
Mif Rohim Noyo Sarkun*, Surtahman Kastin Hasan*
*Universitas Hasyim Asy’ari Tebuireng Jombang, Indonesia
*Faculty of Islamic Civilisation, Universiti Teknologi Malaysia, Johor Bahru, Johor, Malaysia

Abstract

The titles ‘hujjatul Islam’ given to al-Ghazali clearly describe his personalities and the importance of his thought. His thought and works had been referred and used as guidance for more than 1000 years. His perspective in economy had covered many aspects and some of them might comparable to contemporary economic thought. This article will highlight concepts that been proposed by al-Ghazali and to analyze it’s relevancy compared to contemporary economic concepts. Some of the concepts and topics of discussion such as economy theory, pricing mechanism, work specialization, barter system & currency, international trade, population and several others proposed by al-Ghazali in some extend had exceeded the concept which have been proposed by contemporary economic scholars.

Keywords: al-Ghazali; contemporary economy; pricing mechanism; work specialization; barter system and need of currency

© 2015 Penerbit UTM Press. All rights reserved

1.0 INTRODUCTION

Al-Ghazali which known as ‘hujjatul Islam’ who lived 450-505 H (1058-1111 AD) is one of the infamous Arab-Persian-Islamic intellectual scholars in 5th H century (11 AD). He is a prolific personality which had produce hundreds of ‘risalah’ (books/kitab) which had covered many knowledge such as fiqh, usul-fiqh, theology, philosophy, mysticism, logic and social. Even though his main works focus on ethic-philosophy, there is a lot of economy discipline aspects and concepts in his works.

Research regarding al-Ghazali economy ideas had just been started if we compared to his others discipline ideas especially mystic and philosophy. Most researchs in economy field had been focus in two areas: fiqh muamalah aspects and business contract, such as riba, rental (ijarah), salam, syirkah, mudarabah and secondly economy concepts which commonly been used in today’s economy discipline such as demand and supply, currency, national budget, international trade and government intervention. There are also researchers who speak about ethics aspect in their research. M. N. Siddiqi (1992) had found that al-Ghazali had inserted tasawuf ideas in economy activities. Al-Ghazali also had discussed government role in protecting peoples through law, tax and expenses, riba, work distribution and exchange evolution. Aidit Ghazali (1991) thinks that al-Ghazali had stood up for righteous government for public economy, work specialization, zakat distribution, business knowledge, business contract, source of income and poverty issues. S. Mohammad Ghazanfar & Islahi (1997) had discussed about exchange issue, money, government role and public expenses. Other issues that already been discussed by Ghazanfar & Islahi, Adiwarman (2006) had discussed about work specialization, demand & supply, ethic of market, barter & evolution of money and output priority. Abdul Azim Islahi (2005) had highlighted several of al-Ghazali’s economy ideas such as works specialization, currency fraud, riba issues, government role towards religion and country, reasonable tax and public finance and expenses. While Dimyati (2008) had focused his research only in al-Ghazali exchange theory. So fourth Islahi (2001) had only focused on al-Ghazali ideas of exchange and riba. While Abdou Diaw (2009) focused in economy ethic such as not involved in smuggling, modest profit and sincere.

This research will look on the compatibility of several aspects and concepts which had been proposed by al-Ghazali compared to contemporary economy scholar’s view. It had been said that al-Ghazali economy ideas sound ‘lite and easy’ but if compared to today’s ideas, al-Ghazali had put several foundation in economy concepts.

2.0 AL-GHAZALI’S BASIC ECONOMIC THOUGHT AND THEORY

Hint of Economic Thought

There is not even a single words termed as ‘economy’ in any of al-Ghazali books except the world iqtisad. But that word (iqtisad) appear in faith1 contact and not economy. Al-Ghazali had mentioned several words which strongly connected to economy such as world or

1Iqtisad been used as the name of his books ‘al-Iqtisad fi al-I'tiqad’.
property. Al-Ghazali also had several times said about human struggle towards nature exploitation\(^1\) will result in three needs: food, cloth and residence (al-Ghazali 2004 (3) : 288). These activities are manifestation from the existence of normal and daily people activities. From this view, it can be implied that economy in al-Ghazali’s view can be refer to ‘activity which produce human needs and necessity’\(^2\).

