous cities."⁽²⁾

⁽¹⁾ The Prolegomena, Ch. IV, p. 329.

⁽²⁾ The Prolegomena, Ch. IV, pp. 339-340.

(4) THE AGES OF CITIES

We have said that cities are established through the impulse of rulers for defence and comfort and that men are driven to build cities; that the city is preceded by the establishment of the State, and that the limit of age of the State is the limit of the age of the city if it does not find another State to regenerate it or an economic activity derived from its site or vicinity; however, the cities that are taken as capitals, as a rule, decay with the fall of the State. Its causes are:—

(1) The new State begins with nomadic and unrefined habits. "Taxation is slight, receipts are few and the State's expenditure decreases; luxury and comfort recede; the civilisation of the town is affected and many habits of opulence vanish." (1)

(2) The habits of the fallen State are denied by the new State and held in great awe especially their state of comfort and luxury; thus these habits drop until gradually new habits are introduced and the civilization resumes its growth; until then, civilization suffers a setback. (2)

(3) The victorious State removes the capital to its own town and thus prosperity and economic activity migrate to the new. (3)

(4) The notables of the vanquished State move to the new capital whether by their own will or under threat; there only remain in the abandoned capital the mob. (4)

It happens that the town resumes its activity after a period of slack time "but this is similar to the man who wishes to remodel his house; he begins by demolishing it and rebuilds it on the new model."

II.—Political Setting

(1) PUBLIC AUTHORITY BETWEEN IDEALISM AND REALITY.

Ibn Khaldoun is a realist, yet we find sometimes in his writings "glimpses of a higher moral order," and "incidental allusions to the inconsistency of existing institutions with ideal demands." (5) The

(1), (2), (3) and (4) The Prolegomena, Ch. IV, pp. 355 and 356.

(5) N. SCHMIDT: p. 45.

subject of public authority is one of these instances. We find in his writings glimpses of idealism and recognition of reality.

He hopes for institutions in which obedience comes from within and not from without, in the interest of human dignity and prestige.

Bouthoul commenting on this, says "On sent percer chez notre auteur la conception de ce qui fait l'idéal des sociétés démocratiques, c'est-à-dire, l'obéissance en quelque sorte spontanée à la loi qui devient partie intégrante de la personnalité du citoyen." (1)

However, Ibn Khaldoun is aware that a society which governs itself without public authority, is not possible. What is attainable is that this authority governs with laws which find the approbation of citizens and which are not arbitrary nor established in the interest of the ruling class only; thus the laws are:—

(1) A mere act of domination if they are arbitrary or implying favouritism;

(2) or they are rational laws in conformity with equity and reason;

(3) or they are sharei, which means that they are in conformity with equity and based on the religious conviction; these are the highest form of laws since they imply equity and respect and inner belief in them from subjects. (2)

Theory of the Ruling Class.

The State is governed by a ruling class which dominates subjects and groups; the ruling class is united by a group bond based on kinship and common blood; once in possession of public authority, this ruling group assumes the responsibility of the State's defence. The members of the group thus form a knighthood; their essential qualities are military.

In more advanced stages, the group bond withers; long decades of submission make the job of governing an easy one; no adherents of the same blood are needed to aid the ruler; he employs instead soldiery and mercenaries; the pay takes the place of blood affinities.

The ruling class is not an intellectual élite, it is military. It is not opened; it is closed and confined to its members. It assigns however to itself the task of defending the State, such as the Knights of the

(1) BOUTHOU : p. 76.

(2) The Prolegomena, Ch. III, p. 180.

Middle Ages. When, under the influence of luxury, it is no longer able to fulfil its military duties, it is supplanted by a more rude group and so on, or it is rendered unnecessary by the habits of civilization which imply tranquillity and submission.

Bouthoul sees in these ideas, a philosophy of solidarity. He says "Si l'on cherche des analogies dans les systèmes modernes, on pourrait dire que cette philosophie de l'esprit de corps est une philosophie de la solidarité. Cette qualité exprimerait la vigueur d'un corps social, d'un groupe d'hommes déterminé, en montrant l'intensité de l'intégration de ses membres et leur dévouement à la cause commune." ⁽¹⁾

(2) STATE AND PROSPERITY

The State and Economic Development.

"The State, he says, in regard to economic development and activity is like the form to the material; they are indissoluble. A State without economic activity is inconceivable and the economic activity without the State is unattainable because of the spirit of aggression innate in mankind which makes necessary the recourse to an arbiter.

The two concepts are interrelated, the decay of one means the decay of the other; the non-existence of one entails the non-existence of the other; the great havoc is produced through the deterioration of great entities States like the Persian, Byzantine, Arab States in general or the States of Omayyads or the Abbassides. However, the personal State, such as those of Xerxes or Hercules or Abdel Malek Ibn Marawan or Al Rashid is composed of a succession of persons, very similar to one another; thus their succession does not greatly affect economic activity because the motive power is the esprit de corps, and this is represented constantly through the succession of the State rulers; if this esprit de corps is supplanted by another one then the social activity is seriously affected by the change." ⁽²⁾

"The State for the social and economic prosperity is like water which renders green the neighbouring land until it dries on a distant place;" or it is as a market: "goods are to be found in the market and in its vicinity and as we go further away from the market we no longer find the goods." ⁽³⁾

(1) BOUTHOUZ : p. 62.

(2) The Prolegomena, Ch. IV, p. 357.

(3) The Prolegomena, Ch. IV, p. 350.

The cause of this close relation is that the State provides protection and strengthens the impetus for production.

Moreover, the State through its receipts and expenditure develops the economic activity and raises its pulse. Expenditure passes from employees to other subjects; wealth increasing, luxuries also increase.

However, the rule must be equitable policy, and no favouritism or injustice, nor heavy taxation, "indulgence must govern the ruler's actions because excessive rigour leaves a psychological depression which is injurious to economic activity." (1)

III.—The Climatic Environment

In order that economic development may reach its full possibilities, it should realize necessary conditions of soil and climate; too cold or too hot regions are not propitious to this development. (2)

Ibn Khaldoun stated that the difference of race, physiognomy, colour, have no special significance but are the result of environment; there is no chosen race, but rather propitious conditions for an idea economic development. (3)

"From his vantage point at the end of a complete cycle of development, says Schmidt. . . he took note of the rise and fall of political governments. In seeking for the causes he realized that they could not be looked for solely, in the motives and ambitions, the aims and purposes, the strength of will and intellectual power of individuals. He observed that their influence was determined not only by the character of the groups to which they belonged but also by the general social conditions. This led him to consider the factors that influenced and shaped these social conditions. He recognized that they were due to ethnic and racial characteristics. But he perceived likewise that these peculiarities were themselves traceable to the physical environment, climate, water soil, location, food. To understand the political development it was, therefore, necessary to include in the study all aspects of social life

(1) The Prolegomena, Ch. III, p. 178.

(2) The Prolegomena, Ch. I, p. 79.

(3) The Prolegomena, Ch. I, p. 82.

and to understand these, it was needful to take into account the physical factors." (1)

Ibn Khaldoun is on the path which has been later followed by Vico, Montesquieu, Buckle . . . He is not a racial philosopher ; faced by the superiority of a people, he has not found its explanation like de Gobineau, in the purity or superiority of the race, but he considered its ultimate causes in the physical environment and manners of living.

In this instance, Bouthoul comparing him with de Gobineau says " Ibn Khaldoun en tant que théoricien avait le choix entre deux attitudes, il pouvait expliquer les succès des nomades victorieux simplement par les qualités dont étaient particulièrement douées certaines races de ceux-ci ; mais il pouvait aussi aller au delà et chercher à expliquer la genèse de ces qualités elles-mêmes. Nous savons que c'est à cette dernière solution que s'arrêta Ibn Khaldoun qui écarta le facteur race en tant qu'entité ethnique se perpétuant par la seule vertu de l'hérédité pour faire prédominer le facteur genre de vie." (2)

(1) N. SCHMIDT : p. 21.

(2) BOUTHOUL : p. 42.

