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Considerations on Islamic Economic Thought Regarding Monetary Matters in the Middle Ages

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Islamic monetary and credit theory has its roots in the line of thought developed during the Middle Ages by scholars such as Al-Ghazali, Ibn Khaldun, and Al-Maqrizi whose work is still of great interest today. The explorations carried out in the monetary field are characterized by a multi-disciplinary perspective which takes into account the relationship between the economic, legal, ethico-religious and social fields. This resulted in the appraisal of the nature and role of money, which is rich in implications for both economic theory and economic policy. A number of these analyses raise important questions which may help further our understanding of the connection between ethics and economics.

Keywords: Islamic economic thought, money, monetary system, monetary theory

Quelques considérations sur la pensée économique islamique médiévale en matière monétaire

La théorie islamique de la monnaie et du crédit est liée d'une façon étroite à l'analyse menée au Moyen-Âge par des chercheurs tels que al-Ghazali, Ibn Khaldun, et al-Maqrizi, dont les ouvrages sont à certains égards très actuels. Ceux-ci sont caractérisés par une approche multidisciplinaire qui met en valeur les relations entre les domaines économique, juridique, éthique-religieux aussi bien que social. Les analyses des chercheurs islamiques médiévaux sur le rôle de la monnaie et du crédit sont très riches en ce qui concerne la théorie économique et la politique économique. Plusieurs d'entre elles nous donnent en outre des éléments importants pour l'étude des rapports entre l'éthique et l'économie.

Mots-clés : pensée économique islamique, monnaie, système monétaire, théorie monétaire

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Research by experts of Islamic background on the monetary and financial aspects of the capitalist economy has shown an appreciable upswing, especially in the last few decades. A theoretical current has gradually formed, articulated around various points, which can be distinguished, based on arguments which often go beyond solely economic questions, both from the dominant theory and theories that stray away from it. Islamic theoretical considerations on monetary and credit issues are indebted to the Middle Ages analyses, which also prove to be of great interest for having a number of points in common with similar analyses developed in a Christian context.

Whether or not this contribution is important to economic science is still an open question.¹ The re-evaluation which began during the second half of the last century has brought a number of aspects into focus (§ 1). In this context, considerable attention should be given to a deeper study of the topics of a monetary nature. The problems connected with the control of monetary issues and the fight against counterfeiting have proved of primary importance in the analyses carried out by Islamic scholars in the Middle Ages. But other economic profiles linked to the social dimension of the monetary phenomenon have emerged and become the object of more detailed studies which have proved to be of considerable relevance today. In this perspective, there is no doubt that attention should be focused on a number of stimulating observations contained in Al Ghazali's analysis concerning the shift from a barter to a monetary economy (§ 2). Over the next two centuries, this analysis gave rise to important contributions by Ibn Taimiyah and Ibn Al-Qayyim, thanks to whom considerations on the role of money and interest continued to progress (§ 3). A further study of the workings of the economic system, also of great interest in terms of the monetary context, is that of Ibn Khaldun. Ibn Khaldun's approach, which may be viewed as an original perspective of philosophy of history, proves to be of great interest because thanks to his multi-disciplinary approach, he is able to grasp and convey the elements of social change in their complexity. To these important economic profiles, one must add the attention given to the link between the socioeconomic and the moral crisis, with an emphasis that renders Ibn Khaldun's analysis still relevant today (§ 4). The Ibn Khaldun's theories were further developed by Al-Maqrizi, whose incisive analysis of monetary affairs in Egypt, was a forerunner of subsequent developments in Western economic thought. Al-Maqrizi examined in great detail the causes of inflation and its effects on redistribution and may in this respect be considered one of the first authors of a treatise on monetary theory (§ 5).

¹ Literature in the Arabic language will not be taken into account in this paper.

1. A Re-Interpretation of Medieval Islamic Economic Thought

In the field of economics, the contribution of Islamic scholars has not generally been given much attention. Although their works have at times been translated and circulated in Europe, especially during the 19th century (Ibn-Khaldun, 1862-1868); Al-Maqrizi, 1797; 1837-1842), it is clear that for a long time, historians of economic thought have not acknowledge their importance.²

Schumpeter's opinion seems to have heavily encouraged this attitude. The "great gap", defined by this Austrian economist, between the thinking of ancient classical Middle Ages authors (which evolved in a Christian context thanks to St. Thomas Aquinas and Scholastic thinkers), does not take into account the work of scholars who lived and wrote during the period of greatest splendor of the Islamic world (from 750 to 1258 A.D.) and studied in detail a number of important aspects of economic issues.³

A change of direction in the consideration given to the contribution of Islamic authors in the economic field is represented by Spengler's essay (1964), which underlined the importance of the works of Ibn Khaldun and included them in the wider context of medieval Islamic thought.⁴ Since then, the interest in medieval Islamic economic theory has gradually increased.⁵

Islamic economic literature in the medieval period has been divided into several categories. Three different forms of expression have been defined by means of which it was thought that scholars communicated with the political authorities on economic issues (Baloglou, 2012, 67-68). The first is defined with the expression "spec-

² "There is a tendency in the West not to take into account the share of oriental thought in the history of modern social, political, and economic thought, because of the enthusiasm to emphasize its European origins" (Baloglou, 2012, 72).

³ "So far as our subject is concerned we may safely leap over 500 years to the epoch of St. Thomas Aquinas (1225-74), whose *Summa Theologica* is in the history of thought what the south-western spire of the Cathedral of Chartres is in the history of architecture" (Schumpeter, 1954, 92).

⁴ Spengler (1964, 304) underlines the fact that, in line with India, China and the European countries, a large body of knowledge on economic issues had gradually developed in the medieval Islamic world, although this was not set out in an orderly fashion.

⁵ See, among others, Essid (1987), Baeck (1994) and Ghazanfar (2003a). We are indebted to Islahi for a number of essays both of a general nature and on the theories of single scholars (Islahi, 2004, 2006, 2007, 2008, 2011, 2014, 2016a, 2016b). Among the more recent reconstructions of the history of economic thought, which focus attention on medieval Islamic contributions, see Samuels, Biddle and Davis (eds.) (2003) and Backhaus (2012). Landreth and Colander (2001) identified four sub-periods in the pre-classical age (oriental, Greek, Arab-Islamic and Scholastic), concentrating for the third sub-period on al-Ghazali and Ibn Khaldun.

ulum principis” in which the scholar informs the government leader of the most suitable choices to be made for the benefit of the community he administers.⁶

There is also a form of economic literature which aims to offer guidance to the *muhtasib*, who is in charge of regulating the local market. A clear example of this is Ibn Taimiyah’s work (1985) on the *Hisba* institution. In this context, the measures proposed are of a micro-economic nature and aim to eliminate the risk of practices which could alter the correct balance between supply and demand.

