

*Islamic Economics Research Series, King Abdulaziz University-2*

**ECONOMIC THOUGHT  
OF AL-GHAZALI  
(450-505 A.H. / 1058-1111 A.D.)**

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**and**

**Abdul Azim Islahi**

**Scientific Publising Centre  
King Abdulaziz University  
Jeddah, Saudi Arabia**

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## FOREWORD

Imam Ghazali is one of the most well known Islamic thinkers even in the West. But surprisingly not much is written on his thought in the English language, so far as his contribution to economics is concerned. Part of the reason is that Western economists seldom looked east for inspiration. It is the responsibility of Islamic economists to bring the contributions of eminent Islamic thinkers of the past to the notice of the profession.

This Centre has been keen to promote research in the history of economic thought in Islam. Earlier we published, in English, *Recent Works on the History of Economic Thought in Islam* (1982), *Economic Thought of Ibn al Qayyim* (1984) and 'Ibn Taimiyah's Concept of Market Mechanism' (1985 in *Journal of Research in Islamic Economics*, Vol. 2, No. 2). I am pleased now to present this work by two eminent scholars. The work, though brief, is full of insights and I expect it to spur further research on the subject. The Arabic quotations from Imam Ghazali given at the end of the book should be helpful in this regard.

Dr. Mohamed A. Elgari  
Director

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# **Economic Thought of Al-Ghazali**

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## **ABSTRACT**

Ghazali's economics is anchored on five necessary Shariah-mandated foundations of individual and social life: religion, life, family, property, and intellect. He focuses on the economic aspects of *maslaha* (social utility), distinguishing between necessities, comforts and luxuries. Subsistence living is inadequate but wealth too has its dangers. Both extravagance and miserliness are to be avoided, a middle course is recommended. The authors seek to reconcile between apparently contradictory views of Ghazali on wealth and (voluntary) poverty. Ghazali's insights on exchange, production, money, role of the state and public finances are reported. Ghazali emphasises ethical behaviour in the market and regards production and supply of necessities to be an obligatory duty. He condemns hoarding and lauds cooperation. Usury is rejected and justice, peace and stability are projected as preconditions of economic progress.

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## I. INTRODUCTION

Our main purpose in this study is to explore and present the economic ideas of Abu Hamid ibn Muhammad al-Ghazali, an Arab-Islamic intellectual, philosopher, and theologian of the fifth hijri century (11th century A.D.).

Al-Ghazali's accomplishments encompass many diverse fields of learning: Islamic jurisprudence, dialectical theology, philosophy, and mysticism. And, because of his manifold interests, students of Islamic thought have often differed as to his greatest achievements. Such attitudes merely attest to the richness of al-Ghazali's thought and his ability to contribute to many branches of knowledge in a significant way. However, it must be confessed at the outset that while our focus will be chiefly upon al-Ghazali's economic thought, such a partial interpretation is perhaps not fair to this scholar. Al-Ghazali's true teachings cannot adequately be understood by examining certain of his doctrines to the exclusion of others; but, attempting to cover all of them will be far beyond the scope of our present undertakings.

While there have been several other studies on the works of al-Ghazali, their main emphasis has been on his ethico-philosophical discourses, and only as an aside, one gleans in those efforts any links with the discipline of economics.<sup>1</sup> To the best of our knowledge, no comprehensive research has been undertaken with primary emphasis of al-Ghazali's economic thought and teachings, based almost exclusively on his original, Arabic-language writings.<sup>2</sup> The present study attempts to fill that vacuum.

A related but secondary objective of this study is to fill another kind of "gap". Reference here is to the alleged gap in the evolution of almost any kind of systematic knowledge, including economics, for a prolonged period of human history, the period sometimes called the Dark Ages. Rather typical of this view has been one of the foremost recent Western scholars, an economic historian, the late Joseph Alois Schumpeter (1883-1950). In his *magnum opus*, *The History of Economic Analysis*, after discussing the Greco-Roman economic thought, Schumpeter states that: so far as our subject is concerned, we may safely leap over 500 years to the epoch of St. Thomas Aquinas (1225-74), whose *Summa Theologica* in the history of thought was what the south-western spire of the Cathedral of Chartres is in the history of architecture.<sup>3</sup>