PART III

PUBLIC FINANCE THEORIES

Chapter IX.—PUBLIC RECEIPTS AND PUBLIC EXPENDITURE

I.—Organization of Public Finance

IMPORTANCE OF THIS FUNCTION

Ibn Khaldoun considers public finance as an essential part in the mechanism of government ; he says, "It is one of the three constituent parts of government which are army, finance and correspondence, the ruler thus is in need of sword, pen and money ; the director of public finance enjoys great influence in the direction of the State." ⁽¹⁾

He explains how the function of financial control, which consists in supervising the employees and their collection of the correct amounts in due times was especially honoured in some States ; in the State of Al Moaheddin public finance control was entrusted at first to a member of the ruling family ; afterwards members of well known families were admitted to this post ; later on, it passed to experts in accountancy. ⁽²⁾

He says that in some countries, receipts and expenditure are united under the same direction ; in other countries receipts are separated from expenditure and each category is handled by a different director. ⁽³⁾

It is interesting to note that Ibn Khaldoun distinguishes between private receipts of the ruler and public receipts ; he says that the director of the "Private Domain" governs "the private properties of the Sultan and those shares which do not constitute a part of public receipts." ⁽⁴⁾

THE FINANCIAL CODE

"The preservation of the rights of the State concerning receipts and expenditure, the soldiers pay its fixation, etc. . . , must be done according to certain laws ; all these laws are written in a book treating the details of receipts and expenditure . . ." ⁽⁵⁾

⁽¹⁾, ⁽²⁾, and ⁽³⁾ The Prolegomena, Ch. III, pp. 230-232.

⁽⁴⁾ and ⁽⁵⁾ The Prolegomena, Ch. III, p. 230.

Again, he says, "What concerns this function, in relation to the army, or the treasury, receipts and expenditure, the use of peaceful means or of compulsion, all these are to be found in books of administrative laws..."⁽¹⁾

There was, then, a kind of financial code, responsible for the organization of public finance.

THE FINANCIAL ADMINISTRATION

Ibn Khaldoun explains the origin of the word "divan" which is used for "department" or "administration." It seems that it was a Persian word which the Arabs took from them when they became bureaucratic and adopted their bureaucratic system; it came to indicate the whole organization namely the offices, the laws and regulations, the redaction of correspondence, etc... At first, the Arabs used the Persian and Greek languages but they soon turned the system into the Arabic language.

Ibn Khaldoun says that this organization into departments with established laws and rules comes after the settlement of the State and the expansion of security. Then the one department is often divided into sub-departments, he gives the example of a sub-department for military expenditure, etc... It appears that an advanced bureaucratic system was known at the time of Ibn Khaldoun and helped in the administration of public finance.⁽²⁾

II.—State's Expenditure

TENDENCY OF EXPENDITURE TO INCREASE

The State begins by imposing a few moderate taxes, he says, because its need for receipts, in its early stages, is limited. When society becomes more civilized and its wants increase because of the introduction of new luxuries, the State's need for more receipts is felt; its expenses are increased and accordingly the Sultan increases the number of taxes and the rate of taxation.... Ibn Khaldoun does not look with satisfaction on the increase of the State's greediness but considers it ultimately adverse to prosperity; he says "If taxes on subjects are

⁽¹⁾ and ⁽²⁾ The Prolegomena, Ch. III, p. 230.

few, the subjects become active, and feel an impulse for work so that prosperity and satisfaction prevail, and when prosperity and economic activity increase, the output of taxation increases accordingly." (1)

The ruler, however, does not always follow the line of conduct valued by Ibn Khaldoun; he has recourse, under the pressure of increasing financial necessity, due to the introduction of new tastes and wants to the increase of taxes and imposts on subjects, employees, peasants, and all other tax-payers; he further increases the rate of these taxes a great deal so that the output of taxation may increase; he imposes taxes on transactions; this goes on increasing according to the gradual increase of luxuries and the new wants which demand new expenses; taxes become a heavy burden on the subjects, though the tax payers become more or less accustomed to them, because the increase has come gradually; no determinate ruler is held responsible for their increase." (2)

Modern public finance writers agree in saying that the tendency of expenditure is to increase, but they differ as to its cause. The different explanations can be classified under two headings: the real and the apparent increase. What we are dealing with here is the real increase. Public finance writers explain the real increase as a result of the development of social legislation, the urban spirit resulting from the displacement of manual industry by machinery and the intervention of the State in newer branches of activity.

The essential cause is the evolution in the individual's manners and habits and the consequent increase of individual wants and the State's obligations.

EFFECT OF PUBLIC EXPENDITURE ON RECEIPTS

Ibn Khaldoun explains how the decrease of the State's expenditure is followed by a decrease in receipts. He says that when the Sultan curtails his expenditure, he thus curtails in advance the output of on-coming receipts. (3) It has been noticed that the State often has recourse in time of crisis to curtailing its expenditure. This on the

(1) and (2) *The Prolegomena*, Ch. III, p. 265.

(3) *The Prolegomena*, Ch. III, p. 271.

contrary increases the slack period. Many have suggested that the State should adopt instead a strong policy to enhance confidence and precipitate the boom and that it should adopt a policy of public works in slack periods. Anyhow, curtailed expenditure generally means curtailed receipts which may call for new cutdowns and so on.

The Circulation of Expenditure: The Idea of a Reserve Fund.

When the ruler does not spend the receipts, in view of increasing the wealth at his disposal, he injures, by so doing, the state of prosperity. He says, "When the Sultan keeps the proceeds of taxation without spending it, the subjects lose it;"⁽¹⁾ again he says, "When the Sultan keeps the proceeds of taxation and does not spend it in its rights ways, the money which is in the hand of courtiers, troops. . . diminishes; consequently their expenditure decreases on the whole; their expenditure forms the greatest part of the market activity. . ." ⁽²⁾

Ibn Khaldoun quotes the following passage from Tahir Ibn Al Hussein, "When money is treasured and hoarded it does not grow; if it is spent on prospects of bettering the state of subjects, securing their rights to them and protecting them, then it grows, fructifies and booms. . . the very treasure to be acquired is the spending of money in prospects of bettering the people's conditions." ⁽³⁾

Here is once more an indication of Ibn Khaldoun's view on the relation of brisk circulation and the booming of economic activity; he is not an adherent of the reserve funds theory; the real treasures he says are the civic enterprises that give to the people better standard of life. In this, he agrees with Al Tartouchi who combats the idea of a reserve fund, and considers that the best reserve is to keep the people in fit conditions. In this, he does not share the opinion of Nizam Al Moulk, who advises the keeping of a reserve fund which may be used in case of need in abnormal conditions.

HINTS OF SOCIAL SERVICES

Ibn Khaldoun is conscious of the social duties of rulers. A good deal of public expenditure is to be affected to this purpose. He is

⁽¹⁾ and ⁽²⁾ The Prolegomena, Ch. III, p. 271.

⁽³⁾ The Prolegomena, Ch. III, pp. 290-291.

influenced, no doubt, by the islamic ideas of benevolence and charity or still better of social duties since the poor are considered to have "a right" in the wealth of the rich.

He quotes the following passage from Taher Ibn Al Hussein, "The ruler should provide for the comfort of poor people, orphans, widows; he should give them assistance from public funds so that they may enjoy a comfortable life; he should establish homes for the sick with attendants to care for them and doctors to look after their illnesses." ⁽¹⁾

Thus the horizon of public expenditure enlarges so as to include social services as well as security and prosperity services.

III.—State's Receipts

CANONS OF TAXATION

Two rules were especially emphasized by Ibn Khaldoun regarding taxation: equality and moderation.

Speaking about the equality of taxation he quotes for instance from Taher Ibn Al Hussein, the following passage "The burden of taxation should be divided according to right and justice and with equality and generality. No exemption is to be given to a nobleman because of his nobility or to a wealthy man in regard to his influence, and wealth; the ruler should neither give such exemptions to his employees or to his courtiers. . ." ⁽²⁾

In another passage, he quotes from Al Massoudi, how discrimination and favouritism in fiscal matters were a cause of economic dislocation.⁽³⁾

He particularly insists on the moderation of taxation; he believes that the State's dislocation is due in a large part to the fiscal burden; fiscal pressure is one of the essential causes of the disruption in the State's economics and politics.

He stresses on the contrary the favourable effect of moderate taxation on the economic activity.

OPTIMUM OF RECEIPTS

Ibn Khaldoun deals in a separate chapter with proving that the Sultan's receipts reach their optimum when the State reaches its middle

⁽¹⁾ The Prolegomena, Ch. III, p. 293.

⁽²⁾ The Prolegomena, Ch. III, p. 292.

⁽³⁾ The Prolegomena, Ch. III, p. 272.

age. Its cause is "that in the first phase of the State's development, taxation is divided among powerful chieftains whom the Sultan needs for asserting his power." (1)

Now when the State reaches its climax in power "The Sultan alone has the right of taxation; he then spends on schemes for the State's prosperity." (2)

But when the State begins to decline, the Sultan is in need of the military chiefs; moreover his receipts fall as we have demonstrated; thus a disequilibrium is felt and the State's employees become poverty stricken.