The third form is based on a vision of economics as the science of household governance. The point of reference for this form is often defined in the treatise *Oeconomica*, attributed to the neo-Pythagorean scholar Bryson of Eraclea (who lived between the 5th and 4th century B.C.) which, according to some scholars, exercised a strong influence on the formation of Islamic thought (Essid, 1995).

This literature provides a micro-administrative parallel to the “mirror of princes” material. This phase of Arabic thought reflects the direct Greek influence most strongly and focuses on the fundamental agricultural and familiar aspects of Mediterranean and Near Eastern society (Baloglou, 2012, 68).

A number of historians of Islamic economic thought have rejected this derivation, claiming that medieval Islamic studies had developed independent lines of thought to be considered as something far beyond a simple instrument for the transmission of Greek theory to the Christian western world.⁷ Islahi (2008) drastically reduced the influence of Bryson of Eraclea, pointing out that a richer and more articulated heritage of economic notions than that of the Greek school was already present in medieval Islamic culture.

Regarding the links among the different cultures, Verrier (2012, 676) identifies three phases: translation and study of the Greek texts; adaptation and Islamization of Greek thought; improvement of the latter by means of innovative additions. An example of this third phase might be Ibn Khaldun’s contributions in the field of socio-economic development.

Whatever the evaluation of the links between Greek and Islamic culture on economic issues, one can identify two elements which characterize Islamic vision: the rejection of a study of society making a clear distinction between economic analysis and other approaches,

⁶ “These treatises emphasized the importance of never taxing the peasantry or merchants so heavily as to discourage or adversely affect commerce or production. They reflected a sophisticated administrative tradition concerned with delegation and separation of power, the appropriate role of the wazir or prime minister, and the effective judging of personality and assignment of duties” (Baloglou, 2012, 67).

⁷ It is well known that the spread of Aristotle’s thought in the West came about thanks to Muslim thinkers who translated his works (Pribram, 1983, 6).

and the reference to values such as equity and justice.⁸ The study of economic questions is therefore viewed as an integral part of wider religious considerations, characterized by precise precepts and prohibitions (Ceccarelli, 2008).

On the one hand, Medieval Islamic economic studies prove to be particularly sensitive to the monetary phenomenon which was increasingly important in the economic system. On the other hand, they widen the horizon to include all aspects, not necessarily economic in nature, which could modify social order, with in turn a subsequent impact on monetary balance.

Although what has been said again recently is true, namely that the reference model adopted by Islamic scholars to represent the workings of the economic system is that of a monetized barter, it should be pointed out that some of the studies performed during the Middle Ages have shown particular interest in the monetary phenomenon and its evolution.

However obvious it may seem, it is necessary to point out that the medieval and other Islamic scholars's analysis of the monetary dimension of the economic system is to be viewed in a totally different perspective from that of western economic theory. The ethical and religious principles on which Islamic society was, and still is, based implies that a certain number of central elements in the economic model, which explain how it functions, cannot fit in the representations of a capitalist economy.

A reading of Islamic monetary studies cannot be performed simply in the light of traditional categories, nor can some Islamic economic categories, however close to those of Western economic theory, be considered *tout court* as forerunners of these categories.⁹

2. Al Ghazali: From a Barter Economy to a Monetary Exchange Economy

Al-Ghazali (1058-1111), who was Persian-speaking but not Arabian, was one of the greatest medieval Islamic scholars, well known to Western culture also because of his connections with St. Thomas Aquinas and Scholasticism. The Al-Ghazali's contribution represents

⁸ These are elements which characterize many of the heterodox approaches to economic science. "These two themes—the illegitimacy of abstraction and the focus on equity—can also be found within a good deal of heterodox economic writing from the eighteenth century to the present" (Landreth and Colander, 2001, 29).

⁹ Schefold (2005, 45) has observed: "Only a very few (scholars) have considered extra-European economic theory, and we are too easily ready to judge this according to the criteria of the economic theories which are dominant today, as if all the economic considerations of the past had been elaborated merely to make it easier to reach modern economic thought". See also Baloglou (2002a, 11-12).

a most interesting step in terms of economic and, more specifically, monetary issues.¹⁰ Among his abundant production, the work *Ihya 'Ulum al Din* (Al-Ghazali, 1993) proves how rapidly Islamic thought evolved on important economic issues, and is characterized by intuitions which anticipated later theoretical developments.

Al-Ghazali's monetary analysis may be viewed from a perspective which considers the Islamic religion as an inevitable point of reference. For Al-Ghazali (*ibid.*, IV, 83), money is a divine gift which brings great benefits to man ("Gold and silver are two gifts of God and by their help all the worldly acts are smoothly done"). Money helps man overcome the problem of the double coincidence of need, typical of a barter economy, and makes it possible to multiply exchanges. It is like goods in nature and is coined using precious metals, generally gold or silver.

However, he points out that it is not the intrinsic value of money that makes it a decisive factor in the economic system. It is in fact comparable to a mirror without any color of its own, yet capable of reflecting that of other things.

By the help of gold and silver their values are adjusted, although they have got no value of their own. God appointed them as judges for ascertainment of values and prices of all things and for their exchange. For this reason, these gold and silver are dear to men. He who has got gold and silver possesses, as it were, all things. A mirror has got no [color] of its own, but its value lies in the fact that it [reflects colors] of all things. Similar is the case with gold and silver, as by their exchange all necessary things can be purchased. There are other plans, just as a [preposition] has got no meaning unless it is conjoined with other words (*ibid.*, 83).¹¹

An important point in Al-Ghazali's considerations on monetary issues is his awareness that money is fundamentally a means of exchange; this definition needs to be preserved with great attention. If money performs a task of such great importance by establishing a value relationship between different goods, then it must not be detached from the destination attributed to it by institutions. The prohibition to hoard money is therefore categorically affirmed: accumulating gold or silver prevents these goods from carrying out the important social task attributed to them when they take on the role of money.

¹⁰ Ghazanfar (2003b, 193-203) has underlined that there are significant elements in common between St. Thomas Aquinas' *Summa theologica* and al-Ghazali's *Ihya*. "St. Thomas—he (*ibid.*, 204) underlined on this point—received his education at an institution where the Arab-Islamic intellectual heritage was the primary focus of studies; moreover, Albertus Magnus, his teacher and mentor, and Raymond Martin, his influential contemporary, were thoroughly familiar with the works of Al-Ghazali and other Arab-Islamic Scholastics; Martin was indeed an avid Ghazali scholar". Cf. Sarton (1948).

¹¹ The author is grateful to an anonymous referee for the alternative translations included in square brackets.

