

ANALYSIS STUDY OF IBNU KHALDUN'S ISLAMIC ECONOMIC THOUGHT

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ABSTRACT

Activities of economic that are oriented towards the Islamic Economics system are increasingly widespread in various countries, including Indonesia. The theory of Islamic Economics cannot be separated from the thoughts of figures who have contributed to laying the foundations and principles of Islamic economics. Scholars' thinking about Islamic economics in the classical period was very advanced and brilliant, far ahead of modern Western thinkers such as Jean Baptis Say, Ricardo, Adam Smith, and Keynes. Ibn Khaldun is an muslim economy who has a very vital role in the development of Islamic economics to date. This research aims to analyze the thought of Ibn Khaldun to the development of Islamic Economics.

Keywords: Islamic Economics, Ibn Khaldun, Thought

INTRODUCTION

Islamic Economics as a modern science emerged in the 70s, but in fact the concept of Islamic economics has emerged since the time of the Prophet in the 6th century (Ulya, 2015). Historically, the Prophet was not only a prophet and messenger of Allah but also an economist. The teenager Muhammad went to trade in Syria with his uncle Abu Talib (Haekal, 2009). No wonder Rasulullah grew up as an independent entrepreneur under the guidance of his uncle. When his uncle's business went bankrupt before he grew up, he was able to independently carry out trading activities in the city of Mecca by means of traveling trade which he carried out with great sincerity and dedication (Mufarrohah, 2016)

Rasulullah is also known as a fathonah, honest, and trustworthy young trader to his consumers. These three characters are the very modern and professional foundations of entrepreneurship ethics. From these characteristics, various commercial loans (commercial loans) that are already available in the city of Mecca opened up opportunities for

partnerships between him and the owners of capital. One of these businessmen is Khadijah (a rich widow) who offers a partnership based on a profit sharing system. His skills as an entrepreneur have succeeded in bringing in not a small amount of profit and not a single loss. For about 20 years he has been active in the field of entrepreneurship, so that he is known in Yemen, Syria, Busra, Iraq, Jordan and trading cities in the Arabian peninsula.

Besides being a gift from Allah, his qualities and toughness in doing business are also the result of an educational process he received since childhood under the care of Halimah al-Sa'diyyah who educated him in a loving and pleasant way. He also received education from his grandfather, Abdul Muthallib, from his uncle. Abu Talib with an education that emphasizes responsible freedom and strong self-confidence.

This historical fact shows that the foundations of entrepreneurship that were built and developed existed long before this field was developed now as is the opinion of John Kao, a leading Professor in the field of entrepreneurship from Harvard Business School, who stated that entrepreneurship only emerged as a world focus in the early 1980s. Later, entrepreneurship and creativity material was only taught at the school in 1984(Hafiduddin, 2003). Although many people doubt the existence of an economic system in Islam, what is certain is that the above facts (the economic historiography of the Prophet) have indicated that there are general values in the Qur'an and hadith that can be grounded at the level of ideas that do not apply rigidly but are dynamic and multifaceted. interpretation(Jursyi, 2004).

Islam as a system of rules is acknowledged by many parties to have explained in detail everything, both personal and communal, including economic issues, even though this study does not get much priority over *ubudiyyah* studies in Islamic jurisprudence (*fiqh*). History has recorded how Islam experienced its peak of glory, namely during the Abbasid dynasty, especially during the era of Harun al-Rashid (786-809) and Abdullah al-Ma'mun (813-833)(Hodgson, 2002). This pinnacle of glory not only produced high-level cultural products of its time, but also succeeded in producing great figures and thinkers who had proven to have made many contributions to world civilization.