The main point is that the central authority in the first case has rivals in taxation; in the last phase its receipts are dwindling and absorbed by military preoccupations; in the State's middle period the proceeds of taxation reach their optimum and are directed mainly not towards security purposes but towards prosperity prospects.

ELASTICITY OF THE REVENUE OF TAXATION

The increase in the number and rate of taxes has certain limits; it implies the sacrifice of the future interests to the present; it destroys the hope of tax-payers to reach the expected fruit of their production; "They compare the benefits of their production with the burdens of taxation, the produce of their work with the proportion of their net profits in it and consequently slacken in their production, which state results in a decrease in the output of taxation."

"The ruler may wrongly estimate the causes of this downfall; he may believe that he should raise the rate of taxes; he acts accordingly until the optimum output is passed because of the heavy expenses and the heavy tolls and the inadequacy of production in regard to cost." (3)

The consequent result is that "The total output continues decreasing, while taxes and their rates go on increasing in order to make good the decrease, until prosperity passes away and economic activity slackens because hopes of betterment have vanished, and this adversely affects the State as much as prosperity is beneficial to it." (4)

(1) and (2) *The Prolegomena*, Ch. III, p. 268.

(3) *The Prolegomena*, Ch. III, p. 265.

(4) *The Prolegomena*, Ch. III, p. 159.

Ibn Khaldoun advises, then, to have few and moderate taxes because this is an "essential condition in the revival of hopes and the regeneration of economic activity." (1)

He supports his view by quoting practical examples taken from history, notably what happened in the Abbaside State, Obeidite State, where taxes expanded until they were imposed on those who went on pilgrimage and they were later suppressed by Saladin; this similarly happened in Andalusia for some time. . . (2)

He very nearly hits on this idea of an optimum output of taxation beyond which the total output falls in spite of the increase in taxation objects. The tax-payers have a limited power to pay; if the State exceeds the limits of this capacity to pay, receipts begin to fall and evasion whether legal or illegal begins to be manifest; if pressure continues, production is seriously endangered.

He expressively says, "Taxes and their rates are increased until every impost reaches a limit where no profit is left because of the increased expenses and heavy fiscal burdens and the non-remuneration of prices in comparison to cost;" (3) when taxes reach this limit, the State's receipts lose their elasticity and become inelastic and the total output decreases in spite of the increase in taxation objects and rates of taxation.

DIFFERENTIATION BETWEEN DIRECT AND INDIRECT TAXES

Ibn Khaldoun points to this differentiation though he does not use these terms; for example, he says "The Sultan then introduces new kinds of taxation which he imposes on transactions and sales and on prices in markets etc. . ." (4)

These new taxes which the Sultan introduces on sales, prices and transactions, are indirect taxes on consumption.

They are innovated, which implies that the existing taxes before their imposition were of another kind, namely, direct taxes. In fact the taxes of Zakat (Benevolence tax), and Kharadj (land tax) are direct taxes. When their output became inadequate to meet the increasing expenditure, the Sultan introduced the new imposts.

(1) The Prolegomena, Ch. III, p. 265.

(2) The Prolegomena, Ch. III, p. 266.

(3) The Prolegomena, Ch. III, p. 265.

(4) The Prolegomena, Ch. III, p. 266.

Ibn Khaldoun not only appreciated their difference and the chronological order of their use but he had also a clear notion of the situation for which the two kinds were most appropriate.

The Sultan firstly increases the rate of existing taxes, then he introduces indirect taxes, then he gradually increases their rate also; however, the introduction of indirect taxes takes place after the inadequacy of existing taxes to meet the increasing expenditure becomes plain. This accords with the modern theories which say that indirect taxes are best suited for times of financial pressure and crisis.

THE THEORY OF THE INCIDENCE OF TAXATION

Many would be inclined to think that the concept of the incidence of taxation is of recent origin; however, we see Ibn Khaldoun grasping the essential idea. He says, "Most of the output of taxation is derived from fellaheen and traders especially after the imposition of taxes on sales and transactions and the ensuing increase in the output of taxation." (1) In another passage he says, "Most of the earning of individuals comes through buying and selling and if markets are devoid of it and slacken, individuals are injured in their living and the output of taxation is vitiated because the greatest part of it, from the middle of the State's period to its decline, comes from imposts on transactions and sales." (2)

Now in adding together these two sentences it results that the greatest part of taxation comes from the peasants and traders and that it originates in the imposts on transactions which are indirect taxes on consumption.

This implies two statements of high importance: the first is that in general taxes have an incidence and the second is that the incidence is most manifest in indirect taxes on consumption.

Peasants and traders do not only pay direct contributions but they support the greatest part of taxation through incidence especially after the imposition of indirect taxes which are in use from the middle period of the State to its decline.

More expressively he says "Taxes are included in the values of goods and their prices." (3)

(1) The Prolegomena, Ch. III, p. 267.

(2) The Prolegomena, Ch. III, p. 275.

(3) The Prolegomena, Ch. IV, p. 354.

IV.—The State as a Factor of Production

He mentions in many parts of his work, that the State is a market ; he says for example " The State is the greatest market ; it is the origin of all markets and maintains them with its expenditure ; if the State decreases its expenditure the other markets follow its way and slacken much more." (1)

Public finance writers admit that the State is a factor of production and that when it asks for taxes it asks for its share in production ; the factors of production being : land, capital, labour, organization and State's protection.

Land has for its remuneration rent ; capital : interest ; labour : wages ; organization : profits ; and State's share in production : taxes.

He considers that the State influences all other markets because it is the most important of all markets. The State is not only a political phenomenon but it has a real economic significance in the mechanism of markets by influencing demand and the distribution of purchasing power.

V.—The Flights of Capital

Ibn Khaldoun dealt with this phenomenon which may be thought to be a new one, facilitated as it has been by easy means of transportation and financial institutions. However, these circumstances only facilitated a pre-existing phenomenon. He gives the example of Sultan Al Lahiani who fled with all his capital but was gradually spoiled of his wealth by his host. Ibn Khaldoun denounces the tendency of flights of capitals because he says " Rulers that give their protection to the refugees extort in reward their wealth either by persuasion or by pressure." (2)

It should be pointed out, however, that the flights of capital in his time were not separate from the flights of persons ; it should also be stressed that in this time, it was intended by it to avoid oppression ; nowadays the movement of capital is guided by the greatest interest obtainable and the greatest prospects of profits ; it seems that this was not the purpose at the time of Ibn Khaldoun since capital had not the same importance then as a distinct factor of production.

(1) The Prolegomena, Ch. III, p. 271.

(2) The Prolegomena, Ch. III, p. 270.

PART IV

ECONOMIC POLICY

Chapter X.—IBN KHALDOUN'S VIEWS ON ECONOMIC POLICY

A.—State Intervention in the Economic Field

I.—WAYS OF INTERVENTION

The State interferes in the economic field in two ways: the first by legislation, the second, by assuming a commercial structure and by carrying on trade, industry and agriculture, like ordinary individuals. These two forms of a single phenomenon are closely interrelated though not necessarily coexistent; the State may have recourse to one of the two means without having recourse to the other but generally when the State begins by having recourse to one of them it ends by knocking at the other's door. For example, the State carries on trade, agriculture, industry; under the pressure of strong competition it soon has recourse to legislation, to give itself privileges and immunities, exemption from taxes, etc. . . Or it may begin by legislation but may feel, after a while, that through evasion, legal or illegal, its intervention is not efficient; it then interferes in the market as a producer by influencing supply and demand.

II.—INTERVENTION NOWADAYS

Before expounding Ibn Khaldoun's views on these phenomena, we wish to reproduce the opinion of Prof. Bresciani, who has devoted one of his courses to this question, regarding the method which should be adopted nowadays in treating it.

