العنوان:	Some Of Ibn Khaldun and Adam Smith Economic Ideas Compared
المصدر:	مجلة العلوم الاجتماعية
الناشر:	جامعة الكويت - مجلس النشر العلمي
المؤلف الرئيسي:	El Najjar, Iskandar
المجلد/العدد:	مج1, ع1
محكمة:	نعم
التاريخ الميلادي:	1973
الشهر:	أكتوبر
الصفحات:	32 - 37
رقم MD:	680289
نوع المحتوى:	بحوث ومقالات
قواعد المعلومات:	EduSearch
مواضيع:	الفلسفة الإقتصادية، ابن خلدون ، عبدالرحمن بن محمد ، ت 808هـ، سميث ، آدم
رابط:	http://search.mandumah.com/Record/680289

(1)

Some of Ibn-Khaldun and Adam Smith Economic Ideas-Compared

Dr. Iskandar El-Najjar

Ibn-Khaldun has been called the father, or one of the fathers of modern social science and cultural history. (1) Thus his « Science of Culture » was not mainly written as Adam Smith's « Weath of Nations », to deal with economic questions. Yet, our attention should not be diverted from the importance Ibn-Khaldun placed on economic activity. This can be easily deduced from viewing his conceptions of the causes or principles that constitute the nature of culture. These are : economic activity and urban institution, which are its matter ; the state, which is its effecient cause ; and the common good, which is its end. Since he considers these principles closely interrelated, economic activity is expected to be a cause and a consequence of this interrelationship. Such interrelationship is illustrated in the fifth chapter of his « Science of Culture », where he explains it into being. Thus a powerful state which is able to consolidate its rule, to institute laws protecting economic activity, and to create the demand for luxurious articles and sepcialized skills, through large expenditure on public works-tends to enhance the development of civilized economy. On the other hand, a state that is not able to consolidate its rule limits the development of economic life.

Despite the economic environment that prevailed throughout the century he lived in, we find him introducing several economic ideas, which are considered, nowadays, the product of the eighteenth and nineteenth enturies' economists, such as the Physiocrats. Adam Smith how the degree and duration of the civilized economic life are dependent upon the character, power and duration of the state that brings and Friedrich List. (2)

Among these ideas are, the division of labor, determinants of value and Laissez-faire.

Since these latter economists, reflect the environments of an economically more advanced age, and consequently their ideas came into existence, through problems of different nature, we would not claim that Ibn-Khaldun's analysis was as sophisticated as theirs. (3)

Adam Smith's fatherhood of political economy, came as a result of his organization of a vast amount of knowledge which was more or less common property. This organization of knowledge, which was presented in his « Wealth of Nations » was new, and as a result, gave an enormously increased effectiveness to matters that were familiar to the mass of his fellow countrymen. Ibn-Khaldun, on the contrary, was not as fortunate ; since his contemporaries or predeccessors did not provide

---

(1) Abd-El-Rahman Ibn Khaldun (1332-1406), is best known for his book « The Muqaddimah » or « The Science of Culture », 1377.

(2) Friedrich List (1789-1846) is best known for his doctrine of stages, through which an economy must pass : hunting, agriculture, agriculture plus manufacture, agriculture and manufacture plus commerce. The same idea is introduced by Ibn-Khaldun in his « Muqaddimat », in chapter V, section 2, (The various Ways, Means, and Methods of Making a Living), where he states :

« Agriculture, the crafts, and commerce, on the other hand, are natural ways of making a living ».

« Agriculture is prior to all the others by its very nature, since it is something simple and innately natural. It needs no knowledge. Therefore, it is ascribed to Adam, the father of mankind. This indicates that it is the oldest way of making a living and the one most closely related to nature ».

« The crafts are secondary and posterior to agriculture. They are composite and scientific. Thinking and research are applied to them. Therefore, as a rule, crafts exist only among sedentary peoples. Sedentary culture is posterior to Bedouin life, and secondary to it ».