In Islamic knowledge history, economy discipline problem had been discussed in fiqh muamalah, thus al-Ghazali had discussed common topic that available in fiqh muamalah such as riba, sales and purchase, rental, mudarabah and partnership. Other than that al-Ghazali had introduce few aspects and concepts which related to conventional economy discipline such as input in output process, economy sector, work specialization, pricing mechanism, needs of exchange, income and expenses, national budget and government role.

Basic People Economic Activities

Al-Ghazali ideas in economy are based on his research and observation and not merely on assumption. For example, in Ihya Ulumiddin, when discussing on economy structure (sector) activity, he had divided it into three sections based on current condition of the community at that time: food production, apparel and residency (al-Ghazali 2004 (3) : 288). Food production symbolize agriculture activity, apparel as manufacturing activity and residency as construction activity. This three activities had been known as fundamentals to economy activities in any known nation in history. These sectors classification which is almost identical also known and can be found in al-Shaybani books entitle ‘al-Iktisab fi al-Rizq’ which is agriculture, industry, trade and services (al-Shaybani, 1986 : 40). Generally most of Islamic scholars acknowledge that agriculture is the most important economy activity (Islahi, A.A. 2005 : 38).

Basic Economic Theory

There are several of al-Ghazali’s economic thought had been recognized ‘to be ahead of time’. His thought had been recognized to be more advanced compared to other thought during his time. One of the examples is in aspect of pricing mechanism.

Al-Ghazali had done research and observation on consumers and producers behaviour which available in market before make any conclusion on price determination. His finding concluded that the price of a product will fall if the product demand become low. “If a merchant brings grain but could not found a buyers, he need to sell it in low price…”(al-Ghazali 2004 (3) : 290). This statement explicitly set forth two factors in pricing mechanism which is the merchant represent supply and consumer which al-Ghazali named as ‘people who wants’ which represent demands. Implicitly even though not been stated, he had made an important assumption (in pricing mechanism), which supply is constant (unchanged). In this statement, al-Ghazali’s view was on the demand side, that is said to be nil. In other words, ‘if no buyers’ means no demand. This shows supply are available or supply does not change\(^3\). He personally observed the role of demand on price and sees how merchant/manufacturer solved the issues (supply overflow)\(^4\).

The research and observation had been the fundamental to the development of economy theory. Richard G. Lipsey in developing certain theory, follow the path of al-Ghazali to include assumption and observation as important ingredient/aspect\(^5\) (Richard G. Lipsey ,1975: 15). Implicitly, development of conventional economic theory is a reflection of his theory and method.

\[3.0\] AL-GHAZALI’S ECONOMY ASPECT AND CONCEPT

Pricing Mechanism

Before pricing mechanism been introduced by western economic scholars few decades later, al-Ghazali had recognized that demand and supply are the main factors that determined its price. He also had emphasized on storage\(^6\) of goods in order to solve issues of inconsistence between demand and supply (al-Ghazali 2004 (3) : 290). Prophet Muhammad (SAW) had said that price mechanism is a ‘matter of Allah’. It had been reported that prophet (SAW) rejected Medina occupant to get involved in deciding the price. Prophet (SAW) decision is to prevent the increase of price that occur during prophet. Prophet (SAW) said:

“It is only Allah that can hold, gift, free and set the price. Hopefully I will see Allah (in the afterlife) in condition that no one claim at me that I had been unfair in blood or things (money)”

(Abu Daud and Termizi).

This hadith clearly explained that only Allah can set price. It had been known as sunnatullah: Allah will arrange and decide everything (including price) and had been known in conventional economy as ‘invisible hand’ which had been implore by Adam Smith through ‘free market’ in economy activity (Samuelson, P.A. : 43). In Islam the idea of sunnatullah or Allah matters had existed centuries ago and been introduced by Prophet (SAW) himself. In this context Sunnatullah and ‘invisible hand’ are actually the same thing.

Al-Ghazali can be considered as the precursor that declare price as ‘the will of Allah’ to demand and supply. Then later this idea had been strengthen and arrange by others Islamic scholar. Western economic scholars, J. A. Schumpeter had openly declare it in 18th century, western knew very little about the theory of price mechanism (Schumpeter, J. A. 1972 : 305). This concept had already existed and been explore much more earlier. The concept radiates clearly in early 13 century by IbnTaimiyah (Islahi1985 : 55).

\(^1\)Worldly or earth for Imam al-Ghazali is the place of all khazanah (endowment) such as mineral, flora and fauna (al-Ghazali 2004 (3) : 282).