In the same way, gold and silver may not be used to make utensils such as goblets or dishes, since other materials are destined for this purpose. These precious metals, concludes Al-Ghazali (*ibid.*, 84), were not created for direct use (“they are however not been created for food but for getting food”) but to carry out their function as a means of exchange.¹²

Altering the substance of money is also illegal since it impedes the regularity of exchanges. This aspect is analyzed in the second volume of the *Ihya*, in the wider context of the study of justice in business, where the author makes the distinction between fraudulent conduct to the detriment of individual subjects or the general public. The forgery of money is included in this second category, since counterfeit money is destined to be circulated, altering the terms of all the business deals for which it is used (*ibid.*, II, 52).

A fundamental point should be underlined here: the forging of counterfeit money is illegal because it alters the synallagmatic relationship, and not by virtue of a principle prohibiting the material modification of money.

The use of counterfeit coins is not lawful as an owner of good coins will not be ready to receive counterfeit coins, even though the number of the latter is greater (*ibid.*, IV, 84).

As a consequence, if the subject involved in a transaction were aware of the fact that the money received in payment is counterfeit, the behaviour of the other party in the transaction would not be punishable. The two parties involved in the exchange would in fact be equally aware of the effective value, in gold or silver, of the monetary means of exchange.

Ghazanfar and Islahi (2003a) deduced from this that the money taken into consideration by Al-Ghazali would be characterized as “token money”, and therefore would not be different from modern money which receives from state authorities the *imprimatur* necessary to carry out its function.¹³ The same scholars (*ibid.*, 43) also pointed

¹² “These gold and silver have not been created especially for Zaid or Amr but as medium for exchange of things. They are however not been created for food but for getting food. There is writing of God on everything without words. God says (in 9: 34Q). Those who hoard up gold and silver and do not spend in the way of God give them news of grievous punishment” (Al-Ghazali 1993, IV, 83-84).

¹³ “If a coin contains some silver but it is mixed with copper and that is the existing coin in the country, al-Ghazali’s view is that this currency is acceptable whether the silver content is known or not. But if it is not the currency, then it will be acceptable only if the silver content is known. Al-Ghazali seems to imply here that if currency debasement is a fraudulent action by private citizens, then it is to be condemned, however if state policy requires a change or mixing of metal contents of coins and it is known to all users, then it is acceptable. Thus, al-Ghazali allows for the possibility of representative or token money, as we know it

out that al-Ghazali reached conclusions similar to those that are the basis for the Gresham Law.

Consistently with what the Islamic religion prescribes, Al-Ghazali (1993, IV, 84) denies the legitimacy of interest (*riba*), distinguishing between *riba al-faḍl* and *riba al-nasi'ah*.¹⁴ He identifies the origin of the prohibition of interest in the fact that precious metals cannot be removed from their double destination as a means of exchange and a measure of value (Islahi, 2001, 10). The evolution of theological and legal thinking over the next centuries will further define this prohibition, but its origin will essentially remain in the terms used by Al-Ghazali. The debate which developed over the *riba* will not be described in detail here, but we should bear in mind that it will prove to be of great importance in Islamic debates on economic theory.

It should be remembered in passing that over the same period in the Christian context, discussions on usury were evolving in a very significant manner (Ceccarelli, 2008). The process by which economics became separated from ethics, which marked the beginning of the capitalist system, actually implied overcoming certain obstacles to economic activity which originated in fields distant from it.

3. The Evolution of Islamic Thought in the Field of Economics

As exchanges increased and as the structure of the economic system became more complex, money took on a more important role in medieval economic thought. This is proved by the evolution of economic thought which occurred in both the Christian and Islamic world.

While thoughts on monetary matters initially focused on explaining the origin and nature of money, the attention gradually shifted to address the role of money and search for instruments able to guarantee the stability of its value. At the same time, the themes of interest and usury were discussed in greater detail, making it possible to arrive at the system which has survived to this day.

in contemporary discussion under state monopoly" (Islahi, 2001, 5). See also Ghazanfar and Islahi (2003a).

¹⁴ "*Riba al-Faḍl*: this occurs when one type (*jins*) of *mal ribawi* (*commodities capable of interest*, our translation) is exchanged for an unlawful excess of the same type of *mal ribawi*. In order to be lawful, the exchange must occur immediately and there must be no disparity in amount. If, however, the two *mal ribawi* items are of different types there is no *riba* and the exchange is permitted with or without excess. *Riba al-nasi'ah*: this occurs when there is a delay in completing the exchange of any two types of *mal ribawi* for one another, whether or not there is an increase or profit. The exchange is permitted with delay, however, if one type is currency and the other is not" (Khalil, 2006, 56). Cf. Al-Zuhayli (2006).

Analysis of 13th and 14th century contributions clearly shows that Islamic economics scholars of medieval times had already grasped the social role of money.

At the same time, a discussion developed on the role of the State in looking after the interests of collective society. This study of State intervention in the management of economic affairs deserves particular attention and constitutes an important premise for subsequent developments.

Ibn Taimiyah's contribution (1263-1328) is to be viewed in this context: Ibn Taimiyah is considered the most prestigious exponent of the hanbalite law school.¹⁵ He analyzed the intervention of the State in many areas, basing his theories on ethical and religious principles (Piccinelli, 2001). Government action should be in line with the prescriptions of the Islamic religion: otherwise it may turn into tyranny.¹⁶

State intervention therefore gives rise to a form of community solidarity designed to guarantee social cohesion and defend individual rights (Laoust, 1962, 42). In this respect, it is interesting to note that the title of an important work by Ibn Taimiyah (2001) reads: "Politics according to the Divine Law for the common good of the authorities and their subjects".

Ibn Taimiyah (1985) defined the two causes of illegal agreements as the practice of usury (*riba*) and the taking of excessive risk (*gharar*). The hoarding of goods of primary necessity in order to take advantage of price increases is also seen as an unfair practice which justifies public intervention. This viewpoint is based on the idea that a "fair price" exists and should be maintained on the market. Ibn Taimiyah (*ibid.*) also focuses on the role and responsibility of the State with regard to the problem of price control.¹⁷ Ghazanfar and

¹⁵ Apart from the Hanbalin school, the great Sunnite law schools were: the *Hanafi*, the *Maliki* and the *Shafi'i*. The *Fiqh-e-Jaafariya* school was a Shiite school (Maghniyyah, 2000).

¹⁶ "L'État, tel qu'il le conçoit, est aussi, en un sens, un État coopératif qui doit parachever la force de contrainte dont il dispose et la légitimité à laquelle il aspire en exigeant de tous ceux qui le composent, non pas une simple obéissance passive, mais une participation effective à la vie commune, par le devoir de bon conseil et de commandement du bien" (Laoust, 1962, 42). ("The State, as he conceives it, is also, in a sense, a cooperative State which must make perfect the use of constraint it has at its disposal and the legitimacy to which it aspires, by holding all those who are a part of it, not simply to passive obedience, but to active participation in community living, by means of its duty to offer good advice and to strive for the well-being of the community").