He says, "It is a generally observed fact that, in the last few years, governments have everywhere interfered more and more in economic affairs. The reasons for this increasing intervention by the State will be examined later; for the moment it suffices to establish this well realized and unmistakable fact which, I might add, has a quite general character, since both democratic and authoritarian or dictatorial countries have recently witnessed an enormous extension of the economic functions of government. The consequence has been that

the State has become an "economic factor" whose existence and increased influence cannot be ignored. For older economists of the so-called "Liberal School" State intervention was something abnormal and was considered as the consequence of the persistence of erroneous conceptions as to the functions of the State which had grown in the past, or as the effect of the egoistic activity of some groups, which managed to influence the government to their power. As a rule it was contended that governments ought not to intervene in economic affairs. The position of the modern economist towards State intervention is different. He does not discuss, in a purely abstract way, what the functions of the State ought to be, whether it ought to intervene or not, and so on. The economist simply observes what actually happens and his main task is to trace out the effects of the State intervention." (1)

Ibn Khaldoun followed just the same attitude. He did not discuss whether the State ought, or ought not, to interfere; he merely registered that the State in fact had often recourse to this interference. He is a realist; he depicts what really happens; he then considers the outcome of such interference, its effects, the advantages that the State had in view, and those which it realizes in fact; he arrives at the conclusion that the disadvantages of such policy surpass its benefits and advises to reject it.

This proves clearly the rightness of his scientific method; he deserves praise, however, not only because of the merits of his method, but also for the talent he shows in discussing the main object; he has touched points of utmost importance and arrived at conclusions which still merit to be applauded in modern times.

III.—INTERVENTION IN THE MARKET

Under the title "That the commerce assumed by the Sultan is harmful to subjects and taxation," he deals with the subject of State intervention; he writes thus "When the State in spite of heavy taxes, and because of increasing expenses, finds that receipts from taxation are inadequate to meet its wants and expenditure, and thus finds itself in need of more money through increased

(1) Prof. BRESCIANI TURRONI: *Course of Doctorate*, Cairo, 1940.

taxation, sometimes it has recourse to taxes on exchanges and markets, another time it increases the number of existing excise taxes ; sometimes it undertakes trade and agriculture in the name of the Sultan because the State sees that traders and peasants reap benefits and crops and that profits are proportionate to the capital employed. Then the State acquires animals, lands, plants, and through the money which it acquires by its investments, it buys goods which it is in need of. The State thinks that this increases receipts, but this policy is a great mistake and it brings injury to the subjects from many points of view. It makes it difficult for peasants and traders to buy animals and goods, and it does not facilitate this job, because subjects have balanced or nearly equal purchasing power and their competition makes easier the distribution of existing goods ; but when the Sultan joins them in this, his wealth and his capacity being much greater, they scarcely arrive at the proposed satisfaction of their wants ; furthermore the Sultan may obtain what he wants by compulsion at the lowest prices, and may impose his products on consumers at the highest prices ; sometimes the purchaser, not wanting the goods imposed on him, resells them at the lowest prices and this may be repeated until it consumes the peasant's or trader's capital ; subjects, seeing this confiscation, slacken and become idle ; receipts become atrophied because the greatest part of receipts comes from peasants and traders, especially after the imposition of the sales taxes and the expansion of tolls. If peasants abstain from cultivating their land and traders from commerce, receipts will vanish on the whole, or diminish tremendously ; if the Sultan measures what he gains through taxation and compares it with those small profits, he will find them in proportion to taxation less than a little ; even if they be handsome, they take out of him a good part of taxation, because it is not probable that the Sultan will impose taxes on his actions, but if others than he were in these transactions, he would have gained that part due to taxation.

"The Persians stipulated that their ruler should be one of the royal family, and that he be educated, courageous, respectful to religion, and magnanimous, and that he be just, and that he should not carry on a trade, so as to avoid being harmful to his neighbours, and that he should not have a commerce so as not to hope for high prices of commodities and that he should not use slaves."

He goes on to say "The way of increasing the receipts is only through taxation ; its output becomes abundant through justice ; in this way,

subjects entertain true hopes, and receive a stimulus for production, and consequently receipts of taxation grow; other methods like interference in trade and farming are impending harms." (1)

IV.—ARGUMENTS OF IBN KHALDOUN AGAINST INTERVENTION

Thus Ibn Khaldoun concludes by rejecting State interference, because it prevents individuals from reaching their maximum satisfaction which they can hope for in a free market with nearly equal purchasing power among the competitors; also because interference, once begun, can hardly be limited; it extends from mere interference as ordinary competitors, to goods imposition, price fixation, and finally the undermining of the free market; he buttresses his theoretic induction by a comparison between the receipts of taxation and the profits of the producer. Some of his assertions deserve the highest attention; let us study them more minutely:—

(a) *Competition and Maximum Satisfaction.*

He says, "and their competition makes them arrive at the maximum satisfaction."

Liberal theories explain how free competition makes individuals arrive at their maximum satisfaction. This becomes clear through the theory of marginal utility. Individuals compare the marginal utility of the good with the marginal utility of the unit of money which they pay in exchange; prices are the measure of marginal utility of goods and money. The individual spends his income until the marginal unit of money spent on any commodity gives the same satisfaction; this satisfaction is the maximum satisfaction which the individual can obtain. This even distribution is brought about through competition in a free market. The above concept has become clear by means of the theory of marginal utility. Ibn Khaldoun, it appears, had no notion of this theory; nevertheless he grasped the essential idea which it later on served to establish.

(b) *Purchasing Power and Maximum Satisfaction.*

Ibn Khaldoun perceived and related one of the most delicate phenomena concerning the functioning of the market, namely the influence

(1) The Prolegomena, Ch. III, pp. 266-267.

of the purchasing power on the distribution of goods and the satisfaction of wants.

He says in this instance, "The Sultan's commerce makes it difficult for peasants and traders to buy animals and goods, because subjects have balanced or nearly equal purchasing power and their competition makes easier the distribution of existing goods; but when the Sultan joins them in this, his wealth and his capacity being much greater, they scarcely arrive at their proposed satisfaction of their wants."

Maximum satisfaction, is that which exists in a certain set of conditions; it is not realized in a society where income and wealth are unequally distributed. Speaking about this question, Prof. Bresciani says "Very high prices are then obtainable for goods which besides existing in small quantities, are objects of keen desires for the wealthy classes. Goods which owing to their inferior quality are bought by the poorer classes, are sold at low prices though the want for them might be very keen. The greater the inequalities in the distribution of wealth and of income, the greater will become the differences in prices; which is confirmed by the fact, recently observed, that the prices of luxuries fall in periods of severe industrial crisis when the income situation of wealthy people deteriorates, while they increase when a new class of wealthy people suddenly arises. The pricing system is therefore closely related to the way in which personal incomes are distributed. By explaining the contrast between marginal utility and price, I have pointed to one of the most striking disharmonies in the present economic structure, which has far reaching consequences. Since. . . , entrepreneurs are led, not by considerations of marginal utilities to the purchasers, but by considerations of price, there is a danger that production is ordered not according to the most urgent wants of society but, according to the purchasing power of buyers."

We have wished to demonstrate by what has preceded the importance of purchasing power in the economic state, in order to have a just idea of the importance of the discovery of Ibn Khaldoun. In fact, his idea is correct and fit to reject the arguments of the advocates of interference. In a world of balanced purchasing power, State interference prevents the best distribution which would afford the maximum satisfaction. However, this argument holds good in a world where nearly equal purchasing power prevails; in a society characterized by great disparities in purchasing power, this same argument may be

seized by advocates of State intervention ; State intervention then, would have to remedy the defects entailed by the loss of equilibrium.

(c) *Intervention once Begun, has no Definite Limit*

Ibn Khaldoun considers that State intervention always leads to further intervention ; the Sultan begins his trade or agriculture with the intention of carrying it on as an ordinary trader or peasant, taking for his motto that " Profits are proportionate to the capital employed." He does not forget, however, that he has in his hands public authority, and that he can translate his prestige into monetary values ; he fixes prices and imposes his goods on the market with compulsory prices and gives fiscal exemption to his enterprises and the like. . . .

Those upon whom these goods have been imposed, and whose goods have been bought at low prices, slacken in production and they may resell imposed goods at low prices and thus they gradually consume their capitals and this state affects gravely the output of taxation.

The idea that intervention, once begun, has no limit at which to stop is one of the strongest arguments employed by those who combat intervention.

Economic life is interrelated and interdependent, arriving at a state of equilibrium through continual ups and downs, and any interference is a new element which has its repercussions on the economic market and may orientate it finally in an unwished for direction ; this requires a new interference which has also its repercussions, etc. . . .

The essential condition for the success of a partial interference, " that all other things remain equal " is not realized practically ; the interference that does not comply with the existing data, is an endless chain ; this is another reason why Ibn Khaldoun advises to avoid it.

(d) *Profits of Enterprises or Yield of Taxation ?*

He says, " If the Sultan measures what he gains through taxation and compares it with those small profits, he will find them in proportion to taxation less than a little ; even if they be handsome, they take out of him a good part of taxation because it is not probable that the Sultan will impose taxes on his transactions, but if others than he were in these transactions, he would have gained the part due to taxation."