\(^2\)He never stated the condition of the price if buyers find it difficult to seek the dealers to obtain the goods. If he said so, it mean that demand is constant (unchanged).

\(^3\)Store the goods in a certain location, thus created warehouse/storehouse known by the wholesalers nowadays.

\(^4\)Other aspect are prediction, analyzation and amendment (Lipsey, R. G. 1975 : 15).

\(^5\)Role of storage had been taken today by wholesaler (merchant).
Ibn Taimiyah (1262-1328 M) thought about price:

“....If goods request increased while the supply decrease, the price will go up. Otherwise when supply increase while the demand decrease, the price will go down. This lack and extra is not due to unfairness of dealer...”

Ibn Khaldun (1332-1406 M) that comes after him also agreed about demand and supply in deciding the price. He said:

“...when goods decrease, its price will rise. Otherwise when...a lot of merchant brings the goods thus it will overflow and the price will drop....”

Centuries later comes Adam Smith (1723 – 1790) with much more clearly statement about the same issues (Adam Smith 1980: 158):

“The price of any goods been determined by its quantity in the market and to whoever that competent to buy it...”

Islamic scholars agree that demand and supply plays the most important role in price determination (balance). There is also some scholars accepted whatever price that been determined by the market and prohibit regulation to it (Akram Khan, M. 1982: 144). Others such as IbnTaimiyah accepted the market price as the will of Allah if and only in normal economic condition which is when the dealer is sincere, fair and due to increase in demand or lack of supply (IbnTaimiyah 1982 : 35) or due to increase in population (Islahi 1985 :57). If the increase are due to dealer greed, unfairness, monopolize and keep goods hidden (ihitikar), thus the price need to be control (decided by the government). Perhaps due to the greed of dealers, Abu Yusuf in al-Kharaj, said 'sometimes foods a lot but price is expensive and sometimes less but cheap' thus 'the drop of price not been determined by the increase in quantity of the goods and the increase in price not necessary due to the decrease in quantity of the goods' (Abu Yusuf, 1392 : 52). This abnormalities had been said by Abu Yusuf as ‘the will of Allah and order’ and ‘the will of heaven’ (Abu Yusuf, 1392 : 52). Question remains what if the price is not due to dealer greed?

Work Specialization

In order to increase productivity, work specialization is required. Al-Ghazali think that responsibility must not been put to only a person but to his/her qualification (al-Ghazali 2004 (3) : 289-290) and skills (Abdul Qayyum 1983 : 50). Politician must master politics; law enforcer must master law and so forth. This also applied to those who’s mingle in economy. Merchant and farmers must have experience in their own fields. In manufacturing sector, al-Ghazali had mention in Ihya that bread and needle must go through several detail process before it can be produced. For sure only the expert can produce a perfect product.

Work specialization can efficiently increase the skills level, increase the product and more importantly product development will be faster and its quality will be ensured. Contemporary western economy scholars belief in work specialization and work division. Some of them such as Adam Smith (1723-1790) in The Wealth of Nations had popularized the concept of labour division. This concept had been agreed by J.L. Hanson. He believe that division of labours can increase productivity (Hanson, J.L., 1966 : 27). P.A. Samuelson belief that this concept will be the important aspect in today’s economy system (Samuelson, P.A. 1955 : 50).

Currency

Barter system and currency had been used during the time of al-Ghazali. Both system tally with each other but al-Ghazali saw weaknesses in barter system such as time issues and the fairness of the exchange (al-Ghazali 2004 (3) : 290-291) which needed to be overcome. He had suggest steps that been used in currency (al-Ghazali 2004 (3) : 291) which not only solved the issue of fairness but also solved the time issues. Other than that al-Ghazali had proposed another method which is known as storage (al-Ghazali 2004 (3) : 290) to solved time issue which helps solved supply overflow. Issues in barter system and advantage of currency as medium of exchange which had been proposed by al-Ghazali are almost identical to theory which had been proposed by contemporary economy scholars such as P.A. Samuelson. He had stated the time issue as coincidence and exchange barter fairness as quantities and term of the exchange (Samuelson, P.A.1955: 274-275). J.L Hanson had stated the same issue as ‘double coincidence of wants’ and ‘a clumsy method of exchange’ (Hanson, J.L., 1966 : 345-346).

International Trade

Al- Ghazali said that the insufficient of goods leads to the existence of international trade. He said “when some countries does not have everything and not enough of food…thus there is needed a kind of transfer (import) of goods” (al-Ghazali 2004 (3) : 290-291).