¹⁷ "It is apparent that a given price may be an impermissible wrong, or may be just and permissible. If it involves injury to people and forcing them without justification to sell at a price not agreeable to them, then it is illegal. But if it involves just dealing between people, as when they are compelled to do their duty by exchanging for a fair price, and preventing them from doing what is unlawful for them in taking more than a fair consideration, then it is not merely permissible but indeed obligatory" (Ibn Taimiyah, 1985, 35).

Islahi (2003b) attribute to Ibn Taimiyah the merit of having been the first to theorize the principle by which bad money drives away good money, long before Nicholas Oresme (1956), thus extending Al-Ghazali's line of thought.

On the role of money, Ibn Taimiyah held a position not far from that of Al-Ghazali, considering it as a means of exchange and a measure of value. He also identifies fundamental characteristics of monetary means: its social dimension, which results from the fact that it is a convention between subjects, and its capacity to play a central role, albeit without intrinsic value.¹⁸ On this point, Islahi (2008, 77) recalls a significant passage:

Ibn Taymiyah (1963, vol. 29, p. 469) regards it as a matter of convention. He says: "Gold and silver coins have no natural or Shariah specification. They depend on people, their custom and social consensus, so that any commodity could serve as money. Even the coins (token money) in circulation will rule as precious metals in measuring the value of goods".

Ibn Taymiyah's study of the nature and role of money has proved to be precious: he refers to the social function of money and the endogenous nature of the money supply, raising points of major importance frequently overlooked by Western thinking, and only reconsidered during the 20th century, especially by post-Keynesian scholars.

The problem of usury and the issue of the nature of money are interwoven in Ibn Taimiyah's theories and this has very important implications; furthermore, this scholar categorically condemns the practice of interest (Ibn Taimiyah, 2000, 565).

Ibn Al-Qayyim (1292–1350) was a disciple of Ibn Taimiyah and was responsible for making his theories known; we are indebted to him for an analysis of interest that is more articulated than those of his predecessors and contemporaries. He warns against the use of money in ways not consistent with the law of the *Qur'an* and criticizes every form of hoarding and money accumulation (Ibn Al-Qayyim, 2002, 288 and 410).

Those who collect money voraciously may be killed by their voracity. If it does not kill them, it brings them close to death. Many of the money collectors were killed by their money, for they collected it voraciously, and others needed it but found no way to get it but by killing its owners, or at least humiliating and suppressing them—deed which is similar to killing (Ibn Al-Qayyim, 2002, 407-408).

¹⁸ On this point, Chapra (1996, 5) has underlined: "Ibn Taymiyyah (d. 505/1328) felt that the dirhams and the dinars were not desired for their own sake but rather because of their ability to serve as media of exchange. Hence, there were no natural or juristic specifications for them. Their acceptance depends on custom and usage. In modern times also, the jurists have almost unanimously recognized fiduciary money".

At the same time, Ibn Al-Qayyim contributed significantly to the debate on interest rate.¹⁹ Islamic law did not exclude the possibility of becoming rich through trade: what he did not accept was the possibility of obtaining compensation (interest) by taking advantage of the needy circumstances of the debtor. For this reason, interest is to be considered antithetic to the *zakah* (a *Qur'anic* tax levied for the benefit of the poor, which represents one of the five pillars of Islam).

4. The Evolution of Society and the Role of Money in Ibn Khaldun's *Muqaddimah*

Among the Islamic writers on economic matters in the Middle Ages, Ibn Khaldun (1332-1406) definitely holds a prominent position. The works of this eclectic scholar, political scientist, sociologist and economist, have suffered the same destiny as those of other scholars of the period: it is only in the last few decades that they have been rediscovered and given rightful acknowledgement (Baloglou, 2012, 72).²⁰

A turning point is represented by the aforementioned article by Spengler (1964) who highlighted the contribution of Ibn Khaldun as an economist, underlining the fact that the importance of his theories justified the rejection of Schumpeter's judgement.²¹

While Ibn Khaldun's contribution on economic matters is to be viewed in the context of the medieval Islamic tradition, it also represents a very significant step for having introduced important innovative elements (Parguez and Sader, 2000; Schefold et al., 2000; Baloglou, 2002b; Dostaler, 2009).²²

Ibn Khaldun's aim was to study the dynamics of the rise and fall of civilizations, taking into account the two types of social order characterizing the world in which he lived: nomadic and sedentary living (Rosenthal, 1967, lxxvii). Though remaining within a religious context, his analysis was linked to the development of economic ideas by his predecessors. In his historic reconstruction, the social dimension is of primary importance (Baeck, 1996, 84).

Against the background of Ibn Khaldun's socio-economic analysis, the concept of a "moral economy" stands out, rich as it is in implications in terms of reciprocal obligations between ordinary people and

¹⁹ Ibn al-Qayyim also distinguished between *riba al-fadl* and *riba al-nasi'ah* which he considered a sort of disguised interest (*riba al-khafi*) (Islahi, 1982).

²⁰ Among the first contributions: Abdul-Qadir (1942).

²¹ See also Boulakia (1971). Schumpeter (1954) shows his appreciation for Ibn Khaldun only in his capacity as a sociologist.

²² "Ibn Khaldun's economics is positive and empirical whereas Ibn Taimiyah's stress is on desirable economic practice of the individual and just economic policy of the state" (Siddiqi, 1982, 21).

political authorities.²³ In this context, his emphasis on the interaction of various factors (economic, social, political and religious) is significant. This interaction gives rise to a representation of society that is circular (*Circle of Justice*), similar to the one Aristotle describes in his first book of *Politics*.²⁴

Ibn Khaldun focuses his attention on the role of the State, examining its foundations and taking care to underline the risks and consequences of its activity. Every public authority, he observes, is built on two foundations, the first of a social nature and the second of an economic nature.

Any royal authority must be built upon two foundations. The first is might and group feeling, which finds its expression in soldiers. The second is money, which supports the soldiers and provides the whole structure needed by royal authority. Disintegration befalls the dynasty at these two foundations (Ibn Khaldun, 1969, 246).

A fundamental element of Ibn Khaldun's analysis is his *'Asabiyya*. This term, which was translated by Rosenthal (1967, lxxviii) as "group feeling", is also defined with the expression "social cohesion" and is sometimes indicated to be representative of social capital. It expresses a sense of the community born of strong interpersonal relations, on which social order is based.²⁵ The social structure of nomadic populations, Ibn Khaldun observes, is characterized by a high level of social cohesion, unlike the social structure of sedentary populations. While the achievement of a high level of social cohesion makes it possible for nomadic populations to conquer urbanized regions, its subsequent loss due to urbanization becomes the cause of their decline.

