

## THE IDEAL THEORY OF MODERN ECONOMICS IN THE VIEW OF IBN KHALDUN

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### Abstrak

Sumbangannya konsep ekonomi bagi perkembangan ekonomi syariah dan dapat menjelaskan peranan sejarah pemikiran Islam tentang ekonomi dari para ilmuwan-ilmuwan Islam serta mengembangkan pemahaman ekonomi dari perspektif Islam yang sebenarnya lebih awal lahir sebelum pemikiran tersebut berkembang di Barat. Konsep-konsep teori ideal ekonomi Ibnu Khaldun dan relevansinya dengan teori ekonomi modern. Metode riset yang digunakan ini dengan pendekatan kualitatif dimana peneliti memulai berpikir secara induktif, kemudian menganalisisnya dan berusaha melakukan teorisasi berdasarkan apa yang diamati. Hasil penelitian ini membuktikan konsep ekonominya mempunyai relevansi dengan teori ekonomi modern. Ia telah memberikan sumbangan konsep ideal ilmu ekonomi yang begitu besar bagi perkembangan ilmu ekonomi modern bahkan jauh sebelum ilmu ekonomi itu sendiri dilahirkan oleh Adam Smith. Ibnu Khaldun berhasil menunjukkan pembahasan konsep-konsep ekonomi yang ia sampaikan dari analisis empiris tentang ekonomi yang ia lakukan menunjukkan adanya relevansi dan keterkaitan yang kuat dengan ilmu ekonomi modern.

Kata Kunci: Teori Ideal, Modern, Pembangunan

### Abstract

*The contribution of the economic concept to the development of Islamic economics and can explain the role of the history of Islamic thought about the economy of Islamic scientists and develop an understanding of economics from an Islamic perspective which was actually born earlier before this thought developed in the West. Concepts of Ibn Khaldun's ideal economic theory and their relevance to modern economic theory. The research method used is a qualitative approach where the researcher starts to think inductively, then analyzes it and tries to theorize based on what is observed. The results of this study prove that the economic concept has relevance to modern economic theory. He has contributed the ideal concept of economics that is so great for the development of modern economics even long before the birth of economics itself by Adam Smith. Ibn Khaldun succeeded in showing that the discussion of economic concepts that he conveyed from the empirical analysis of the economy that he did showed a strong relevance and linkage with modern economics.*

**Keywords:** Economic, Ideal Teory, Modern, Develpoment

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## INTRODUCTION

Ibn Khaldun is recognized by both Western and Eastern intellectuals. His brilliant mind has positioned him as a person who has many predicates assigned to him. Ibn Khaldun is sometimes referred to as a historian, philosopher, historian, sociologist, economist, geographer, political scientist and others. His ability to analyze various human problems, examine human life that has passed as well as life in his time and in the future has become a bridge for later scientists such as Machiavelli, Bodin, Comte and Cournot. (Toto Suharto, 2003)

The high appreciation given to Ibn Khaldun is from the thoughts written in his book entitled *Muqaddimah*. In the *Muqaddimah* he can show how the political, historical, sociological, and economic narratives influenced the language of civilization promoted by European and American liberals in the 19th and 20th centuries. His thoughts have become a reference in researching life and understanding the development of civilization. This has prompted Joseph Spengler to make the work of Ibn Khaldun as the object of his research in the field of economics in his works. Ibn Khaldun is able to provide ideas for modern researchers in analyzing the concepts and theories given by medieval Islamic theorists who discussed various socio-political and economic matters of a civilization and a state. (Yolanda Gamarra, 2020)

Ibnu has a broad knowledge besides economics so he has an extraordinary ability to write economics in a complete perspective. He contributed to the development of economics and Ibn Khaldun's economics historically existed long before modern Western scholars defined their ideas. Therefore, it is no exaggeration to call Ibn Khaldun the "Father of Economics" in terms of the ideas of taxation, international trade, political development and civilization. All his thoughts are important to be taken into account in today's context for prosperity in society and the country. (Ahmad Ajib Ridlwan and Imam Mawardi, 2019)

Ibn Khaldun is one of the most brilliant Muslims in the history of human scholarship. He can explore various basic scientific studies by analyzing in-depth phenomena and describing them in scientific language that has never been done by scientists before. This sharp analysis has placed Ibn Khaldun as a thinker in various fields of science. In the field of economics, Ibn Khaldun is considered a "pioneer" of economics, even though this seems

a subtle way to maintain the status quo for scientists who have previously been considered by acclamation as "fathers" in certain sciences as assigned to Adam Smith.