The ‘insufficient’ issues had become the fundamental to the needs of trade. Later this issue had been discussed and elaborate by economic scholars such as Baumol, W.J & A.S. Blinder. They believe that this issue exist due to lack of natural resource in the country (Baumol, W.J. & A.S. Blinder 1998: 798). J.L. Hanson (1966 : 445) had listed three source of this phenomena: a) Only certain location have certain kind of resource, example coal in USA and gold in Africa, b) Climate and soil that required for certain kind of crop, example rubber compatible in Malaysia, Jute in India and coffee in Brazil, c) Different skills and technology needed to produce certain product. Countries which does not have any resources or less will require to import from country which is rich in resources.

Al-Ghazali also stated the role of traders in trade and transport affair which exposed to unwanted condition such as thief or good been confiscate by corrupt government (al-Ghazali 2004 (3) : 290). From this statement we can understand that international trade not only related to issue of ‘insufficiency of certain goods’ but at the same time facing other matters such as (medium of) transportation, cost of

---

9See Islahi Abdul Azim, 1985 : 61
10Abu Yusuf refer to supply and not demand.
transportation and cost of risk. Trading of goods from one nation to other nations will involve another ‘cost of border’ such as tariff and quota that been imposed by other countries to traders.

Transportation, cost of transportation and protection of the goods are clearly three causes that had been highlighted by al-Ghazali. Traders who carries the goods travelling far away outside their counties are potentially can get higher profits even though they need to bear transportation cost and higher risk. IbnKhalidun had said that with the existence of risk such as danger and difficulties during their route, it may resulted not many people dare to involve, makes the price of goods and thus profit obtained in that location increased (Rus’an 1985 : 108-110). In modern trade, the risk already become a must thus its had been covered by insurance of takaful.

Urbanization

An urban will exist whenever there is gathering between human who requires building blocks that act as a shelter from rain, heat, cold and thief. Based on al-Ghazali observation, he found that the development of walls which surround the people directly create state-town (al-Ghazali 2004 (3) : 288-289). Starting from simple house structure to a structure which are more complex, shows the existence of big and high building thus cities been born. Ibn Khalidun in Muqaddimah, had stated that cities with big and high structure are consist of farmers or people which show their life style improvement. Their settlement inside the cities changes their profession from a mere farmers to a merchant and manufacturer (IbnKhalidun, 1967: 91-92).

Al-Ghazali also had stated that “people will come and goes from their village to town and other town to buys food and equipments” (al-Ghazali 2004 (3) :290). This clearly shows village is the source of agriculture which is the most important element in order to lives in the cities. At the same time cities act as a location where trade activities been done to produce profit and to gather agriculture resource. He also stated that cities are a ‘tools’ which describe as a place to produce product. In the statement “come and goes” describes kafilah (Caravan) which usually used camel and horse as medium of transportation. A. O’Sullivan in his books Urban Economics stated that agriculture output, cities output and transportation had been acknowledge by contemporary economic scholars as (three) causes and requirements to create cities (O’Sullivan, Arthur 2009 : 3-4).

National Budget

National budget are related to the output and expanses of the countries. In order to increase country resources, some of the authority or officer keeps on suppressing the public by increasing the tax. Al-Ghazali regrets the action by the corrupt authority and officer who only thinks about themselves (Abdul Qayyum1983: 62 & 136) and he also labelling them as unfaithful. He believes that faith will bring harmony and strength to the country. He also said “If they works honestly according to Rabb will, they will found the greatest strength of all” (Abdul Qayyum1983 : 55).

Kharaj (land tax), jizyah (self-tax), usyar (import tax) and mineral tax are the examples of countries income. Its existence and values may change depends on the authority’s decree. Al-Ghazali reminds the authority to gather the tax fairly and kindly (al-Ghazali 2004 (3) : 279). Al-Ghazali also stated the right of the collector (baitulmal) to collect and distribute it at specific time and fairly and to the one who deserves (al-Ghazali 2004 (3) : 289). Imam Malik previously had give guide about the necessary of tax by “ if treasury does not have any fund or the army needs increasing more than the treasury (baitulmal) can offer, the countries had the right to collect tax from the wealthy till the treasury have fund in it”11. The purpose of the guide is to ensure that the authority will not supress its subordinates. Similar words also been told by IbnHazm. He said that tax can only be collected if zakat are not enough to be distributed to the poor12. Abu Ubaid (735-805 M) had wrote in his book al-Amwal (The Wealth) emphasize on the importance of tax (land) based on the ability of the people to pay it and country interest. Abu Yusuf (731-798 M) in his books al-Kharaj had reminded the authority not to act dictatorship but act as Allah representative. He also had suggest that land tax only been apply according to surplus of the entrepreneur (Abu Yusuf 1382). Ibn Khalidun said that tax that did not burden the peoples, is the fundamental to any countries harmony and national income.