²³ "The concept of moral economy ... is that ordinary people have a kind of ethical calculus by which they evaluate their economic relations with the powerful. They typically exchange their labor for a basic right to subsistence, and this exchange provides a moral justification for the resistance, protest, or rebellion that appears when that minimum provision is violated" (Darling, 2007, 330).

²⁴ According to Ibn Khaldun (1969, 40-41) Aristotle "arranged his statement in a remarkable circle that he discussed at length. It runs as follows: 'The world is a garden the fence of which is the dynasty. The dynasty is an authority through which life is given to proper behavior. Proper behavior is a policy directed by the ruler. The ruler is an institution supported by the soldiers. The soldiers are helpers who are maintained by money. Money is sustenance brought together by the subjects. The subjects are servants who are protected by justice. Justice is something familiar, and through it, the world persists. The world is a garden ...', and then it begins again from the beginning. These are eight sentences of political wisdom. They are connected with each other, the end of each one leading into the beginning of the next. They are held together in a circle with no definite beginning or end". On the importance of the concept of *Circle of Justice* in Ibn Khaldun, cf. Darling (2006).

²⁵ "Group feeling which means (mutual) affection and willingness to fight and die for each other" (Ibn Khaldun, 1969, 123; see Mahieu, Smida and Chamekh, 2003; Darling, 2007).

The second element for foundation is money, a commodity money, indispensable for the entire structure to exist. It is important to note here that Ibn Khaldun uses the term money in the sense of “finance”, not “currency”. Ibn Khaldun’s considerations on money are of great interest and quite distinct from those of other Islamic scholars.

Through an analysis of the five phases which he believes characterize social evolution (Ibn Khaldun, 1969, 141-142), it is possible to see how the development of the economic system is characterized by the important role of tax levying and commodity money. In the first phase, a new State power is affirmed. The fundamental premises for it to exist are social cohesion and the possibility of levying taxes to finance public spending. The following phase is characterized by the total control of the governor over the population. This phase is followed by a period of calm and widespread well-being. A fourth period follows, that of economic stagnation, which is a prelude to social dissolution. In the final phase, the social order is characterized by luxury and wastefulness, social cohesion is lost and the dynasty falls.

In Ibn Khaldun’s analysis, money plays a role that goes beyond the traditional vision of it. He underlines the fact that the availability of gold and silver is not essential for social development;²⁶ the determining factor is the degree of civilization and the quantity of human labor that can be employed in the productive process (ibid., 303).

Ibn Khaldun (ibid., 298) defines the principal role of money as its ability to measure value. Like Al-Ghazali and other scholars, he believes the origin of money is divine: it is a gift of God. He observes that, unlike other things, gold and silver are not subject to changing values, a fact which makes them economically very important (Islahi, 2006, 4).

State intervention by means of minting money is fundamental in determining the income and well-being of a collective society.²⁷ Ibn Khaldun (1969, 282) uses a powerful metaphor to illustrate this point:

²⁶ “We hear remarkable stories reported by travelers about their wealth and prosperity. These stories are usually received with skepticism. The common people who hear them think that the prosperity of these peoples is the result of the greater amount of property owned by them, or of the existence of gold and silver mines in their country in larger number (than elsewhere), or of the fact that they, to the exclusion of others; appropriated the gold of the ancient nations. This is not so. The only gold mine about whose existence in these regions we have information, lies in the Sudan country, which is nearer to the Maghrib (than to any other country). Furthermore, all the merchandise that is in their country is exported by them for commerce. If they possessed ready property in abundance, they would not export their merchandise in search of money, and they would have altogether no need of other people’s property” (Ibn Khaldun, 1969, 279-280).

²⁷ According to Soofi (1995), while Ibn Khaldun, was aware of the role of money in business transactions, he was unable to grasp exactly how it could affect the level of economic activity.

Cities in remote parts of the realm, even if they have an abundant civilization, are found to be predominantly Bedouin and remote from sedentary culture in all their ways. This is in contrast with (the situation in) towns that lie in the middle, the center and seat of the dynasty. The only reason is that the government is near them and pours its money into them, like the water (of a river) that makes green everything around it, and fertilizes the soil adjacent to it, while in the distance everything remains dry.

The State has the duty to defend citizens from external enemies and to ensure that internal conflicts do not arise. As far as the economic sphere is concerned, it must make sure that citizens have enough means to survive and that fraudulent dealings do not occur.²⁸

State authorities are responsible for meeting the economic needs arising from the evolution of social structure. According to Ibn Khaldun, the Governor may intervene by initiating economic activities, but this soon proves to be a mistake (*ibid.*, 232-233).

As we know, the cause of decline is defined by Ibn Khaldun as the transition from a nomadic to an urbanized society. If a population abandons nomadism and adopts the culture of sedentary populations, the needs to be met become greater. To finance the increase in military spending, the governor will require more money and therefore increase the amount of taxes levied from an already heavily taxed population. This leads to a drop in the level of production and to the beginning of an unavoidable process of decline.²⁹

After their prosperity is destroyed, the dynasty goes farther afield and approaches its other wealthy subjects. At this stage, feebleness has already afflicted its (former) might. (The dynasty) has become too weak to retain its power and forceful hold. The policy of the ruler, at this time, is to handle matters diplomatically by spending money. He considers this more advantageous than the sword, which is of little use. His need for money grows beyond what is needed for expenditures and soldiers' salaries. He never gets enough. Senility affects the dynasty more and more. The people of (other) regions grow bold against it (*ibid.*, 249-250).

²⁸ "He must defend and protect the community from its enemies ... He must look after the mint, in order to protect the currency used by the people in their mutual dealings, against fraud" (Ibn Khaldun, 1969, 189).

²⁹ "Its people are too weak to collect the taxes from the provinces and remote areas. Thus, the revenue from taxes decreases, while the habits (requiring money) increase. As they increase, salaries and allowances to the soldiers also increase. Therefore, the ruler must invent new kinds of taxes. He levies them on commerce. He imposes taxes of a certain amount on prices realized in the markets and on various (imported) goods at the city gates. (The ruler) is, after all, forced to this because people have become spoiled by generous allowances, and because of the growing numbers of soldiers and militiamen. In the later (years) of the dynasty, (taxation) may become excessive. Business falls off, because all hopes (of profit) are destroyed, permitting the dissolution of civilization and reflecting upon (the status of) the dynasty. This (situation) becomes more and more aggravated, until (the dynasty) disintegrates" (*ibid.*, 231-232).