« Commerce is a natural way of making profits ».

(3) Division of labor, for instance, which was essential in his analysis, came to be discussed under « The Necessity of Human Social Organization ; Laissez-faire was introduced under « Commercial Activity On The Part Of The Ruler Is Harmful To His Subjects And Ruinous To Tax Revenues ».

the issues and ideas he raised and discussed.

In what follows, we shall see, what comparison could be made between some of the economic ideas of these two thinkers.

The Division Of Labor

It is somewhat surprising to find that both, Ibn-Khaldun and Adam Smith, started their books, on the division of labor. Similarly, they carried their analysis, almost through the same steps, i.e., causes effects and the limitation of the division of labor, and reached the same conclusion. But, since they lived in different centuries, with different economical environments, it is natural to find that each reflects, in his analysis, a different stage of economic life.

Ibn-Khaldun, who lived in the fourteenth century, was not familiar with the industrial production which began to spread with its relatively sophisticated means at the time of Adam Smith, thus presenting different problems and stimulating ideas. His, inspite of the existing small scale handi-crafts industries, was much simpler. Therefore, when he treated the subject of the division of labor, he started from an earlier stage than that of Adam Smith.

Ibn-Khaldun considered the division of labor necessary, because the power of the individual human being is not sufficient to provide him with the necessary food for his livelihood. Therefore he has to increase his power of production. The way to do that, is to combine it with the power of others, who will perform different parts of the productive processes, and as a result, production will increase :

> « The individual human being cannot by himself obtain all the necessities of life. All human beings must co-operate to that end in their civilization. But what is obtained in the co-operation of a group of human beings satisfies the need of a number many times greater than theirs. For instance, no one by himself, can obtain the share of the wheat he needs, for food. But when six or ten persons, including a smith and a carpenter to make the tools, and others who are in charge of the oxen, the plowing of the soil, the harvesting of the ripe grain, and all the other agricultural activities, then they will obtain through their labor a certain amount of food which will be sufficient for people many times their number. Because labor combined in this fashion will be more than the amount necessary to produce the required food » (4).

What we may conclude then, is that Ibn-Khaldun considered that necessity gives rise to the division of labor, and this in turn will increase production.

Adam Smith, who lived in the early stages of the industrial revolution, began his analysis with the inquiry about what increases the productive powers of labor, and concluded that the division of labor is the main cause of its increassed powers. The advantages of the division of labor which lead to increased production are due to three circumstances : improved dexterity, saving of time and the application of machinary :

> « This great increase in the quantity of work, which, in consequence of the division of labor, the same number of people are capable of performing, is owing to three different circumstances ; first, to the increase of dexerity in every particular workman; secondly, to the saving of time which is commonly lost in passing from one species of work to another; and lastly, to the invention of a great number of machines which facilitate and abridge labor, and enable one man to do the work of many ».(5)

Ibn-Khaldun did not provide us with such circumstances, although the first and the second were implied, but the third was not mentioned at all, simply because it belongs to a different century. But this does not represent any essential difference between both men's ideas.

Adam Smith introduced his famous pin - making example to illustrate his idea. But how, in the first place, pin-making came to exist ? Was he not aware of the sort of analysis introduced by Ibn-Khaldun ?. The following quotation represents part of the answer :

> « The division of labor, however, so far as it can be introduced, occasions, in every art, a proportional increase of the productive powers of labor. The separation of different trades and employments from one another, seems to have taken place, in consequence of this advantage. This separation too is generally carried furthest in those countries which enjoy the highest degree of industry and improvement ; what is the work of one man in a rude state of society, being generally that of several in an improved one....»
>
> «... The nature of agriculture, indeed, does not admit of so many subdivisions of labor, nor of so complete a separation of one business from ano-