He thus prefers the output of taxation to the profits of enterprises ; in modern times, the entrepreneur, in order to secure a profit, must pay interest to capitalists, wages to workmen, rent to land owners,

prices of materials used, etc. . . All the categories involved in production and deriving a benefit from the enterprise, pay taxes to the government; the surplus is the profit of the entrepreneur, and it is also subject to taxes.

When the State assumes the role of the entrepreneur, it may not pay taxes on its profits; now, it should be stressed that enterprises do not always yield profits and that the tendency of profits under the pressure of competition is to diminish. It may entail losses, while taxation does not involve the State in the market's risks.

(c) *Private Initiative and the State's Enterprises.*

Another idea must have influenced Ibn Khaldoun's opinion, though indirectly; it is about the effect of private initiative on production. In another passage, he stated that the paid employee has not the same incentive as the owner; it is not strange then, that the production of the State, by means of salaried employees, is not to be compared to the production by private enterprises. Government operation of enterprises best suited for individuals implies necessarily a waste from the economic point of view.

V.—FISCAL PRESSURE AND STATE INTERVENTION

Ibn Khaldoun has linked State intervention in the economic field with its increasing need of receipts in order to meet increasing expenditure. This fact is to be seen at the present time and it becomes more and more common.

Besides the industrial and agricultural public domain, the fiscal domain which is composed of shares, is steadily increasing in use. The State thus assumes the role of producers.

The State, however, does not assume the establishment and operation of industrial and agricultural concerns, only with a fiscal object in view, but also as a means to realize social ends. It may assume the direction of new industries, or mismanaged industries, or firms that are not enough remunerative from the economic point of view. It still remains true, however, that the greatest motive for the State's interference has been a financial end in view. In general it increases in times of crisis and diminishes in times of boom. We can even say that the usual deficits in the State's budgets have been one of the causes which have pushed the State towards interference whether legislatively or commercially in order to re-establish the lost equilibrium.

Ibn Khaldoun considered that there is a link between the increase of luxury, financial difficulties, fiscal pressure, State intervention in the market and public authority's encroaching on the rights and personality of the individual. In their essentials, these lines have remained true nowadays.

B.—Ibn-Khaldoun, Founder of the Liberal Doctrine

I.—HE IS A PIONEER

Having expounded the opinions of Ibn Khaldoun on the market structure, pricing system, monopoly, State intervention, taxation, moral factors of production, we may now be able to ask to what school can we relate his thoughts.

Before making this attempt, let us stress once more the fact that he has not been a follower of a certain school of thought in economics but a founder and original writer. His title to originality is not only due to this precedence in time but it is based mainly on the prominence of his views among economists up to the classical school. A rapid comparison with other economists up to Adam Smith, is bound to show his superiority and his genuine claim of being a "founder" of a school of thought.

The Greek economists, who occupy some of the first pages in the history of economic doctrines, compare poorly with Ibn Khaldoun. Aristotle, one of their best masters, expounds some scattered elements and notions about economics; he considers that commerce with the desire of gain is not an ideal means of living; he shows contempt towards labour; on the contrary, he considers conquest, pillage, as natural means of living. Decidedly, his views on economics are rude and of doubtful scientific value or significance.

A similar opinion can be expressed about the Romans who "even less than the Greeks, have not transmitted to us any system of political economy." (1)

In the Middle Ages, economic facts were studied by legislators and moralists. "Economic doctrines, playing the rôle of auxiliary doctrines, are expounded by jurists to explain some laws, or by theologians as

(1) RAMBAUD: *Histoire des doctrines économiques*, p. 23.

arguments in favour of some moral rules; such is the case with theories of the schoolmen on interest, capital, property, etc. . . . Ibn Khaldoun, however, had no intention of doing the work of a jurist or a theologian. He considered the study of economics as an essential part of the study of society which is his main object; he had scientific ends in view, namely the discovery of laws and tendencies that govern society. He is a scientific economist, not a moralist, a jurist. "The doctrinal work of the Middle Ages, says Brants, been the teaching of the morals of economics (ethics of economics) in conformity with justice and christian charity, and to apply the principles to the social conditions of these days." (2)

With the Mercantilists, we find a better understanding of economic facts; attempts are made to base economic policy on sound economic theories. Yet the work undertaken is primitive and limited in scope. Ibn Khaldoun's scientific horizon is more varied; he is not one-sided as the Mercantilists. He has praised the stability of gold and silver but he did not go so far as to say that the wealth of countries lay in mere accumulation of gold and silver. On the contrary, he considered that their abundance depends on the booming of economic activity and not on artificial limits on trade.

We find in the Physiocratic conceptions, some resemblance with Ibn Khaldoun's views on the spontaneity and necessity of agriculture; however, he is not of their opinion on the "classes stériles." He says that agriculture is related to the primary stage of production and that in more advanced stages, it is industry and the booming of markets that really count.

Colosio, comparing Ibn Khaldoun's views to those of Machiavelli, says "Si le grand florentin nous instruit sur la façon de gouverner le fait en diplomate et politique clairvoyant, tandis que le savant tunisien a su pénétrer les phénomènes sociaux en économiste et philosophe profond, ce qui bien lui permet de s'attacher à son œuvre avec une hauteur de vue et un sens critique encore ignoré à son époque."

We consider Ibn Khaldoun to be the worthy predecessor of Adam Smith. They have, indeed, many points in common, both in their life and in their opinions. The two economists have had a good

(1) BOUTHOUL: p. 33.

(2) V. BRANTS: Les théories économiques des XIII^e et XIV^e siècles, 1895, p. 319. *Musulman*. XXVI, 1914, p. 319.

(3) S. COLOSIO: Contribution à l'étude d'Ibn Khaldoun, *Revue du Mo*

of travel; they have been professors in universities and gave public lectures: Adam Smith in Glasgow and Ibn Khaldoun in Cairo. Adam Smith taught logic and Ibn Khaldoun wrote a book on logic. The two writers have chosen a similar object of study: the social activity. They wrote on defence, establishment of cities, division of labour, stages of production; they advised moderation in taxation; they equally defended economic and political liberty. They have known the importance of the law of causality in social studies; they have equally the merit of being "scientific" writers on economics.

Adam Smith has seen the dawn of the Industrial Revolution; he had in front of him new elements of study. Ibn Khaldoun, however had a larger horizon of study; he has been not only an economist, but an economic interpreter of history also; even in some details of economic theories he is superior to Adam Smith such as in his understanding of the productivity of immaterial services; also, his recognition of the importance of the condition of equality of purchasing power in the maximizing of satisfactions. By comparing favourably to Adam Smith, whom he has preceded by four centuries, Ibn Khaldoun's claim to being a founder is decidedly secure.

II.—HE IS A LIBERAL ECONOMIST

Because of the wide range of his opinions, it is difficult to consider him as making part of a definite single school; it seems that he should be classified in the eclectic school; however, what is most striking in his writings, is his defence of freedom and liberalism. He constantly advocates freedom in its varied forms; from the standpoint of political freedom, he regrets that the advance of civilization encroaches on the individual liberty; he defends the freedom of labour and condemns compulsory labour; he asks for a reduction of the fiscal pressure; turning to the economic side, he shows how the market, free from intervention, is bound to secure to individuals their maximum satisfaction; he is decidedly against State intervention and price fixation; he attacks monopoly; he is the champion of the free market, freedom of labour, political freedom, financial moderation in a word "Liberalism."

Though a liberal, Ibn Khaldoun does not miss the economic meaning of the State; he emphasizes its rôle in the economic development; the evolution from primary to more advanced stages of production and prosperity, the settlement in cities, city planning, etc. . . come

under the impulse of the State ; it influences the factor of demand through its expenditure ; thus it effectively encourages the development of industries and the perfection of services ; it is " the greatest market and origin of all other markets."

III.—IS HE A SOCIALIST ?