Ibn Khaldun's contribution has been interpreted in a variety of ways. While the heterodoxical nature of his work has been emphasized, it has also been pointed out that many of the points he makes are perfectly in line with mainstream theoretical thinking.

Ibn Khaldun's objections to an excessive tax levy have been emphasized by the supporters of supply-side economics. Laffer (2004) viewed these objections as an anticipation of the correlation he himself hypothesized between internal revenue and tax rate. A few decades earlier, Reagan (1981) had called upon Ibn Khaldun's theories to support his liberalist economic policies.

These are all partial reinterpretations which underline a number of important aspects of this eminent scholar's thinking while overlooking his global vision (Nagarajan, 1982). With regard to this, Schefold (2005, 51) observes:

Ibn Khaldun's *Muqaddima* is justly famous, and he has been quoted by a President of the United States of America for his conviction that an increase in the tax rate may lead to a drop in the internal revenue. But this anticipation of the Laffer curve is only one detail in a wider vision which is important for history, sociology and economics.

Reinterpretations of Ibn Khaldun's work differing from those made from a neoclassical perspective have been put forward by scholars who have underlined how close it is to Marx' theories. Mandel (1960-1962, IV, 208) pointed out that Ibn Khaldun's conception of the world was close to that of historic materialism and that his theory of values was a forerunner of the theory of surplus-value (Ibn Khaldun, 1969, 209).³⁰ While Ibn Khaldun's conception of profit is far removed from the one accepted by economic scientists, it should be noted that it is presented as a surplus (*ibid.*, 300).

Mouhammed (2004, 2007) highlighted the aspects that were common to Ibn Khaldun's theories and the neoclassical school of thought, underlining at the same time an important contribution that he had made, enabling links to be established with heterodoxical thinking. He recalled the points of contact between Ibn Khaldun's theories and

³⁰ Mandel (1960-1962, IV, 209) observes how, thanks to Ibn Khaldun: "La théorie de la valeur n'est plus fondée sur des critères éthiques mais sur une synthèse de données empiriques et d'analyses théoriques. Car Ibn-Khaldoun ne manque pas de formuler sa théorie de la valeur sous une forme générale ... Ibn-Khaldoun en arrive à entrevoir la réduction du travail qualifié au travail simple, puis à pressentir même une théorie de la plus-value". ("The theory of value is no longer based on ethical criteria but on a synthesis of empirical data and theoretical analyses. For Ibn Khaldun does not fail to formulate his theory of value in a general form ... Ibn Khaldun goes as far as to have an inkling of the reduction of qualified work to simple labour, and even foresee a theory of surplus value").

Marx' and Veblen's theories.³¹ His comparison between Ibn Khaldun's *'Asabiyya*, Marx's class consciousness and Veblen's corporate solidarity is of great interest.³²

In antithesis to interpretations from a neoclassical perspective, it has been pointed out that the economic policies proposed by Ibn Khaldun may be considered to be forerunners of Keynes' economic policies (Parguez and Sader, 2000; Oweiss, 2002). In his analysis, State spending is fundamental in determining the level of economic activity; he is aware of the negative consequences linked to a reduction in spending. A critical assessment is also expressed with regard to the action whereby the governor subtracts from circulation money which, as we have seen, fertilizes the ground where it falls.

The dynasty is the greatest market, the mother and base of all trade. (It is the market that provides) the substance of income and expenditures (for trade). If government business slumps and the volume of trade is small, the dependent markets will naturally show the same symptoms, and to a greater degree. Furthermore, money circulates between subjects and ruler, moving back and forth. Now, if the ruler keeps it to himself, it is lost to the subjects (Ibn Khaldun, 1969, 238).

This passage, together with others contained in the *Muqaddimah*, provides valid arguments to support the inadvisability of reducing Ibn Khaldun's analysis to a neoclassical vision.

At the same time it should be borne in mind that, in the Islamic context, Ibn Khaldun's theories were received critically precisely because of their innovative nature. The way he related to certain aspects of the culture of his time has not always been shared; Ibn Khaldun was criticized for his rationalist attitude, which was in line with the Greek tradition.

Choudhury's judgement (2007, 25) is drastic indeed: he denies that Ibn Khaldun has made any significant contribution to economic theory.³³ He attributes to medieval Islamic monetary theory the merit of having understood the endogenous nature of money supply but without including Ibn Khaldun among its exponents. It should immediately be remembered that this endogenous nature is character-

³¹ "Ibn Khaldun's ideas of the impact of conditions on people and how they react by forcing revolutionary change place him in the same category as Marx and Veblen" (Mouhammed, 2007, 92).

³² "Should be noted—Mouhammed (ibid., 94-95) observes—that the *Asabiyya* is similar to both Marx's idea of class consciousness and to Veblen's idea of corporate solidarity and the rising dynastic state. Marx was interested in the way class solidarity amongst the proletariat induced the transformation of capitalism, while Veblen analyzed the solidarity of large corporations when making money, not goods, and, in a slightly different context, the way it underpinned the rise of the German imperial state".

³³ For a reply to these criticisms, see Chapra (2007).

ized by the fact that it results from a multiplicity of factors, most of them not economic in nature.³⁴

It should be observed, rather, that Ibn Khaldun gives an interpretation of money supply that is very different from the one described by Choudhury, this interpretation being placed in a perspective that is closer to the one which began to develop with the wave of post-Keynesian thought. In his analysis, the quantity of money is determined endogenously (Soofi, 1995): it depends on the total amount of spending which is linked to the degree of civilization.³⁵

5. Contributions to the Analysis of the Inflation Process

Ibn Khaldun also explored at great length the effects of price variation, distinguishing between cases of price increase and price reduction. He noted in fact how the two phenomena had different repercussions on the components of society (Ibn Khaldun, 1969, 340).

A regime of low prices is to be considered in a positive light, he observed, only when it concerns goods such as corn or other consumer goods, acquired by the general population (that is by both rich and poor). Otherwise, it is to be considered in a negative light because it constitutes a disadvantage for those involved in trade.

On the other hand, he pointed out, excessively high prices are not desirable because only in very few cases do they give traders an economic advantage.

The analysis of monetary matters developed by Ibn Khaldun influenced the thinking of al-Maqrizi (1364-1442), his most famous dis-

³⁴ "Money ... is shown to play the instrumental role of such a unification by means of establishing universal complementarity in all valued exchangeables. Money is thus shown to be endogenous in the system of unifying interrelationships. This is the Shari'ah perspective of endogenous money as currency, having simply the attribute of value derived from the valuation of real market exchanges as approved by Shari'ah and as they are discoursed out by human agency in the midst of the shuratic process ... The armaments of endogenous money in Islam are not merely economic, social and organizational, but also deeply moral and business transactions. This is reflected in the sales prices. Conveniences, foodstuffs, and labor thus become very expensive. As a result, the expenditures of the inhabitants increase tremendously in proportion to the civilization of (the city). A great deal of money is spent. Under these circumstances, (people) need a great deal of money for expenditures, to procure the necessities of life for themselves and their families, as well as all their other requirements" (Ibn Khaldun, 1969, 278).