Following the chronology of the history of Islamic economic thought proposed by Nejatullah Siddiqi,<sup>1</sup> it was found that Ibn Khaldun was in the second period of the history of Muslim economic thought along with al-Ghazali and Ibn Taymiyya. Comparing the thoughts of al-Ghazali (450-505 H) and Ibn Khaldun (732-808 H) then al-Ghazali has an earlier contribution of thought in Islamic economic thought. Al-Ghazali's economic thought has laid down a new concept of Islamic economics that is indispensable in the discussion of current Islamic economic studies, namely the *maslahah* aspect in developing the basic principles of Islamic economics.

The development of Islamic economics in the last three decades has directed the attention of modern scientists to classical Islamic economic thought which has been immersed in the monopoly of Western scientists, both capitalist and communist. So far, books on economic history written by economic historians or economists have not paid any attention to the thoughts of Islamic economists.

History proves that Muslim scientists were the first generation of scientists to analyze various economic problems that almost matched modern economic concepts. They not only write and study economics normatively in *fiqh* books, but also empirically and scientifically using a systematic methodology. Ibn Khaldun is one of the most prominent Muslim intellectuals and has the most thought on economics. His thoughts have great significance for the development of economic theories/concepts. He is called the most prominent intellectual giant in the world because many of his economic theories are far ahead of Adam Smith and Ricardo. That is, he is more than three centuries ahead of these modern Western thinkers. (Muhamad Mujahidin, 2018)

The purpose of this research is to re-analyze various thoughts of Ibn Khaldun's modern economic concepts contained in the *Muqaddimah* and analyze the relevance of Ibn Khaldun's economic thought with modern economic theory in order to know the role of Ibn Khaldun's thought for the development of modern economics and the differences caused by This thought is a thought that was born long before the birth of modern

economics and to find out the contribution of Ibn Khaldun's economic concepts to the development of Islamic economic concepts.

## LITERATURE REVIEW

This book discusses the major contributions that have been made by Muslim scientists to the development of economics in the past to the present. This book discusses a number of Muslim scientists such as Ibn Taimiyah, al-Ghazali and other scientists including Ibn Khaldun. He said that Ibn Khaldun has become one of the most famous theorists in sociology, history and economics. He has been the founder of a school of thought worthy only of being named after him. Researching his Muqaddimah's work related to economics, a number of scientists have obtained a number of economic concepts related to market mechanisms, profits, division of labor, public finance, national wealth standards, international trade, the concept of money and social welfare. Euis Amalia, *Sejarah Pemikiran Ekonomi Islam, Dari Masa Klasik Hingga Kontemporer*, Depok :Gramata Publishing, 2010

The history of the Muslim economy in the early days of the Prophet's reign and the study of economic thought by classical and medieval Muslim scholars. This book reviews some of Ibn Khaldun's thoughts in economics including the theory of production, social organization and production, international organization and production, theory of value, money and prices, theory of distribution and cycle theory. Adiwarmarman Azwar Karim, *Sejarah Pemikiran Ekonomi Islam*, Jakarta: Rajawali Press, 2014

M. Oweiss is a lecturer and also an international economic adviser. Dr. Oweiss is a professor of economics at Harvard University and he also teaches at Johns Hopkins University. Oweiss's discussion of the economy in Ibn Khaldun's perspective includes several things including: the theory of work value, labor, labor as a source of growth and capital accumulation, demand, supply, prices, taxes, the role of government, money and international trade. The discussion in his writings is in the form of exposing Ibn Khaldun's economic concepts in the study of economics, namely micro and macro economics. (Ibrahim M. Oweiss, "*Ibn Khaldun, The Father of economics*" "*Ibn Khaldun, Father of Economics*," *from Arab Civilization*, (joint editorship with George N. Atiyeh), State University of New York Press, 1988.