We find in Ibn Khaldoun's writings, some passages which remind us of the socialists. He emphasizes, for example, the importance of labour ; he does not however elaborate a labour theory of value. He nearly states an iron law of wages, but considers that the standard of living rises steadily in more advanced and more prosperous communities. Wage-paid work he says is not a natural means of living. Colosio, commenting on this statement says " By bringing to light that wage-paid work is not in conformity with nature, has he not preceded by five centuries, our socialists who declare that social justice imposes the abolition of the wage-paying state, as a solution of the social question." (1)

What gave, however, the real impetus to socialism was the introduction of machinery and the establishment of a class of wage-earners different from the class of capitalists ; new conditions were brought about, and they required new solutions ; the imperfections of the economic machinery gave the opportunity to socialist doctrines, and the result was a socialism characterized by class struggle ; it is different from the doctrines of Ibn Khaldoun. He respects, on the contrary, the free market, private initiative and private property ; he defends the freedom of labour ; he refuses to admit state intervention in trade and agriculture ; nowadays, he could hardly be called a socialist. His true character is reflected in his being the pioneer liberal economist.

(1) S. COLOSIO : *Revue du Monde Musulman*, XXVI, 1914.

PART V

THE ECONOMIC INTERPRETATION OF HISTORY

Chapter XI.—IBN KHALDOUN'S INTERPRETATION OF HISTORY

1.—The Economic Interpretation of History

Besides the theories which Ibn Khaldoun advanced in economics, social economics, and public finance, a theory of no less merit has been elaborated by him, regarding the interpretation of history; his interpretation is largely an economic one.

We mean by economic interpretation of history that theory which supposes :—

- (1) the existence of historical laws.
- (2) that society is governed by the law of social environment.
- (3) that the economic factor predominates in the social sphere.

Ibn Khaldoun has grasped these three fundamental concepts; he understood that among historical phenomena there exists a relation of sequence or coexistence or divergency; from these relations historical laws could be formulated by means of the law of cause and effect in which he expresses his firm conviction ⁽¹⁾; he was fully aware that history is to a large degree influenced by the economic factor.

The interpretation of history does not imply the monopoly of the economic factor in shaping history; in this instance Seligman says: "If society then is an aggregation of individuals and if history is the record of the activities of the social group and its constituent elements, history is the parti-coloured garb of humanity."

"In one sense, accordingly, there are as many methods of interpreting history as there are classes of human activities or wants. There is not only an economic interpretation of history but an ethical, an esthetic, a political, a jural, a linguistic, a religious interpretation of history. Every scholar can thus legitimately regard past events from his own particular standpoint."

⁽¹⁾ IBN KHALDOUN: *The Prolegomena*, Ch. I, p. 91.

"Nevertheless, if we take a broad view of human development, there is still some justification for speaking of the economic interpretation among other equally valid explanations." (1)

Seligman further states: "The three forms of conflict (individual, class and race competition) are in last resort all due to the pressure of life upon the means of subsistence . . . as long, however, as this conflict endures, the primary explanation of human life must continue to be the economic explanation, the explanation of the adjustment of material resources to human desires." (2)

II.—Inductions from History

(1) PHASES OF THE STATE PARALLEL TO PHASES OF PROSPERITY

In view of studying the history of the community, its prosperity and decline, Ibn Khaldoun studies the State this being as he calls it: "The physiognomy of the community." Thus he sets himself to study the phases of the State's development, its ages, causes of its greatness and decline . . . ; his main object, in fact, is the study of the history of the community of which the State is the best embodiment. Having this in mind let us inquire into his theories about the State's development.

(2) PHASES OF THE STATE'S EVOLUTION

According to Ibn Khaldoun, the State passes through three phases:—

- (1) the rudimentary or primary phase.
- (2) the phase of settlement and economic expansion.
- (3) the phase of decline.

(a) *The Primary Phase.*

The distinguishing feature is that feeling called: "Esprit de corps" which prevails in the ruling group. Among this group, there exists a state of solidarity which is the result of the common blood. This group spirit is the backbone of the State's strength and power.

In this phase, the ruler is exemplary "in acquiring glory, levying taxes, defending the country, ensuring protection. He acts with the consent of his group, because this is implied by the group spirit. This group bond remains strong so long as rudimentary life remains

(1) and (2) E. SELIGMAN: *The economic interpretation of history*, New-York, 1924, pp. 102-105.

unchanged. As soon as nomadic life gives place to a life of luxury, this feeling withers away and thus a deep cause of the State's eventual disintegration is afoot." (1)

(b) *The Civilized Phase.*

In this phase, the community feels new wants; the once nomadic people imitate the civilized people in their habits; they settle in towns; they imitate the customs of the preceding ruling groups; for example, "We saw how the Arabs when they conquered Persia, were unaccustomed to luxuries; they soon employed, however, skilled workers and they became trained to the new ways of living; they indulged in luxury and became accustomed to it." (2)

This development weakens the group bond; while acquiring the polish of civilization, they were losing the essence of nomadic life, namely pride and freedom, and were becoming servile and subjected.

Moreover, the ruler seeks to acquire the complete mastery over the ruling group; he engages mercenaries and fights the group spirit.(3)

Under the pressure of these two factors, the political and the economic, the State enters upon old age which does not quit once settled in; new and better conditions will come only with the advent of a new State.

(c) *The Phase of Old Age or the State's Decline.*

When the community steps into civilization and leaves rudimentary life, it becomes infected with the germs of some diseases. As the State, however, is in its full vigour and strength, the symptoms of these diseases do not make their appearance; the community prospers under the impetus of the initial drive; when this impetus begins to weaken, the latent diseases emerge at the surface and the State begins that long process which ends in its ultimate disintegration.

This disintegration takes a dual form: a political disintegration of the group bond or "esprit de corps" and an economic one touching markets and finance. The financial debacle puts an end to the economic prosperity while the withering away of the group bond and solidarity

(1) The Prolegomena, Ch. III, p. 165.

(2) The Prolegomena, Ch. III, p. 163.

(3) The Prolegomena, Ch. III, p. 187

annihilates the real military strength behind the State and thus the State falls economically and politically. ⁽¹⁾

This Evolution comes in Cycles.

The State in its first phase is essentially a political phenomenon but at the end of its age it is an economico-political phenomenon; in its first phase it is the phenomenon of the domination of a group but in its later phase its essential object is to organize the economic activity and the dominating factor is wealth.

These views are similar to those of Spengler who considers that in the first phase of civilization, economy is an ally to politics; afterwards the Roman Motto, "Panem et Circenses," is adopted; instead of the submission to the will of a ruler, the ideal in view is the satisfaction of wants and the leading of an easy and comfortable life; then politics become the subservient tool of economy, economic policy becoming the chief factor in the community.

What does happen when the State disintegrates? Ibn Khaldoun says that a new State is formed which adopts rudimentary ways, then passes into the phase of civilization and finally reaches the phase of decline; if the downfall of the State is sometimes retarded it is because of the lack of an impending foe; this succession of events happens regularly in systematic cycles which comprise the age of the State.

We find this idea of cycles in Sombart, Karl Marx and more especially in Ferrari and Pareto.

Sombart considers that there is an alternation between aristocracy and democracy; the tendency towards aristocracy is represented by the change from the village to the manorial system and from the manual craft to the capitalistic system; democracy is strengthened by the establishment of trade unions, cooperative societies and restrictive legislation on property.

Karl Marx says that society develops from a classless system to a class system and then to classless society once more.

The ideas of Ferrari bear much resemblance to the idea of Ibn Khaldoun in this instance; he says: "Les périodes politiques ont lieu en quatre temps; chaque nouveau principe se sert de quatre générations qu'il domine en sorte de former un seul drame; et puisque les

⁽¹⁾ The Prolegomena, Ch. III, p. 279.

principes succèdent toujours aux principes, les générations se suivent quatre à quatre, à des intervalles d'une durée moyenne de 125 ans." (1)

Vilfredo Pareto has similar ideas to Ibn Khaldoun concerning the transformations of the ruling group. He says : " par l'effet de la circulation des élites, l'élite gouvernementale est dans un état de transformation lente et continue; elle coule comme un fleuve; celle d'aujourd'hui est autre que celle d'hier. De temps en temps on observe de brusques et violentes perturbations semblables aux inondations d'un fleuve. Ensuite la nouvelle élite gouvernementale recommence à se modifier lentement; le fleuve, rentré dans son lit, s'écoule de nouveau régulièrement" (2)

III.—The State's Age or the Cycle of Prosperity

(1) CHANGE IN ECONOMIC AND POLITICAL CONDITIONS

According to Ibn Khaldoun the age of the State does not exceed the age of three generations; he expresses himself thus " We have said that the State's age does not exceed the age of three generations because it is to be considered that the first generation are clinging to nomadic habits and rough manners; they are very sober in their needs and display courage; the State's affairs are discussed in common, the group bond is strong; they are respected; the second generation pass under the impulse of their rulers, from rudimentary habits to civilization; they like luxuries, live in opulence; the State's affairs are monopolized by the ruler and no longer discussed in common; the group bond is mitigated; they become submissive; yet some traces of the old nomads still cling to them; they cannot abandon all their old habits; they even hope some day to regain them completely or they believe that they still preserve their chivalrous traditions; the third generation forgets the nomadic manners as if they have never existed; they lose that sense of domination because they suffer submission and subjection by their rulers; comfort extends to extravagance; they become the State's parasites, in need of defenders just as women and children; the group bond has completely withered away; they forget their military duties and traditions and they concentrate on displaying smart dresses, or horse racing, educational formalities, etc.