³⁵ "The needs of the inhabitants increase on account of the luxury. Because of the demand for (luxury articles), they become customary, and thus come to be necessities. In addition, all labor becomes precious in the city, and the conveniences become expensive, because there are many purposes for which they are in demand in view of the prevailing luxury and because the government makes levies on market and business transactions. This is reflected in the sales prices. Conveniences, foodstuffs, and labor thus become very expensive. As a result, the expenditures of the inhabitants increase tremendously in proportion to the civilization of (the city). A great deal of money is spent. Under these circumstances, (people) need a great deal of money for expenditures, to procure the necessities of life for themselves and their families, as well as all their other requirements" (Ibn Khaldun, 1969, 278).

ple. We are indebted to him for interesting considerations on the consequences of changes in the monetary system.³⁶ Among his works the *Treatise on Muslim Moneys* (Al-Maqrizi, 1797) represents a contribution on numismatics as well as on the causes of monetary disorders. In his *History of the Mamluk Sultans of Egypt* (Al-Maqrizi, 1837-1842), he analyses, among other things, the monetary policies adopted by the different sultans, examining a number of cases of inflation by excess of demand. This scholar (*ibid.*, II, 431) observes that when the price of goods of primary necessity increases, it is always necessary to increase their supply.

Al-Maqrizi's most significant theories on monetary matters are to be found in his *Ighāthah al-Umma bi-Kashf al-Ghumma* published in 1405 (Al-Maqrizi, 1994); although this work occupies only a limited space in his abundant production, it represents a significant contribution to the analysis of inflation. The work was under-estimated for a long time because it was rather reductively considered a treatise on the causes of famine (Wiet, 1962).

Allouche (1994) was the first to produce an excellent translation and commentary of the *Ighāthah*, underlining its importance from the point of view of theory and economic policy.

The works of Al-Maqrizi contain an analysis of the inflation process which hit Egypt in the period of the reign of the Mamluk (Meloy, 2003; Schultz, 2003). He concentrated his attention on the monetary history of Egypt, observing that the adoption of copper coins was responsible for the outbreak of hyper-inflation. His analysis does not represent a simple reflection on an historic event, but a careful exploration of important problems of a monetary nature, with the aim of offering the governors recommendations for economic policy (Meloy, 2003, 186).

In that period three types of coin were circulating: the *dinar* (gold), the *dirham* (silver) and the *fals* (copper). The conversion rate between them was very precise. With the advent of Sultan Barquq, considerable minting of copper coins took place, motivated by the need to solve the problem of shortage of gold and silver coins, which had come about for a number of reasons (Levanoni, 2011). The reaction of the market was initially negative; only three years later did the copper coin start to be widely used in all transactions.³⁷

³⁶ "Al-Maqrizi (d. 1442) who, as *muhtasib* (market supervisor), had intimate knowledge of the economic conditions during his times, is an outspoken critic of the Circassians or Burji Mamluks (1382-1517). He applies Ibn Khaldun's analysis in his *Ighathah al-Ummah bi Kashf al-Ghummah* (Helping the Community by Revealing the Causes of its Distress) to determine the reasons for the economic crises of Egypt during the period 1403-6" (Chapra, 1999, 33-34).

³⁷ "In 783/1381, Barqûq ordered the minting of a copper coin but it was rejected by the market and it was only during Faraj's reign that the Mamlûk monetary system moved to copper in all business dealings" (Levanoni, 2011, 261).

The merit is attributed to al-Maqrizi for having clearly explained the reasons why bad money chases good money. It has been observed (Chapra and Khan, 2000, 81) that another author, al-Asadi (15th century), a contemporary of al-Maqrizi, was also thinking and writing from the same perspective, so that it would be more appropriate to speak of the al-Maqrizi Law or of the al-Asadi Law, rather than the Gresham Law.³⁸

Examining the causes of the Egyptian economic crisis which occurred at the start of the XV century, al-Maqrizi pointed out that they were to be sought in political and economic factors (Islahi, 2013). Among the economic factors, the monetary situation may have proved to be particularly detrimental to collective society.

An important aspect of this analysis is connected with the consequences of the inflation phenomenon for the different components of society. Al-Maqrizi sub-divides the population into seven classes and notes the different impact of the inflation process on each of them. The first class consists of court dignitaries; these are followed by rich merchants, then retailers. The fourth class includes peasants, farm laborers and villagers; after these come professors and masters of theology, as well as students. The sixth category consists of craftsmen and salaried workers, while the poor and beggars are in the last group.

Al-Maqrizi makes a clear distinction between income in real terms and monetary terms, and highlights how the inflation process may affect the various components of society in different ways. The fundamental distinction that he makes is between subjects who receive a fixed income and those who are able to react to a price increase. It is interesting to see how he emphasizes the different effects on groups of subjects, depending on whether they perceive the variation in price level more or less accurately.

For instance, Al-Maqrizi notes that even the wealthier classes may be hit by inflation because they suffer from what we could call a monetary illusion *ante litteram*. In the first category of the population, in fact, there are people who are not really wide-awake ("those who lack any sense of observation and have no knowledge of the conditions of the existence", Al-Maqrizi, 1994, 73) and are wrongly convinced that their income has increased. This erroneous perception depends on the fact that they are not able to compare current prices with those in force before the crisis with any accuracy. For example, Al-Maqrizi observes that they believe that the income derived from the letting of land has increased five-fold, since the sum paid has increased from twenty thousand to a hundred thousand *dirham*. However, as a result of the introduction of the copper coin, the hundred

³⁸ More than a century before, Ibn Taimiyah also mentioned more clearly what came to be known in the West as the Gresham Law (Islahi, 1988, 139).

thousand *dirham* are now equivalent to six hundred and fifty gold *mithqal* and therefore represent far less (in real terms) than the twenty thousand *dirham* received originally, corresponding to a thousand gold *mithqal*. There are also those who succeed in taking advantage of inflation: those who do not have a fixed income. The income of merchants, for example, increases continually as a result of price increases.³⁹

If the remedies proposed by Al-Maqrizi fully confirm the central role of gold and silver in his perception of the monetary nature of the economic system, there is no doubt that he was aware of the processes of evolution, which he considered calamitous because they could affect monetary means (Kato, 2012). For Al-Maqrizi, money is, and must remain, a commodity money; he is also aware that the advent of the copper coin represents a move towards the dematerialization of money and announces considerable harm for society.