The rise and development of Islamic economics in the last three decades has encouraged and directed the attention of modern scientists to classical Islamic economic thought which is inspired and based on the history of the Prophet. Muhammad Hilmi Murad in particular has written a scientific work entitled *Abul Iqtishad: Ibn Khaldun*. It means Father of Economics: Ibnu Khaldun (1962). In this article, he scientifically proved that Ibn Khaldun was the first initiator of economics empirically. This work was presented at the Symposium on Ibn Khaldun in Egypt in 1978. Ibn Khaldun is a Muslim historian from Tunisia and is often referred to as the founding father of historiography, sociology and economics. His famous work is *Muqaddimah* (Introduction). Ibn Khaldun has sparked various kinds of economic theory, long before the birth of Western economists who claimed to be the father of economics such as Adam Smith (1723-1790 AD) and David Ricardo (1772-1823). Ibn Khaldun has sparked a number of basic theories of modern economics which are still valid today. (Mufarrohah, 2016)

The study of Ibn Khaldun is very important, apart from being a great economist, he is also known as an accomplished historian who is considered by many as the father of sociology, from the North African region (Maleha, 2016). Modern economic development is also heavily influenced by previous economic developments, including Islamic economics.

RESEARCH METHODS

This study uses the method of literature study (Sugiyono, 2019), this is done because literary sources were obtained by examining books, articles from accredited journals, research reports, and other sources relevant to the discussion with the aim of concluding Islamic economic thought from the figure of Classical Muslim Economics, Ibnu Khaldun (Aryanti, 2018; Henry, 2020).

RESULTS AND DISCUSSION

Ibn Khaldun discusses a wide variety of economic issues, including teachings on values, the division of labor, the price system, the law of supply and demand, consumption and production, money, capital formation, population growth, the macroeconomics of taxes and public spending, trade

cycles, agriculture, industry and commerce, property and prosperity, and so on. He also discusses the various stages that society passes through in its economic development. We also find a basic notion that manifests itself in the labor supply curve, which slopes backwards.

As previously explained, apart from being a major figure in the field of sociology among Muslims, Ibn Khaldun also discussed economic aspects. In brief, Ibn Khaldun's thoughts on economics will be presented, including:

1. Production Theory

According to Ibn Khaldun, production is a socially and internationally organized human activity. (Qurratul Aini, 2022)

a. Human Nature of Production.

According to him, on the one hand, humans are economic animals. The goal is clear, namely production, because humans can be distinguished from other living things in terms of their efforts to make a living and their attention to various ways to achieve and obtain the means of life. Meanwhile, on the other hand, the main factor of production is human labor. Production profit is the main value achieved from human labor. Humans can achieve production without their own efforts, such as through the intermediary of rain that fertilizes the fields. However, this is only a supporting nature. Therefore, humans must carry out production in order to meet their needs and production comes from human power.

b. Social Organization and Production.

Doing production for humans is very important. If man wants to live and make a living, then he must eat. He also has to produce his food, because only with his energy can he still get food. However, humans cannot do this alone to be able to produce enough food for their daily needs. If he wanted to survive, then he had to organize his strength. Through capital or skill, the simplest production operation requires the cooperation of many people and the technical background of an entire civilization.

Each meal requires a number of activities and each activity requires a number of tools and skills. This social organization of labor must be carried out through the higher specialization of workers. It is only through specialization and repetition of simple operations that people become skilled and can produce goods and services of good quality at a good speed.

c. International Organization of Production.

Just as there is a division of labor within the country, there is also an international division of labor. This international division of labor is not based on the natural resources of these countries, but is based on the skills of the local population. For Ibn Khaldun, labor is the most important factor of production.

The more active population, the more production. A number of surplus goods produced can be exported and thus will increase the prosperity of the local area. On the other hand, the higher the level of prosperity, the higher the population's demand for goods and services. The increase in demand for goods and services causes the prices of these goods and services to rise and the wages paid to skilled workers to increase (Siddiqi, 1986).

From this it can be seen the description of Ibn Khaldun's theory which shows the interaction between demand and supply. Demand will create its own supply which in turn will create increased demand. According to him, the more developed a country, the more its intellectual capital and intellectual infrastructure organization. For the skilled man will be attracted by this infrastructure and come to live in the land, as this will increase his intellectual capital and infrastructure.

In Ibn Khaldun's perspective, since the most important factor of production is labor and the only obstacle to development is the lack of a skilled supply of labour, this cumulative process is in fact an economic theory of development. Another of Ibn Khaldun's theories about international organizations, is an embryo of international trade theory, with an analysis of the terms of exchange between rich countries and poor countries, about the tendency to export and import, about the influence of economic structure on development and about the importance of capital intellectual growth process.