(1) GIUSEPPE FERRARI: *Teoria dei periodi politici*, Milano, 1874, pp. 113, 114.

(2) VILFREDO PARETO: *Traité de Sociologie*, p. 1304.

When the State is threatened, they are unable to defend it; the ruler then engages mercenaries; by and by the State nears its collapse; so, you have seen, he says, that the State's disintegration is complete after three generations; it does not exceed in general this age or something approximate; except where there is no impending foe or pretender; old age would have settled in but the threatening foe has not come yet; if he comes he will find the situation ripe and he will encounter no resistance." (1)

The outcome of this is that the economic activity pursues its development in a succession of cycles, in a determined order; the development of its physiognomy, the State, is identical with the development of man; "the age of growth, the age of complete growth, and the age of decline." Like human life, which has phases of growth and decay, economic activity has phases which have been studied by Ibn Khaldoun with much precision and detail and in a logical order.

(2) FACTORS INFLUENCING IT

He sums up his view by saying that the State is built on two fundamental facts: the group bond which is necessary for the domination, and finance which is necessary for the pay of soldiers and employees and the satisfaction of other State needs; when the disintegration takes place, it hits these two fundamental bases.

He says about the deterioration of the group bond "the foundation of the State, as we have previously demonstrated, comes through the group bond; when the State passes to the luxury phase, the ruler transforms his relatives and group supporters into mere subservient followers; they are, thus, attacked by luxury and political subjection; the group bond of the ruler's group which was a vital element in building the State, deteriorates; courtiers and mercenaries occupy the prominent place; they form the new strength of the State but it is far from equalling the original one, because there is no group or blood community among the new adepts; the State's defence becomes difficult; perhaps instead of the group bond which enforces the authority of the ruler, the State's cohesion is maintained by that spirit of submission in the community which results from the rule of long decades ago; however the State goes on "cooling" as the body which has been deprived of food until it reaches its predestined fate." (2)

(1) The Prolegomena, Ch. III, p. 161.

(2) The Prolegomena, Ch. III, pp. 279-281.

After that, he explains the fiscal deterioration ; he says " The State in its first phase is nomadic and rudimentary as we have said ; taxes are light, expenses are moderate, and there is no abuse in levying taxes nor extravagance in expenditure ; but when the State passes into the second phase, and the ruler rules without veto from his cast or group, and luxury spreads, costs increase, expenditure of the Sultan and the people goes on increasing in general ; the pay of soldiers is increased, and so for the government's employees ; this increase stimulates new increase in luxury ; the Sultan has recourse to taxes on transactions, markets, prices, because he sees that the city is flourishing and that the new taxes could meet his increasing need of receipts ; luxury increasing once more, the output of taxes becoming once more inadequate, the State tries every means in hunting for new receipts either by more taxes or by assuming a commercial structure or by spoliation measures, etc. . . ; at this point the mercenaries become reckless because they see that the group bond has vanished and that the State is old and weak ; in vain, are they handled with an increase in their pay ; the ruler turns to tax collectors and wealthy people and despoils their wealth ; the pillars of splendour crumble and fall to the ground ; the Sultan defends his State by money not by the sword ; by and by the State, old and weary, defenceless and bankrupt, succumbs to the tread of a pretender . . . a flickering light has at last become extinct when the torch no longer found its material. . . " ⁽¹⁾

These are the two points which are most vulnerable in the State's structure ; luxury and the despotism of rulers disintegrate the group bond ; luxury, though it gives an impetus at first to the economy of the nation, yet has a disintegrating effect which ultimately appears on the economic horizon. If you see a luxury-minded people, be sure that the State is nearing its end especially if this is accompanied by social injustice. " Do not think, he says, that prosperity and social injustice cannot coexist ; the effects of injustice take place gradually ; the ultimate collapse takes time to materialize while in this lapse of time, economic activity is still booming. " ⁽²⁾

History has a predetermined course. The community passes from rudimentary to civilized life ; this takes place in three phases " growth, complete growth, decline ; " these successive circles are repeated

⁽¹⁾ Prolegomena, Ch. III, p. 281.

⁽²⁾ The Prolegomena, Ch. III, p. 286.

along the march of time ; the cycles of economic activity thus resemble the cycles of human life, generations of States following each other, just like the generations of human beings ; at two points the signs of the slidedown appear, namely, in the group bond and the financial problem, and this is largely due to the vices of civilization.

(3) EXPOUNDING THE MECHANISMIN OF PROSPERITY

Ibn Khaldoun speaks of the minute details which accompany this succession of events ; he gives a clear idea not only of the characteristics of each phase but he also shows the link of the events which take the State from its rudimentary conditions to the refined manners of civilization ; let us follow more closely this chain of events.

The State begins as we have said in rudimentary conditions ; wants are few, luxury is unknown ; politics preponderate ; economics are in the background.

Under the habituation of nomads to civilized ways of living, and under the pressure of the despotic ruler, the group bond is weakened ; new tastes are acquired, new wants are felt ; with the advance of civilization, the group link weakens more and more. Mercenaries are used to protect the State.

As the group bond goes weaker, luxury spreads ; the ideal place for this development is in the town ; settlement in towns is then of a decisive significance in the development of economic activity.

In the town, luxury increases and propagates ; it stimulates at first strength in the State ; it whips the latent energy so that (1) industries flourish or are invented to meet new wants ; (2) scientific and educational centers increase ; (3) the buildings of the town reflect the state of opulence ; marble for example, is used ; (4) population increases with a consequent more advanced division of labour and increase in production and prosperity ; (5) men lead natural ways of living ; unnatural ways of living become known when a disequilibrium between revenue and expenditure happens.

The real incentive for this is a psychological one ; hopes are thriving and prospects of gain comforting ; taxes are few and are levied with indulgence ; social justice prevails ; the producer is sure that he will reap the fruit of his work ; private initiative is secure and conditions are fit for an increase of production.

This development requires special conditions such as social justice and moderate taxation ; it arrives at its climax through private

initiative; its symptoms are: flourishing industries, large population, expansion of instruction, scientific advance, decorum of the town buildings, adoption of natural ways of living, non-existence of fiscal pressure, flourishing trade.

As long as there is an equilibrium between new wants and the capacity to satisfy them, progress continues; however when luxury turns to extravagance and wants exceed the power to satisfy them, the disintegrating effects of luxury emerge at the surface; in spite of heavy fiscal pressure, state intervention in the market, price fixation, spoliation, compulsory labour, the budget is showing deficits; in private finance expenditure exceeds revenue; individuals have recourse to unnatural ways of living; the psychological factor is undermined; private initiative slackens; industries decay; famines occur for lack of storing; the aspect of the town deteriorates; science is not honoured; some wealthy people migrate to other countries.

At this point, financial disintegration joins hands with political disintegration and the State is nearing its collapse.

IV.—The Economic Factor in History

ITS IMPORTANCE; IT IS NOT EXCLUSIVE.

It should be pointed out that Ibn Khaldoun, though he explains this succession of events as being due in great part to the introduction of new material wants, is not a materialistic interpreter of history; really, in his interpretation, he has given a prominent place to the economic factor, yet his view does not conform with the materialistic interpretation of history; this deserves a detailed study in order rightly to appreciate his view on this matter.

Ibn Khaldoun attaches great importance to the economic factor in life; according to him it exerts a great effect on the State's development; human society is bound by economic ties of cooperation, division of labour, specialization, etc. . . ; the State has a primordial function to ensure the good working of the economic system; the settlement in towns is due in part to economic causes; furthermore we have seen how the economic factor affected the cycle of the State's age. Does this mean that Ibn Khaldoun intended to interpret history as an exclusively economic phenomenon? This is not our opinion. He has not given the economic factor the monopoly of the interpretation

of history. He has linked the economic factor to the political factor ; he showed the importance of the group bond in the State's defence ; truly, he said that luxury affects this group bond adversely but this feeling itself, *i.e.* the group bond, is not the result of economic causes or factors ; there is also the despotic tendency of mastery over the group and the employment of mercenaries ; all these are not exclusively economic.