One point that should not be overlooked is the source of the inflation process, the roots of which are to be sought well beyond the mere monetary dimension. For Al-Maqrizi, the growth of corruption and venal interests is responsible for pushing governors to modify the monetary system (Allouche, 1994, 15; Chapra, 1999).

The minting of money must by nature aim to make available essential resources for the management of the State and the achievement of the common good. When money is issued for the wrong reasons, as was the case at the beginning of the 15th century, with the aim of financing luxury and corruption with counterfeit money, the distribution mechanism is altered and an unjust system results. The answer Al-Maqrizi suggests to deal with this precarious situation is based solely on the control of the monetary aggregate; the specific nature of such a remedy can be considered a limitation of his proposal for economic policy.⁴⁰

This approach may also be found in other scholars contemporary to Al-Maqrizi. Islahi (2013, 2016a, 2016b) has recently brought back the 15th century works of al-Asadi into focus, underlining their considerable relevance; indeed, al-Asadi made a very important contribution to monetary policy, especially regarding the fight against inflation. Islahi (2013) points out that Al-Asadi thought along the same

³⁹ "The [members of the] third category, i.e., the cloth merchants and the small shopkeepers, are living off whatever profit they can make during these ordeals. They content themselves only with larger profits, even though a few hours later in the same day they will spend the amount they have gained on necessities. Indeed, they will be lucky if they do not have to go into debt for the rest of their needs" (Al-Maqrizi 1994, 75).

⁴⁰ "Al-Maqrizi recognized some other causes of economic and financial crises, but he gave importance to monetary factor only. The weakness of his prescription is that he sought the solution in adoption of only gold or gold and silver standard of money and ignored the other causes" (Islahi, 2013, 91).

lines with a more accurate understanding of the phenomenon of inflation.⁴¹ Being aware of the central role of money due to its specific nature as a means of exchange, Al-Asadi sought instruments to guarantee its stability. He therefore proposed a monetary system based on four silver coins and built in such a way as to avoid any differences between their respective face-value and intrinsic value. In case of discrepancy between these two values, they could be readjusted to the same level by State intervention.

The emphasis on monetary reform characterizing the studies of Al-Asadi naturally led Islahi (2016a, 19) to consider the scholar as a “practical metallist”.⁴² This specific feature of medieval Islamic thought on monetary issues is reminiscent of the theories developed by exponents of the Scholastica.

Al-Asadi’s work has the merit of focusing on the plurality of causes of the inflation process (from changes in weights and measures to cases of monopolization and the hoarding of goods). He proposed a number of different measures, unlike Al-Maqrizi who, in spite of indicating a variety of causes, only underlined the need for monetary measures. In this sense, without crediting these scholars of having had a role as forerunners of modern theoretical developments, it might be said that al-Maqrizi, unlike Al-Asadi, came close to a monetarist vision.

It should certainly be underlined that Al-Asadi was also of the opinion that a form of “moral disorder” is responsible for the lack of balance due to inflation.

Behind these reflections it is not difficult to perceive the need for a monetary system based on ethics and social responsibility. Islamic monetary analysis, like other investigations on economic profiles, is characterized by the particular importance of the ethico-religious dimension, which is also true of thought processes developing in the Christian world.

The main focus of these Scholastics, Arab-Islamic and Latin-Christian was not the domain of economic aspects of life—economics remained merely an appendage to philosophy, ethics, and jurisprudence. One chiefly encounters theological-philosophical ratiocination in their treatises, and not economic content as we now know the subject. Within the religious ethical system of Scholastic jurisprudence, which called for divine, scriptural prescriptions as guides to human affairs, the overriding assumption was always that all behaviour, including economic activity, is teleological (Ghazanfar, 2003b, 184-185).

⁴¹ The works of Al-Asadi are available only in their original language.

⁴² According to Schumpeter (1954, 352), practical metallists are those who “believe that in some or all cases effective association of the monetary unit with, say, gold is the best or even the only way to establish a monetary system or to make it function”.

However, this specific feature is not in our opinion sufficient to justify the conclusion that ethico-religious conditioning provides the key to interpret the different level of development of theoretical elaboration in the field of economics and of Islamic economy, compared to the Christian Western world, as some scholars maintain.⁴³

In conclusion, it may be affirmed that the studies on monetary questions examined above give rise to important elements for the elaboration of an ethical code to be used as a basis for economic relations, a code able to overcome the “business ethics” which were developing in the Western world. This is a precious and very modern contribution in the light of the recent economic and financial crisis.

6. Conclusion

The considerations developed in the preceding pages on the role of money and the problems connected with it, have confirmed the value and relevance today of the contribution of medieval Islamic thought on economic questions in general and, more specifically, on money matters. If Al-Ghazali has given us a description of the origin and function of money, subsequent authors have underlined its importance in an economic context characterized by a rapid development of the system of exchange. Ibn Taymiya highlighted the social dimension of money in a perspective which includes State intervention in many contexts for the good of collective society.

Ibn Khaldun has considerably developed theoretical considerations on monetary matters, widening the perspective to include an analysis of the socio-economic cycle. In a context where social cohesion and State intervention both play an essential role, money becomes a fundamental instrument. Among the elements characterizing Ibn Khaldun’s monetary analysis is the affirmation that money is a commodity and the acknowledgement that the endogenous nature of its supply is also significant.

An important contribution which re-visits and complements the considerations of Ibn Khaldun is the analysis of the inflation process later developed by Al-Maqrizi, who perceived the problems inherent to the shift from a monetary system based on precious metals to a system with little or no intrinsic value. Al-Maqrizi also noted that inflation lead to redistribution in a society like that of Egypt in the 15th century, characterized by the presence of classes variously affected by price dynamics.

⁴³ For a critical reading of the thesis advanced by scholars of the neo-institutionalist school (Greif, 1989; 2006), which links the failure of the Islamic economy to develop to the limits imposed by religion, see Figuera (2018). An interesting analysis of the relationship between Islamic economic thought and the development of the Islamic economy may be found in El-Ashker and Wilson (2006).

But monetary disorder is not the primary cause but the way in which the effects of the decline of the socio-economic structure make themselves felt. The interpretation of the process of inflation, as Al-Maqrizi and Al-Asadi repeated, cannot be separated from the events which had a negative impact on social structure, so that the degeneration of the economic system is the result of both economic and ethical factors.

These final considerations make it interesting to highlight, albeit with necessary caution, some points of contact between the analyses proposed by medieval Islamic scholars and interpretations of the profound crisis affecting large areas of the capitalist economy.

In our view, this could constitute a legacy that is not irrelevant from a group of scholars who, until a few decades ago, seemed condemned to oblivion.

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