2. Theory of Value, Money and Prices

a. Value Theory

For Ibn Khaldun, the value of a product is equal to the amount of labor it contains. Likewise, the wealth of a nation is not determined by the amount of money that the nation has, but is determined by the production of

goods and services and by a healthy balance of payments. These two things are very related to each other. A healthy balance of payments is a natural consequence of high production levels (Chamid, 2010).

b. Money Theory

Money is a tool to meet human needs. Since ancient civilizations, coinage has been a common means of payment, although not as perfect as it is today (Suprayitno, 2005). Even though the measure of a nation's wealth is not determined by the amount of money owned, an economic measure of the value of goods and services is necessary for humans if they want to trade them. This measure of value must have a certain number of qualities. This measure must be accepted by all parties as a legal tender and its issuance must be free from all subjective influences.

In the eyes of Ibn Khaldun, the two metals, in this case gold and silver, are a measure of value. These metals are naturally accepted as money where their value is not affected by subjective fluctuations. Therefore, Ibn Khaldun supports the use of gold and silver as monetary standards (Karim, 2001).

c. Price Theory

Price is the result of the law of supply and demand. Price is determined by market forces, namely demand and supply forces. The meeting between demand and supply must occur voluntarily and willingly (mutually willing). At that price level, neither party feels compelled to make transactions at that price level (Karim, 2007).

This is in accordance with what is conveyed in the Qur'an which means: "O you who believe, do not eat each other's wealth in a vanity way, except by way of trade that applies with mutual consent between you. and do not kill yourselves; Verily Allah is Most Merciful to you." (QS: 4: 29).

In determining the price in the market for a product, the most influential factors are demand and supply. Ibnu Khaldun emphasized that an increase in supply or a decrease in demand will cause a price increase, and vice versa, a decrease in supply or an increase in demand will cause a decrease in price. A very drastic price reduction will harm craftsmen and traders and push them out of the market, while a drastic price increase will inconvenience consumers.

Peace price in such cases is much to be desired by both parties, as it

not only allows traders to get the rate of return tolerated by the market and is also able to create market excitement by increasing sales to obtain a certain level of profit and prosperity. However, low prices are also needed, because they provide opportunities for the poor who make up the majority of a population.

Thus, a stable price level with a relatively low cost of living is an option for people with a growth and equity point of view in a comparison of inflation and deflation. Inflation will undermine justice, while deflation reduces incentives and efficiency. Low prices for basic necessities should not be achieved through fixed price fixing by the state as that would undermine incentives for production. The factors that determine the supply, according to Ibn Khaldun, are demand, relative profit level, level of human effort, the size of the labor force including the knowledge and skills possessed, peace and security, and technical ability and the development of society as a whole. If prices fall and cause bankruptcy capital is lost, the incentive to supply decreases, and led to a recession, so that merchants and artisans suffered. On the other hand, the factors that determine demand are income, population, customs and traditions of the community, as well as the development and prosperity of society in general.(Hidayatullah, 2017)

The only exception to this law is the price of gold and silver (which are monetary standards). All other goods are subject to price fluctuations depending on the market. If there is a shortage of goods and a lot of demand, the price tends to be high. If a good is abundant, its price tends to be low. Therefore, Ibn Khaldun expounds a theory of value based on labour, a theory of money that is quantitative and a theory of prices determined by the law of demand and supply.

3. Distribution Theory

According to Ibn Khaldun, the price of a product consists of three elements, namely salary, profit and taxes. Salary is a reward for services for producers. Profit is a reward for services for traders. While taxes are compensation for services for civil servants and authorities.(Mufarrohah, 2016)

a. Wages

Since the value of a product is equal to the amount of labor it

contains, wages are a major component of the price of goods. The price of labor is the basis for the price of an item. But the price of labor itself is determined by the law of demand and supply. In this case everything is left to the market mechanism, because the greater the salary earned, the stronger the purchasing power they have.

b. Profit.