(4) Ibn-Khaldun. A. «Muqaddimat Ibn-Khaldun», ed. A.A. Wafi, P. 859

(5) Smith, Adam. « An Inquiry into the Nature and Causes of the Wealth of Nations, ed.» Edwin Cannan, p.9

ther, as manufactures ».(6)

Adam Smith, as can be understood from this quotation, was somewhat aware of the kind of analysis introduced by Ibn-Khaldun, although he gave different reasons than those of Ibn-Khaldun for the division of labor. It is in his opinion, the propensity in human nature to exchange that gives rise to the division of labor. But if we ask ourselves what gives rise to this propensity ? The answer is simply: our inability to produce all that we need. Then it is our need, which comes first, and originates such propensity.

Is the division of labor limited ?

Adam Smith's answer to this question is :

> « As it is the power of exchanging that gives occasion to the division of labor, so the extent of this division must always be limited by the extent of that power, or, in other words, by the extent of the market ». (7).

Ibn-Khaldun differentiates between markets in cities and in towns. Large cities have population,and since population represents labor supply and demand, then the needs of cities with large population is greater than that of towns, and therefore the crafts that are found in large cities are lacking in small cities or towns. Since Ibn-Khaldun takes crafts to represent division of labor, then the larger a city's demand is, the more is the division of labor; in other words it is the extent of the market that limits the division of labor. He introduced the following example :

> « Public baths fall into category, they exist only in densely settled cities of a highly developped civilization as a kind of indulgence resulting from luxury and wealth. Therefore, public baths do not exist in medium-sized towns....» «.... Since there is no demand for them from the mass of the people». (8)

This example brings us to that of Adam Smith where he states :

> « There are some sorts of industry, even of the lowest kind, which can be carried on no where but in a great town. A porter, for example, can find employment and subsistence in no other place. A village is by much too narrow to afford him constant occupation.(9)

This brings us to the end of the comparison, which does not provide us with any essential difference in both men's ideas, if any, at all.

Determinants of Value

Ibn-Khaldun's study of the source of income led him to emphasize the importance of human labor as a source of income and as a major determinant of value.

Since human labor can be presented in the form of a service, as in the case of a judge, or as an input consumed in the making of a commodity, then the value of that service or commodity is mainly determined by the value of human labor if he was self-employed, or by the wages, if the human labor was hired :

> « Human labor is necessary for every income and capital accumulation. When the source of income is work as such, as for instance the exercise of crafts, this is obvious. When the source of income is animals, plants or minerals, this (labor) is not quite obvious, but human labor is still necessary, as one can see, without human labor, no gain will be obtained and there will be no useful result ». (10)

Adam Smith, in his early labor theory of value, went a step further and considered human labor as the only dterminant of value :

> «The value of any commodity, therefore, to the person who possesses it, and who means not to use it or consume it himself, but exchange it for other commodities, is equal to the quantity of labor which enables him to purchase or command. Labor, therefore, is the real measure of the exchangeable value of all commodities ». (11)

But, what about the other components of value, as interest, profit and rent ?

Ibn-Khaldun realized that there were other components that enter in the cost of production, as raw materials and rents. Also he pointed out that labor might not be quite obvious especially in grains and other food stuff :

> « Some crafts are partly associated with other crafts. « Carpentry » and «weaving », for instance, are associated with wood and yarn, and respective crafts needed for their production. However, in the two crafts first mentioned, the labor that goes into them is more important, and its value is greater... » «... The share of the labor may be concealed. This is the case for instance, with the prices of food stuffs. The «labor» and «expenditure» that goes into them show themselves in the price of grain. But

(6) Ibid., p. 7.
(7) Ibid. p. 19.
(8) Ibn-Khaldun, A. « Muqaddimat Ibn-Khaldun, P. 885.
(9) Smith, Adam. «The Wealth of Nations», P. 19.
(10) Ibn-Khaldun, A. « Muqaddimat Ibn-Khaldun », p. 896.
(11) Smith, Adam. « The Wealth of Nations », p. 32.

