INTRODUCTION TO

ISLAMIC ECONOMIC THOUGHT

From 8th to 15th

Ramon VERRIER
I  A RELATIVELY UNKNOWN THOUGHT
   1. The relative absence of contributions in this field
   2. Reasons of the discretion

II CONTRIBUTIONS AND IMPROVEMENTS OF THE IET
   1. Contributions of the IET
   2. The innovative contributions of the IET
A RELATIVE UNKNOWN THOUGHT


CONTRIBUTIONS ON IET

European Contributions

• Jacques Wolff
• Louis Baeck
• E. Fuentes Quintana
• M. Grice-Hutchinson

Muslim Contributions

• M.H. Dowidar
• M.N. Siddiqi
• Omar Akalay
• A. El Cohen
• Brahim Rachidi
Some european contributions (Books)

- E. Fuentes Quintana: *Economia y Economistas Españoles*, 1999
CONTRIBUTIONS ON IET

Some muslim contributions (books)

- M.H. Dowidar: *Political Economy, a Social Science*, 1977
- Omar Akalay
  - *Le grand vide de Schumpeter*, 1991
- M.N. Siddiqi: *Muslim Economic Thinking*, 1980
"As regards our subject, we can safely cross a bound five hundred years, until the time of Saint Thomas Aquinas (1225-1274) whose Summa Theologica is for the history of thought what the southwest arrow of the cathedral of Chartres is for the history of architecture"
Negation of the “Great Gap”: some books and papers


A single Muslim mediation of Greek culture?

Some opinions:

F. HEGEL

« ... pre-knowledge or recovery of Greek which nothing would have brought »

E. RENAN

« Philosophy among the Semites was never without a foreign loan and without high fecundity, an imitation of Greek philosophy »
# The Greek Legacy

<table>
<thead>
<tr>
<th>Themes and ideas</th>
<th>Greek scholars</th>
<th>Arab and Muslim scholars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production of goods necessary for satisfaction of human needs</td>
<td>Aristote</td>
<td>Al-Fârâbî, Ibn Sina, Al-Ghazali</td>
</tr>
<tr>
<td>Life in society, specialization and division of labor to make production growth</td>
<td>Platon, Aristote</td>
<td>Al-Dimashqî, Al-Ghazâli, Ibn Khaldûn</td>
</tr>
<tr>
<td>Exchange from specialization is facilitated by money</td>
<td>Aristote</td>
<td>Ibn Rushd / Averroès</td>
</tr>
<tr>
<td>The three functions of money</td>
<td>Aristote</td>
<td>Al-Dimashqî, Ibn Rushd, Ibn Taymiya, Ibn Khaldûn</td>
</tr>
<tr>
<td>Disapproval of wealth or poverty excess</td>
<td>Platon</td>
<td>Miskawayh, Ibn Taymiya</td>
</tr>
</tbody>
</table>
# THE GREEK LEGACY (continuation)

<table>
<thead>
<tr>
<th>Themes and ideas</th>
<th>Greek scholars</th>
<th>Arab and Muslim scholars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Justice in exchange and middle way society (<em>juste milieu</em>)</td>
<td>Platon</td>
<td>Miskawayh</td>
</tr>
<tr>
<td>Equality, identity and reciprocity by the money</td>
<td>Aristote</td>
<td>Miskawayh, Ibn Rushd</td>
</tr>
<tr>
<td>Developments on use and exchange value</td>
<td>Aristote</td>
<td>Ibn Taymiya, Ibn Khaldûn</td>
</tr>
<tr>
<td>Sentence of monopolist practices</td>
<td>Aristote</td>
<td>Ibn Taymiya, Al Tilimsani</td>
</tr>
<tr>
<td>Disapproval of salaried activities</td>
<td>Aristote</td>
<td>Ibn Khaldûn</td>
</tr>
<tr>
<td>Themes and ideas</td>
<td>Greek scholars</td>
<td>Arab and Muslim scholars</td>
</tr>
<tr>
<td>------------------------------------------------------</td>
<td>----------------</td>
<td>-------------------------</td>
</tr>
<tr>
<td>Sentence of interest</td>
<td>Aristote</td>
<td>Ibn Khaldûn</td>
</tr>
<tr>
<td>The birth of the society and state because of incapacity of the man to meet his needs alone</td>
<td>Platon</td>
<td>Ibn Khaldûn</td>
</tr>
<tr>
<td>Organization in the ideal city</td>
<td>Platon</td>
<td>Al-Fârâbî</td>
</tr>
</tbody>
</table>
II

CONTRIBUTIONS AND IMPROVEMENTS OF THE IET
SCHOLARS

I    PRECURSORS (8th – 9th.)