Profit is the difference between the selling price and the buying price obtained by the trader. But this difference depends on the law of supply and demand, which determines the purchase price through wages and determines the selling price through the market. For Ibn Khaldun, the essence of trade is buying at low prices and selling at high prices. This has generally been practiced in the global economic system with the principle of the smallest possible capital with the greatest possible profit.

c. Tax.

The state is an important factor in production, namely through its spending it will be able to increase production and through its taxes it will be able to weaken production. The government will build the largest market for goods and services which are the main source for all development. The decline in state spending not only led to a sluggish business activity and decreased profits, but also resulted in a decrease in tax revenues.

The more government spending, the better off the economy is because high spending allows the government to do the things it needs for the population and ensures legal, regulatory, and political stability. Therefore, to speed up urban development, the government must stay close to the people and subsidize capital for them just like river water makes it green and flows through the surrounding land, while in the distance everything remains dry.

Taxes varied according to the wealth of the ruler and the population. Therefore, the amount of tax is determined by the supply and demand for the product. And that in turn determines the income of the population and its readiness to pay. The more attractive the products produced by the market (community), the greater the tax imposed.

4. Cycle Theory

a. Population Cycle

Production is determined by population. The more population, the more production. Likewise, the larger the population, the greater the demand on the market and the greater the production. What needs to be observed here is that the population itself is determined by production. The greater the production, the greater the demand for labor in the market. This has the consequence that the higher the salary, the more workers are interested in entering the field and the greater the population increase. As a result, there is a cumulative process of population growth and production, economic growth determines population growth and vice versa.

b. Public Finance Cycle.

1) Government Spending.

For Ibn Khaldun, the public spending side is very important. The state is an important factor of production. With its spending, the state increases production and with its taxes the state makes production sluggish. On the one hand, some of these expenditures are important for economic activity. Without the infrastructure prepared by the state, it is impossible to have a large population. Without guaranteed political order and stability, producers have no incentive to produce, because they are afraid of losing their savings and profits due to chaos and war.(Qurratul Aini, 2022)

2) Taxation.

An economy that is prosperous at the beginning of a government generates higher tax revenues from lower tax rates, while a depressed economy will generate lower tax revenues at higher rates. The reason for this is that people who get unfair treatment in their prosperity will reduce their desire to produce and gain prosperity. If that desire disappears, they will stop working because the greater the burden, the greater the effect on their efforts in production.

Finally, if people are reluctant to produce and work, then the market will die and people's conditions will get worse and tax revenues will also decrease. Therefore, Ibn Khaldun advocated justice in taxation. Fair taxes greatly affect the prosperity of a country. Prosperity tends to circulate between the people and the government, from government to the people, and from the people to the government, so that the government cannot keep state spending away from the people

because it will cause the people to move away from the government.

The money spent by the government comes from the population through taxes. The government can increase its spending only by increasing the income from the tax sector. However, fiscal pressure that is too high will discourage people from working. As a result then, a fiscal cycle arises. The government collects a small tax and the people have a large profit. In turn, they are eager to work, but government needs and fiscal pressures are increasing (Karim, 2006).

CONCLUSION

Among the many thinkers of the past, Ibn Khaldun is one of the most prominent scientists. Ibn Khaldun is often referred to as the world's most prominent intellectual giant. He is not only the father of sociology but also the father of economics, because many of his economic theories far predate Adam Smith and Ricardo. That is, he is more than three centuries ahead of the modern Western thinkers. Ibn Khaldun's full name is Abdurrahman Abu Zaid Waliuddin Ibn Khaldun. He was born in Tunisia at the beginning of Ramadan in 732 H to coincide with 27 May 1332. Based on his genealogy, Ibn Khaldun was related by blood to Wa'il Ibn Hajar, one of the Prophet's prominent companions. This extended family of Ibn Khaldun, who came from Hadromaut Yemen, is well-known as a family that.

Simply put, Ibn Khaldun proposed several economic theories, including production theory which consisted of; human nature and production, social organization and production and international organization and production. He also put forward the theory of value, money and prices, the theory of distribution consisting of wages, profits and taxes, and the theory of cycles, namely the population cycle and the public finance cycle.

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