> they are concealed in regions where farming requires little care and few implements. Thus only a few farmers are conscious of such costs». (12)

Ibn-Khaldun did not specify what he meant by expenditure, but in his general discussion of agricultural activities, he implicitly pointed out for the factors that bring about the emergence of rent. He did not mention interest, because it was not a familiar term, and it would not have been accepted; interest would probably be considered usury, which was forbidden according to the Moslim religious law. Profit was a familiar term but he did not consider it as a determinant of value. Also, he differentiated between two kinds of profit. First, the profit which occurs as a result of commerce, and he defined it as the difference between the purchasing price and the selling one. Second, the profit which occurs as a result of selling human labor, i.e., in the process of goods production. Here he presents us with a peculiar way of illustration, which we do not find in Adam's Smith analysis. Human labor, as he stated is the source of income. can be divided into two parts, according to Ibn-Khaldun. The first part is directed to meet the individual's needs, and if any income is left, it will constitute profit which is the second part. Therefore profit is a residual that may or may not occur depending on the size of income and the individual's needs. This profit in turn is used in capital accumulation:

> « A man's earnings will constitute his livelihood, if they correspond to his necessities and needs. They will be capital accumulation, if they are greater than his needs ». (13)

Adam's Smith discussion of the component parts of a commodity's value, represents here, a point of departure from his early statement:

> « In the early and rude state of society which precedes both the accumulation of capital and the appropriation of land, the proportion between the quantities of labor necessary for acquiring different objects seems to be the only circumstance which can afford any rule for exchanging them for one another». (14)

Since capital and land are introduced as new factors of production, then profit for the use of capital and rent for the use of land have to be paid in addition to wages. Thus. we have three component parts of value. wages. profit and rent. the real value of each is measured by the quantity of labor which it can purchase or command. These components are not necessarily present in all commodities. but all must have at least one. Adam Smith carries on to give us an interesting distinction which arises from the ownership of the various components :

> « When these three different sorts of revenue belong to different persons, they are readily distinguished ; but when they belong to the same, they are sometimes confounded with one another, at least in common language ». (15)

We would say that this distinction enables us to get closer to the state of affairs, which prevailed at Ibn-Khaldun's time, if we assume that he was mainly concerned with those who owned the means of production. But, still this is an assumption.

The question that comes to the fore now is. wehther human labor still occupies the same importance, as a major determinant of value. in Adam Smith's theory, or it shares this importance with other components that enter in the cost of production, i.e., rent and profit ? The answer is : it does not. Does this change the nature of Adam's Smith value theory ? The answer, we believe, is yes, since labor is no longer the only productive factor.

As it can be realized, we dealt mainly with the cost of production or in other words the supply side. This should not mean that Adam Smith or Ibn-Khaldun were not aware of the effect of the supply and demand in deciding the prices of commodities. Actually, we find Adam Smith distinguishing between the natural price which occurs when the commodity is sold precisely for its cost of production, and the market price, which may be either above, below, or exactly the same as its natural price, according to the demand and supply conditions.

Ibn-Khaldun also, realized that because of the supply and demand conditions. labor might be paid more or less than it is really worth :

> « Crafts and labor are expensive in cities with abundant civilization for three reasons : First, because of the increased demand for luxury as a result of the large civilization. Second. industrial workers, place a high value on their services and employment because the cost of living is low. therefore they do not need to work much to earn their living. Third. the increasing number of wealthy people who need others in their domestic service and to employ as workers in their workshops. Therefore they pay the laborers more than their labor is worth because of other's competition to have the exclusive use of them. Thus workers. craftsmen and

---

(12) Ibn-Khaldun. A. Muqaddimat Ibn-Khaldun, pp. 896-7.

(13) Ibid., p. 894.

(14) Smith. Adam. «The wealth of Nations». P. 49.