Talking about national budget, al-Ghazali had encourage the authority (treasury) to distribute the income fairly including army salary and to the old folks (al-Ghazali 2004 (3) : 289). Treasury expenses can be classified to four categories, asnaf zakat, social security (widow, orphan, old folks, sick people, unemployed, victim of natural disaster), development expanses (infrastructure, school, hospitals, place of worship) and administration (salary, construction and, maintenance cost). Abu Yusuf also had reminded the authority that not using the country income as their own. It should be used for the subordinate.

Business Organization

Al-Ghazali had proposed several thought and guide to any person who wants to get involve in legal economy. Al-Ghazali as an sufism, promote more on wealth and interest of the public worldly and next worldly. His level of sufism had makes him carefully make decision in muamalat thus differ him from others fiqh scholars. For example in business organization (partnership), he had encourage sharing al-Inan (al-Ghazali 2004 (2) : 93), same as what been agreed by ijma’ ulamak. Al-Inan is a mixture of investment between partners till a point where partners no longer know which one is theirs. Other than that such as mawafadah, abadan and al-wujuh are forbidden by him even others mazhab encourage it. For example Hanafiyah, Hanbaliyah and Zaidiyah scholars encourage al-wujjah while al-abdan been encourage by Hanafiyah, Malikiyah, Hambaliyah dan Zaidiyah scholars (HailaniMujtiTahi r& Sanep Ahmad 2009 : 159-160).

Overpopulation

Overpopulation if been seen from micro aspect, it is the amount of family members that exceeded the normal size. Al-Ghazali did not see this issue as a problem but it can resulted benefits. Overpopulation may decrease the working load. Any works if been done alone required more energy and takes a lot of precious time. Cooperation between families may decrease the activity in searching for money (al-

---

11See Kahi, Monzer 1983:146.
12See Kahi, Monzer1983 :147.
Ghazali (1983: 122) and ultimately create opportunity to uzlah, seeking knowledge, worship and missionary. Need to be reminded that from the aspect of economy development which is materialistic, overpopulation will cause unemployment and poverty which will suffer the country.

T.R. Malthus in *An Essay on the Principle of Population* had globally act as a wake up call to the peoples on the danger of overpopulation which is grown in geometric while food production increase in arithmetic (Malthus, T.R. 1798 : 23). This may cause underdevelopment, starvation and death. His opinion then been shared by other scholars such as D. Ricardo, Nassau, James dan John Stuart Mill. Many people will disagree with this essay especially Marxis group, but population issue still haunted the development of any countries. Family planning is a good practice to solve these issues. World Bank (WB) from time to time encourage the plan by make it a requirement to any countries which requires loan especially the under develop counties. Muslim scholars had discuss and concluded the necessary of family planning but must fulfill certain requirement which is:- (a) health (b) for certain time (c) fertile is secure ( does not lose the ability to pregnant) (d) agreement from both parties (e) political condition.

4.0 CONCLUSION

Al-Ghazali thought is one of the most rare example of Islamic intellectual. He had been gifted with knowledge and high level of IQ. This had been acknowledge by his own mentor/teacher al-Haramain al-Juwayini (Mohd Said Abdul Hadi 1977 : 86). Due to these facts, his mentor had given him several opportunity to deliver speech and teach the students at Maktub Nizamiah Nisabur whenever his mentor do not have opportunity to do so. Even when he is still infant, he had shown a great interest in researching due to fulfilled his eager to find the truth and this had been said by himself (al-Ghazali t.t. : 579). His thought on several economy concept had not been made based on assumption but after observation and research had been done. Even though he lives in a community which is different from today’s community, but in reality, several of his thought are still relevant and can be used throughout history.

References


---

15M.A. Mannan had issued several fatwa scholars and mufti from many countries such as Iran, Egypt, University of al-Azhar, Jordan, Turkey, and Terengganu/ Malaysia (SeeMannan, M.A.1970 : 138-147).