## METHODS

This study uses a form of qualitative research. Qualitative research is carried out by going through various stages of scientific critical thinking, in which a researcher begins to think inductively, namely capturing various facts or phenomena through field observations, then analyzing them and then trying to do theorizing based on what is observed. Researchers are directed by the product of inductive thinking to find logical answers to what is currently the center of attention in research, and finally the product of inductive thinking becomes a temporary answer to what is being questioned in research which is called analytical inductive thinking. (Burhan Bungin, 2007)

This study uses a qualitative approach, namely by emphasizing the analysis on the comparative inference process and on the analysis of the dynamics of the observed phenomena relationship using scientific logic. (Saifuddin Azmar, 2001) Qualitative research is an approach that produces descriptive data in the form of written words from the people observed which are not poured into the terms used in quantitative research. (Saifuddin Azmar, 2001)

## RESULTS

The results of Ibn Khaldun's thoughts in the field of economics, especially micro, are research based on empirical studies of his time. His ability to analyze economic conditions that occur in society has produced basic economic concepts and theories which are actually richer than the discussions of medieval scientists who followed him.

The limitation of Ibn Khaldun's work compared to those of later scientists was the thoughts at that time about economics which still could not be seen as a branch of science that stood alone. This is actually the mindset of scientists at that time who saw science as something that must be studied entirely without any divisions between them. So we find that Ibn Khaldun's discussion in the Muqaddimah covers various sciences such as social, economic, government, education and so on.

Economics has only got a place as a branch of science that stands alone since the publication of Adam Smith's book entitled "An Inquiry into the Nature and Causes of the Wealth of Nation" because he is considered to have succeeded in conveying his thoughts on economic issues systematically. Adam Smith succeeded in making a topic on economic issues and then analyzing the problem thoroughly about economic activity in a society.

The topics he raised and his ideas have received the attention of scientists of his time and have become an interesting study and have been reviewed to this day as a repertoire of economic concepts that ever existed.

Ibn Khaldun did not convey discussions about economic concepts in a concise and clear form as in the current writing of economic concepts. His method of writing economic concepts is still narrative in the arrangement of detailed and long sentences that require a strong effort to understand it as the method of writing the works of medieval scientists. However, Ibn Khaldun managed to show that the discussion of economic concepts that he conveyed from his empirical analysis of economics showed that there was a strong relevance and connection with modern economics.

His discussion of the theory of demand, supply, division of labor, production, market systems, specialization, distribution, and equilibrium prices is an economic theory put forward by Ibn Khaldun and is still very relevant today. The difference between Ibn Khaldun's economic theories and modern economic theory as discussed in this study is the scope in which the discussion of economic theory in modern economics is broader, while Ibn Khaldun's discussion must be admittedly still very simple. However, this simple theory does not show that it is incompatible with modern economic theory. Even some of the modern economic theories complement the economic theory that was actually conveyed by Ibn Khaldun.

## **DISCUSSION AND CONCLUSION**

Ibn Khaldun argues that in consumption activities in the midst of society it is often inseparable between needs and desires. Consumption activities based on desire are carried out by urban people who want luxury buildings and goods and services, especially skilled workers. These skilled workers are paid by rich people at higher prices so that they can compete based on their respective abilities to obtain the services of skilled workers to fulfill their desire to build luxurious buildings.

Ibn Khaldun explained that the culture of consumerism carried out by urban communities has led to waste. He describes some of the bad consequences of this consumerism activity, including:

1. Can weaken the power of the country
2. Can reduce the state budget and spending

3. Creating a culture of corruption
4. Give birth to a low mentality full of bad intentions
5. Weakening the younger generation
6. Destroy the integrity of the country
7. Slow down economic activity
8. Causing an attitude of showing off that goes beyond the limits (Ika Yunia Fauzia dan Abdul Kadir Riyadi, 2014)

What Ibn Kaldun said above about the concept of consumption is to explain the concept of consumption in two approaches, namely:

1. Consumption in conventional economic concepts
2. Consumption that leads to benefit.

The concept of consumption in conventional economics described by Ibn Khaldun is very closely related to the theory of use value or the theory of consumer behavior. This theory explains that the amount of satisfaction obtained from consuming a certain number of goods or services. Use value theory (utility) also explains that an increase (or decrease) in satisfaction can be caused by an increase (or decrease) in the use of a certain unit of goods. (Sukirno, Sadono, 2015)

In Ibn Khaldun's language, this use value theory is the satisfaction desired by urban communities in the form of luxurious and magnificent buildings obtained from the use/consumption of production factors in the form of skilled and expensive labor. Thus, Ibn Khaldun also explained that with the addition of the use/consumption of skilled labor will increase user satisfaction. The pattern of public consumption described by Ibn Khaldun for urban communities shows a conventional economic pattern that does not separate needs and desires which can lead to excessive and redundant needs. This trait gives birth to consumptive behavior where desire is used as a standard of demand to satisfy his life desires and not to fulfill his needs.

In the next explanation, he criticizes the consumption pattern of the urban community as a wasteful attitude that brings losses to the state as well as the perpetrators. According to Ibn Khaldun, in Islam the fulfillment of needs and consumption must be based on steps to fulfill basic needs (dlaruri) first which is a need that must be met, and if not fulfilled it will threaten human life. Furthermore, if these basic needs have been met, then humans can fulfill other needs such as complementary needs (hajjah).



Ibn Khaldun has succeeded in separating the concept of conventional consumption and the concept of Islamic consumption. The concept of Islamic consumption that he put forward is the concept of achieving *mashlahah*, where the fulfillment of human needs includes the needs of *dlaruriyah*, *hajiyah*, and *tahsiniyah*. The current development of the concept of Islamic consumption has formulated that *dlaruri* needs must aim at maintaining/maintaining five things, namely 1) *ad-din*, namely maintaining/maintaining religion, 2) *al-nafs*, namely maintaining/maintaining oneself, 3) *al-aql*, namely guarding/maintaining reason, 4) *al-nasl*, namely guarding/maintaining offspring and, 5) *al-mal*, i.e. guarding/maintaining property. These five needs are a unity that cannot be separated and if not fulfilled will bring damage to human life (Rozainda, 2014)

Ibn Khaldun has explained the concept of use value in economic activity in big cities. The concept of use value is a basic concept in the discussion of consumption activity in modern economists. However, on the other hand, he criticizes these patterns of public consumption as an attitude that does not pay attention to norms and ethics in consumption which results in weakening state power, draining the state budget and spending, creating a culture of corruption, giving birth to a low mentality, giving rise to an attitude of showing off that goes beyond limits. can even affect the integrity of the country. This shows Ibn Khaldun's idea that in consumption activities, humans must pay attention to consumption ethics in order to avoid various damages, both damage to themselves, the surrounding environment and even state life.

Ibn Khaldun, like other Muslim scientists, did not discuss economics as a separate scientific unit from other sciences as did western scientists. Ibn Khaldun saw knowledge as "the verses of Allah" scattered throughout nature. In the view of Muslim scientists, various sciences that look different, but are one science that comes from a substance who knows all of nature, namely Allah. Ibn Khaldun has contributed thoughts on economic concepts, especially those that discuss microeconomics such as demand theory, factors that affect demand for an item, supply theory, factors that affect supply, labor division theory, production theory, market function, economic system. , market division, monopoly, specialization, distribution theory, classification of various types of goods and equilibrium prices.

The relevance of Ibn Khaldun's economic concepts contained in the *Muqaddimah* book, especially those related to microeconomic studies, shows that there is a link and



relevance to existing modern economic concepts. He has succeeded in putting the concepts of economics before the "birth" of economics itself and these concepts have become the basis for the development of economic thought for scientists after hundreds of years after the writing of the Muqaddimah. He has created a bridge of knowledge that facilitated later scientists in understanding economic concepts for the good of mankind. He was able to develop a method that he created himself from the originality of thinking, namely historical analysis in the form of an empirical descriptive of the economic conditions and activities of society at that time which was still very limited but could represent the mindset of modern knowledge. It must be admitted that this mindset is still contained in simple language compared to modern economic theory which is more "clear and complete". This is because the development of economics itself has been studied for a long time and has undergone rapid evolution and progress over the course of time, even if economics is calculated since it was "born" at the time of Ibn Khaldun. In addition, the discussion of Ibn Khaldun's economic concept cannot be said to be systematic because the concept is spread across various themes and chapters in the Muqaddimah book which requires a good understanding of economics and a deep logical analysis to understand it in order to draw conclusions in the statements he conveys and correlate with science. today's modern economy. Ibn Khaldun has laid the foundations of modern economics, especially Microeconomics. He has passed on this knowledge for the development of economics so that it can be used by the world community in overcoming various economic problems today.