- Ibn Al-Muqaffa or how to get rich
- Abu Yousuf or "too much tax kills tax"
- Al-Jâhiz or how to keep his wealth and redistribute wealth?
- Ibn Hanbal or ideas of a theologian-lawyer
- Al-Dimashqî or the merits of trade

II   ENRICHMENT AND SOCIETY (10th - 12th)

- Al-Fârâbî or solidarity and specialization in the City
- Ibn Sînâ / Avicenne or how to manage domestic life
- Miskawayh or how to find a happy medium in society
- Al-Birûni or another precursor of Malthus
- Al-Mawardi or how to support the caliphate and economic activity
- Ibn Hazm or “to each according to his work”
- Kay Kavus or advices for home economics
SCHOLARS

III PRICES THEORISTS AND PRACTITIONERS (12th–13th)

- Al-Ghazâlî or *Natural Order and the economic and social order*
- Al-Turtûshi or *no prosperity without justice and security*
- Ibn Rushd / Averroès or *market economy and theology*
- The andalusian *muhtasib* or *market practitioners*
- Ibn Taymiya or *market economy and the role of the state*
- Ibn Al-Qayyim or *the popularizer of Ibn Tamiyah*

IV ECONOMY AND DYNAMIC of SOCIETIES (14th–15th)

- Ibn Khaldûn or *the economy, factor and product of social evolution*
- Al-Tilimsani or *bad money and inflation*
- Al-Maqrîzî or *bad money drives out good money*
Rediscovery

Traduction Commentary

Specialization, division of labor, productivity
The 3 functions of money
Fair exchange, Fair society
Identity and reciprocity in money exchange
The end of monopolistic practices
Organization in the ideal city
Etc.

Adaptation

Islamization

Monetary nominalism
Enrichment by trade
Free prices in the market
Etc.

Improvement

Innovative contributions

Public finance
Economic cycles
Money and prices
Etc.
An example of the innovative contribution of the IET:

The theory of economic cycles
THE PERCEPTION OF CYCLES

- **Miskawayh** (932-1030)  
  *History of Buyids*

- **Al-Bîrûnî** (973-1048/50)  
  “Thus, they are increasing in number, but then the ambition around the wings of anger, and envy starts to destroy the serenity of their lives”  
  *Alberuni’s India*

- **Al-Turtûshi** (1059-1126)  
  “Whenever a people has managed to have all this [wealth] in abundance, based on his misfortunes” *(misfortune fall on it)*  
  *Lampara de los principes*
IBN KHALDÛN (1302 – 1406)

or

The Economy, factor and product of social evolution

Al-Muqaddima

Discours sur l’histoire universelle
Ibn Khaldûn join together the main elements of a growth theory:

- Demographic growth
- Division of the labor
- Technical progress
- Productivity
- Role of the state: to guaranty the personal freedom (private property, individual profits)
The cumulative process of expansion by Ibn Khaldun
The phase of Economic Expansion

Productive activities \(\rightarrow\) Legal and shariah tax pressure \(\rightarrow\) Fiscal productivity

Public expenditure \(\rightarrow\) Public revenue
Ibn Khaldun

The phase of Economic Degradation

- Agricultural and trade activities
- Public revenue
- Public expenditure
- Tax pressure
Ibn Khaldun

The Expense-Crackdown Dialectic

The necessary strengthening of royal authority → Recruitment of mercenaries → Public expenditure

↑ Popular discontent → Taxes
The factors of the reversal phase:

- Unbalanced development in favor of large cities
- Relative overpopulation and epidemics in large cities
- Untoward effects of the taste for luxury
  - Increase in imitation effects
  - Increase in extravagant private and public expenditure
  - Increase in private and public deficits and debts
- Unbalanced growth between the sector of consumer goods and the sector of productive goods

- Disintegration of public finances

→ Economic and political decay

- The whole integrated in a whole dynamic with dialectic character
Disinvolvement with initial clan

Vote-catching

Disappearance of the initial « esprit de corps »

Mercenary army

External danger

Internal disorder

Essential cause

Luxury splendor

Incomes > Expenses

Need of money

Pathways of decadence

injustice

Spoliations
State trading

Bankruptcies

Population

Production

Public revenue

Incomes

Demand

Prices

Taxes

Profits

The phase of the décadence

The phase of the décadence
Thank you for your attention