Moreover, he emphasizes the importance of the existence of an external foe or a pretender ; in the negative case, the State though crumbling, continues to exist. Ibn Khaldoun also emphasized the effect of religion on the State's greatness ; he says that religion secures closer cooperation and unity among the community ; the economic factor, then, does not exclusively govern the course of history ; political, climatic and economic factors are interrelated and interdependent.

Of more conclusive evidence is that he explains the economic factor on the ground of psychology ; moral factors, according to him play a prominent rôle in the economic activity.

"Tremendous, says Schmidt, as have been the accomplishments in this vast field of sociology in recent times, it is amazing to what extent already, Ibn Khaldoun's fundamental treatise meets the demand formulated by Franklin H. Giddings, for example, that sociological theories should start from psychological premises but that the correlation of all processes with the character of the physical environment should be recognised throughout." ⁽¹⁾

To say then that Ibn Khaldoun has interpreted history in a materialistic form is not exact ; all that he contended is that history follows a systematic course, that economic activity and prosperity pass into phases or stages in a succession of cycles, that the economic factor is of great importance in the determination of events but is not the exclusive one ; his doctrine is not historical materialism but a sound understanding of the relation that exists between history and the economic factor.

V.—Conclusion

Now that we possess an idea of Ibn Khaldoun's interpretation of history, it may be interesting to know whether he has arrived at some practical conclusions or measures of reform. We see him glorifying

⁽¹⁾ N. SCHMIDT : p. 33.

nomadism and looking with apathy towards luxury ; he must have been convinced of the rightness of his attitude because these are not the opinions of high dignitaries like him. Shall we return to nature, as Rousseau urges ? Ibn Khaldoun does not say so ; he registers facts rather than proposes solutions ; but the solutions can be read between the lines ; he does not consider civilization as a necessary evil in itself ; the evil lies in the vices that accompany it. What is then the system that secures to mankind the best satisfaction of human wants ? Ibn Khaldoun advises to adopt free competition ; this gives the maximum satisfaction, provided purchasing power is equal or nearly equal ; free economy is hampered however by two difficulties :—

(1) Political chaos and bad government.

(2) Lack of the education of wants.

Political chaos and bad government hamper the economic development discourage private initiative, imply social injustice, compulsory labour, imposition of goods, price fixation, and State intervention in the market.

The lack of the education of wants permits the unreasonable spread of luxury, the ensuing disequilibrium between receipts and expenditure, the recourse to unnatural ways of living, the disintegration of military strength, fiscal pressure, etc.

We should then prevent the political chaos and we should educate the psychological foundation of economic wants ; with these conditions provided for, free economy leads to the smooth running of the economic system ; the means to this are social justice, moderate taxation in the first case and education and imitation in the other.

Religion, according to Ibn Khaldoun, can render valuable service in this direction ; it procures social tranquillity, social justice, coherence in the community and it provides for the education of wants by teaching moderation and imbuing society with other ideals than the mere material progress. A healthy race, cemented by religion and group bond can found a great empire.⁽¹⁾

(1) The Prolegomena, Ch. III, p. 149.

Chapter XII.—CONCLUSION

It may be apparent from the preceding chapters to what extent Ibn Khaldoun admirably deserves to be regarded as a pioneer economist, nay a founder of economics. Furthermore he is a pioneer advocate of economic liberalism and economic interpretation of history.

We have shown how he intended originally to write a treatise on historical criticism but came to elaborate in fact a treatise on the development and activities of society. He realized that the economic transformations were of utmost importance in the history of society and consequently the economic phenomena became one of the main objects around which his attention centered. He studied in turn, economic theories, social economic theories, theories of public finance and economic policy. A closely reasoned study was the outcome of his researches, a study characterized by clearness of view, comprehensiveness of work and moderation of judgment. It is sufficient evidence to the soundness of the work undertaken, that his main conclusions still stand true up to the present time. Although profound changes have occurred in the structure of society, yet his synthesis of human social development remains strikingly fitting in the actual framework of life.

* * *

In the first part of this work, we have expounded his theories on production, value, prices and money.

In the theory of production, Ibn Khaldoun explains the phenomena of the division of labour, economic hierarchy and solidarity. He explains the factors of production; labour is particularly emphasized by him. He considered services to be productive. Speaking of the evolution of production, he shows how industry comes after agriculture which is spontaneous and simple. Industries are more complex and ask for a certain standard of civilization; he is aware of the individual specialization which is due to difference in mental aptitudes, and of local specialization which is due to the factor of demand. Ibn Khaldoun distinguishes between natural and unnatural means of living; unnatural means are due to the disequilibrium between revenue and expenditure resulting from the consolidation of the ideal of luxury.

Speaking about value and prices, Ibn Khaldoun grasps the essential factors that are at work: supply and demand, utility and cost of

production, interdependence of prices. He very nearly grasps the concept of rent. He distinguishes between prices in large markets and in small markets and emphasizes the effect of purchasing power on prices; he very nearly formulates a theory on the consumers' surplus. Wages are governed by the law of supply and demand but tend to remain at the subsistence level. Monopoly is considered by him as injurious to the national economy and to consumers. Low level of prices is also injurious but is to be encouraged in the domain of necessities like foodstuffs.

Ibn Khaldoun studies money as a means of exchange and a store of value; gold and silver are commodities just as iron and copper but are chosen as common standards because of the stability of their value. The medium of exchange abounds in case of prosperity and is lacking in periods of crisis. Gold and silver circulate from one country to another through foreign trade.

In the second part, we have dealt with his economico-social theories. Moral factors are studied in relation to production and prosperity; liberty, justice, moderate taxation are constantly advocated; compulsory labour and pressure on the individual's personality are condemned. Prestige is studied in relation to wealth.

Special attention is given by Ibn Khaldoun to the study of the questions of population; according to him, the pressure of population on the standard of living is counterbalanced by the increase in prosperity due to the increased cooperation and increased productivity. No fear is to be entertained from the pressure of population on the production of food. The standard of comfort rises in large populations due to the increased returns. Limits are set internally to the expansion of population; they are due to economic conditions arising in turn from political and social premises. Subjection is also a cause of the decrease of population.

The theory of luxury and its economic implications play an important rôle in society; ways of living are affected; production is directed towards luxury purposes. Prices of commodities differ greatly. The State is affected in its taxation and in its driving force, the group bond. Economic and political consequences of decisive importance are due to this cause, especially the expansion of fiscal burdens.

Ibn Khaldoun studies the economic milieu. Cities are of great economic significance. In them, industries and services are perfected large markets are to be found in towns. So he studies the conditions of cities and their ages, the relation of the political importance of a

town to its economic prosperity, etc. . . The political setting makes also an object of his study. The State is an important factor in the prosperity of a country. There must also exist a propitious climatic milieu.

In part three, we studied the questions of finance. Ibn Khaldoun perceives the phenomena of increasing expenditure, incidence of taxation, elasticity of the output of taxation and the effect of expenditure on receipts.

In part four, we studied Ibn Khaldoun's views on economic policy. He considered that the free market affords the maximum satisfaction to buyers and sellers, provided there is a purchasing power parity; State intervention destroys this good working of the mechanism of free market. Intervention, once begun, has no limit where to stop; it is also contrary to the interest of taxation. Free market is thus the best policy to be adopted. Ibn Khaldoun is a liberal economist; he is even the founder of economic liberalism.

In part five, we arrive at his interpretation of history; according to him, history has a predetermined course; it is a succession of cycles that double on the same course. These cycles are of an economic-political character; they imply transformations in the State's structure and in the economic activity; they follow the phases of human development: growth, stationary phase and decline. The consolidation of luxuries attains the State in its group bond and in its finance. The group bond withers away; taxes are increased to meet increasing expenditure; economic dislocation accompanies the political dislocation and thus comes the final collapse of the State and prosperity; a new State is founded and doubles on this course and so on. The economic factor being predominant, Ibn Khaldoun's interpretation of history is essentially though not exclusively economic.

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His title to fame, however, does not rest on his dealing with the intricate details of economic life; his enduring merit can be found in his adoption of the scientific method of research, namely, the method based on the law of causality. He is undoubtedly the first scientific economist. He thus advances his claim to a new chapter in the history of economic doctrines. By bringing into light the work of Ibn Khaldoun, from the economic point of view, we hope to have come across this first chapter in this science.

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