Ibn Khaldun has contributed to the concept of economics that is so great for the development of modern economics even long before economics itself was "born" by Adam Smith. Oweiss argues that Ibn Khaldun deserves the title as a "pioneer" of economics as an effort and a subtle way to maintain the status quo for scientists who have been "acclaimed" as the "father" of economics pinned to Adam Smith. Ibn Khaldun is an economic scientist who deserves to be studied history and his thoughts in the field of economics because the current history of economic thought only explains the economic thoughts of European scholars and scientists. The economic concepts that he conveys are universal and can be accepted by various parties. Ibn Khaldun has laid the foundations of Islamic teachings in every economic thought such as the concept of Islamic consumption, the concept of Islamic production, the concept of Islamic distribution, Islam and labor and

Islamic market mechanisms. The concept of Islamic consumption emphasizes efforts to avoid waste that can damage the joints of the economy from the individual level to the integrity of the country. The concept of Islamic production that he put forward is to avoid monopoly business and analyze the discussion that the factors of production are gifts given by Allah. Islamic distribution theory is a human effort to earn income by providing the production factors needed by the business world such as labor, natural resources and skills. In addition, effort is also needed, the values of honesty, hard work, character, courage, firmness of attitude, having an entrepreneurial spirit and having authority in front of entrepreneurs. Islam and the division of labor according to Ibn Khaldun in order to create an effort to help each other and cooperate with one another in order to achieve the wisdom, namely the sustainability of this human species in life in the world. The Islamic Market Mechanism is a limitation of the government's role in business activities and emphasizes the regulating function that directs the economy to the private sector in order to create a sustainable economic goal.

The concept of medieval economics is an economic concept that is explained only in Islamic scientific literature. This is due to the limited scientific works on the European continent due to the lack of development of science at that time. The condition of Europe at that time was in the dark ages. This dark period is a time when the influence of the church is so strong in regulating all aspects of life in society. The role of the church dominates various state and individual decisions, even entering the sphere of freedom of thought and developing knowledge. Freedom of thought is restricted and various things about science must be in harmony with the dogma and beliefs of the church. The objectivity of science is limited and honesty in conveying the truth of science sometimes has to be paid with severe torture and even loss of life due to the church's disapproval of the scientist's thinking because it is considered contrary to dogma and teachings understood by the church.

## CONCLUSION

Discussions on the concepts and theories of Ibn Khaldun have been carried out by various researchers both at home and abroad. These studies try to explore various economic concepts that have been put forward by Ms. Khaldun long before economics was born and emerged and are studied to solve various economic problems today. The

discussions carried out show that the various economic theories being studied today have been developed by Ibn Khaldun based on the empirical experiences he has learned from various places from Tunisia, West Africa to Andalusia. A number of scientists believe that the discussion model that has been carried out by Ibn Khaldun with a historical approach is a work that has never been produced by scientists before and shows a high level of originality in a scientific work.

Therefore, the results of this study cannot explain various economic theories that are not discussed in this research, such as the theory of fixed prices, copyright, the theory of the rise and fall of a country, or monetary policy as stated by Karatas in "The economic Theory of Ibn Khaldun and the rise and fall of the Nation". Likewise, the discussion of the theory of wages, trade cycles, price systems, capital formation, industry and trade, poverty and prosperity raised by Shiddiqy and other researchers. So it is recommended for other researchers to be able to find various other economic theories that have been conveyed by Ibn Khaldun and compare them with current economic theory to increase the wealth of Muslim scientists and their contribution to the advancement of economics, especially Islamic economics.

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