(15) «Ibid.». P. 55.

professional people become relatively scarce, and the expenditure of the city for these things increase ». (16)

Laissez-Faire

Laissez-faire has been long associated with the Physiocrats, who were the first exponents of a comprehensive, systematic, thorough, and consistent philosophy of « economic liberalism » — universal liberty or freedom of individual enterprise, competition and trade — and the writers who first gave wide currency to the maxim or slogan Laissez-faire, laissez-passer. These policies are based on their theory of physiocracy, i.e., « government » of all human societies entirely by or through the system of « natural law » — meaning both (1) the principles of « natural justice » and (2) the « natural laws » of economics, as expounded by them.

They were slightly earlier or older contemporaries of Adam Smith, who knew them, their works and views, but did not fully agree with them, although he adopted Laissez-faire as a policy, which is most conducive to the increase of wealth of nations. This also can be interpreted as a reaction to the Mercantalist System which prevailed in England at his time, and manifested itself in government's intervention, in almost all aspects of economic life.

He, therefore, rejected government's intervention, as limiting to the individual initiative, and confined its functions to public defense, administration of justice and the maintenance of public works.

Ibn-Khaldun's attitude toward government's intervention was not different, in fact, he rejected it, because he considered it ruinous to the economic life, and consequently to the government itself. The main purpose of government's intervention, as he saw it in his time, was to increase its revenue, in order to match its expenditure. To realize its objective, the government might intervene indirectly or directly in the economic life.

First, indirectly through imposing higher tax rates, new taxes or custom duties on the commercial activities of its subjects. How would this action affect economic activities ? Ibn-Khaldun provides us with the following analysis :

> «... The assessment increases beyond the limits of equity. The result is that the interest of the subjects in cultural enterprise disappears, since when they compare expenditures and taxes with their income and gain and see the little profit they make, they lose all hope. Therefore many of them refrain all cultural activity. The result is that the total tax revenue goes down, as the number of the individual assessments goes down. Civilization is destroyed, because the incentive for cultural activity is gone. It is the dynasty that suffers from the situation, because it profits from cultural activity ». (17)

Then he concludes this analysis, by providing us, with one of the modern fiscal measures :

> « If the ruler understands this, he will realize that the strongest incentive for cultural activity is to lower as much as possible the amounts of individual imposts levied upon persons capable of undertaking cultural enterprise. In this manner such persons will be psychologically disposed to undertake them, because they can be confident of making profit from them ». (18)

Second, directly through engaging in agricultural and commercial activities. Ibn-Khaldun sees that the entrance of the ruler as a buyer or seller in the market will harm his subjects in various ways. As a buyer, with greater wealth and influence, the ruler represents a strong competitor, thus, making it difficult for his subject to get the merchandise they need. Also because of this power he can appropriate much of the agricultural products and the available merchandise if it occurs to him, either by force or paying the cheapest possible prices. Furthermore, there may be no one who would dare to bid against him. Thus he will be able to force the seller to lower his price.

As a seller, the ruler does not perfom a better job. As soon as any of his products become available, he forces the merchants and farmers who deal in these particular products to buy from him for unjustified prices.

Ibn-Khaldun sees that such transactions will exhaust the merchants' and farmers' liquid capital, because the merchandise, they thus acquire, will remain useless on their hands. However, their need for money, will force them to sell the foods at lower prices during a slump in the market. Such transactions will exhaust their capital and force them out of business.

The question now is : How do these policies affect the rulers revenue ? Do they increase it or reduce it ? Ibn-Khaldun provides us with the following answer :

> « Most of the revenue from taxes comes from farmers and merchants, especially once customs duties have been introduced, and the tax revenue has been augmented by means of them. Thus, when the farmer gives up agriculture and the merchant goes

(16) Ibn-Khaldun, A. «Muqaddimat Ibn-Khaldun», p. 864.

(17) «Ibid.», p. 668.

(18) «Ibid. », p. 669.

out of business, the revenue from taxes vanishes altogether or becomes dangerously low. Were the ruler to compare the revenue from taxes with the small profits he reaps from trading himself, he would find the latter negligible in comparison with the former. Even if his trading is profitable, it would still deprive him from a good deal of his revenue from taxes, so far as commerce is concerned. It is unlikely that customs duties might be levied on the ruler's commercial activities ». (19)

Ibn-Khaldun concludes his agrument against government's intervention by stressing that it will ruin economic life and in turn the government itself :

« Furthermore, the trading of the ruler may cause the destruction of the civilization, and through the destruction and decrease of civilization, the disintegration of the dynasty. » (20)

CONCLUSION

The economic ideas introduced in this paper represent abstract portions of Ibn-Khaldun's general frame-work. In order to judge their soundness and validity, they should be viewed within that frame-work, which was the outcome of certain social, cultural and economical environments. Nevertheless, these ideas being associated ith Adam Smith and the Physiocrats, have been evaluated by many economists, However, the main purpose of the paper was to compare both men's economic ideas. The outcome of the comparison, as witnessed, produced more similarities than differences.

This being the case, one may wonder why Ibn-Khaldun did not gain some of the recognition or credit as Adam Smith did. The following facts could be considered responsible for this lac of recognition. Of utmost importance, is the nature of the era in whcih the « Muqaddimah » appeared. It was a period of general decline throughout the Islamic World. Thus, despite the fact, that Ibn-Khaldun's work represented the beginning of a new science, the « Science of Culture », we do not find any of his contemporaries or successors contributing to this new science, which in a way limited its growth, development and publicity. On the other hand, Adam Smith's « Wealth of Nations », appeared in the early stages of the Industrial revolution. His work was closely associated with the problems and questions of that era. The « Wealth of Nations », plus the development of events induced Smith's contemporaries and successors to follow suite contributing to the science, he was considered its founder. A second important factor, in our judgement, is the language barrier. For instance, the first french version of the « Muqaddimah », which appeared around the end of the nineteenth century was poorly translated. A matter that hindered the grasping of the economic concepts contained in the work. Another factor, of equivalent importance, is that Ibn-Khaldun was not essentially writing a book on economics. Thus, attention, when paid, has been mainly to the « Science of Culture », as a whole. A a result, Ibn-Khaldun is considered the father of Modern Social Science.

(19) «Ibid.», p. 673.

(20) «Idem.»

BIBLIOGRAPHY

Aristoteles. **Politics and Economics**, trans. Edward Wilford, Bell and Dadly, London, 1866.

Blaug, Mark. **Economic Theory in Retrospect**, Richard D. Irwin Inc., Homewood, Illinois, 1962.

Encyclopedia, of Islam, eds. M. Th. Houtsma et al., E. J. Brill, Leiden and London, 1913-1913-1934.

Ibn-Khaldun, A. (History) **Kitab Al-Ibar Wa-Diwan Al-Muptada Wal-Khabar**, ed. Nasr. Al-Hurini, Bulaq - Cairo, Egypt, 1867. (Arabic)

——— (Autobiography) **At-Tarif bi-Ibn-Khaldun Wa-Rihlatuhu Gharban Wa-Shargan**, ed. Muhammad At-Tanji. Cairo

——— (Science of Culture), **The Muqaddimat**, trans. Franz Rosenthal, Pantheon Books Inc., New Inc., New York, 1958.

——— (Science of Culture) **Muqadimat Ibn-Khaldun**, ed. A. A. Wafi. Cairo, Egypt, 1957. (Arabic)

Mahdi, Muhsin. **Ibn-Khaldun's Philosopy of History**. The University of Chicago Press, Chicago, 1964.

Shumpeter, Joseph A. **History of Economic Analysis**, Oxford University Press. New York, 1955.

Smith, Adam. **An Inquiry into the Nature and Causes of the Wealth of Nations**, ed. Edwin Cannan, Methuen & Co. Ltd., London, 1925.