Indeed, it is this view which persuades Schumpeter to entitle a section of the second chapter of his book, *The Great Gap*. The implication here, quite representative of Western scholarship on the evolution of economic thought, is that for over 500 years prior to the writings of European scholastics, nothing was said, written or practiced which had any

relevance to economics! It is our contention that such a claim of "discontinuity" in the evolution of human intellectual development generally but in the history of economic thought particularly is not only intellectual arrogance, but lacks in objectivity and is patently untenable. Contrary to the conventional wisdom so deeply entrenched in Western orientalism, a substantial body of contemporary economic thought, indeed, owes its origins in the writings of several Arab-Islamic scholars such as Abu Yusuf (113-182 / 731-798), Ibn Sina (370-428 / 980-1037), al Ghazali, Ibn Rushd (520-595 / 1126-1198), Ibn Taimiyah (661-728 / 1263-1328), Ibn Al-Qayyim (691-751 / 1292-1350), Ibn Khaldun (732-808 / 1332-1404), and others. To corroborate this assertion, it is appropriate, for present purposes, to simply quote a few scholars who represent a small minority in Western historical scholarship. For example, there is Pierce Butler, who states, "No historical student of the culture of Western Europe can ever reconstruct for himself the intellectual values of the later middle-ages unless he possesses a vivid awareness of Islam (Islamic scholarship) in the background."<sup>4</sup> Further, while discussing the gradual socio-economic transformation of medieval Europe into what it is today, an Austrian scholar, Karl Pribram, whose monumental work has recently been published, identifies two "significant streams" of influence. One, he argues, pertained to the adoption of various institutions and devices from contacts with the Near East after the Crusades, and "the other, far more important, stream started within the body of Scholastic theologians, who derived their intellectual armory from the works of Arabian philosophers."<sup>5</sup>

Therefore, as the reader proceeds with the present work, it ought to become clear that a great number of fundamental economic notions had been discovered and analyzed by scholars such as al-Ghazali, long before the emergence of medieval European writers. Indeed, once this fact is recognized, the idea of the "great gap" seems grossly absurd, as does the neglect - whether benign or deliberate - of the enormous contributions of Arab-Islamic pioneers, not only in the economics discipline but in almost every other field of intellectual endeavor as well. Clearly, it is a bit preposterous to talk of the "Dark Ages" as a universal phenomena, as though there was a complete *lacuna* over human social development throughout the rest of the world.

Notwithstanding the foregoing digression, however, in pursuit of our main task, we shall first present a synopsis of al-Ghazali's life and the socio-religious environment in which he lived, as well as a brief listing of some of his scholarly contributions. Then, al-Ghazali's economic philosophy, based fundamentally upon Islamic ethos, will be presented briefly. This will be followed by a detailed discussion of al-Ghazali's ideas on several major economic themes - the sort of topics which often represent a prominent part of contemporary economic analysis. As we proceed with our task, we shall briefly point out the similarities of al-Ghazali's economic thought with that of some of recent Western scholars whose contributions are well-known and highly recognized. The paper will conclude with a brief summary and comparative evaluation of al-Ghazali's economic thought.

## II. Al-Ghazali: The Man and His Environment

Abu Hamid Muhammad, Known as al-Ghazali, was born in 450 AH / 1058 AD, in a village near Tus, a district of Khurasan in north-east Persia.<sup>6</sup> He was the son of Muhammad bin Muhammad, who died while al-Ghazali was still young, leaving him in the care of a friend. Being of modest means, the friend advised the young man to join a school (madrasah) where he could also get free lodging. While economic necessity led him to become a student, this environment infused in al-Ghazali a strong desire to excel in search of knowledge. Later, in pursuit of his scholarly endeavors, which followed the standard curriculum of Islamic higher education (Qur'an, traditions, jurisprudence), he traveled to Jurjan, Nishapur, and Baghdad. Once an accomplished scholar, he was appointed to the Faculty of Nizamiyah College in 1091 AD, established in Baghdad by Nizam al-Mulk Tusi, the Prime Minister (vizier) of the Seljuq government. After a brief affiliation here, al-Ghazali spent the next 10 years successively in Damascus, Jerusalem, Hebron, the Hijaz (Makkah and Madinah), Iraq, and Egypt. Then, he returned to Nishapur and later to Tus around 1106 AD where he lived till his death in 1111 AD.

Al-Ghazali lived during the reign of the Great Seljuq Dynasty (1035-1157 AD). While he was well-acquainted with the administration of most of the Seljuq sultans (rulers) and even had occasional access to the Sultans' court, he avoided practical politics. Throughout his student life, he received some instruction in Sufism (Mysticism) also, in addition to other branches of learning. Because of his early dissatisfaction with Sufism on several issues, he abandoned this pursuit during much of his adult life and studied the "Islamic Sciences", including logic, philosophy, and theology intensively, only to return to Sufism in his later life.

During the last few years of his life, al-Ghazali established a school for the teaching of Islamic principles as contained in the *shariah* (revealed law), along with a hermitage for the purification of hearts and souls, as though he had come to the conclusion that the ultimate source of spiritual contentment and success lay in following the *shariah*. Some other aspects of al-Ghazali's intellect will come to light as we proceed further in this study.

Endowed with an encyclopedic knowledge and saintly character, al-Ghazali's contributions and accomplishments extend over various fields of learning - ethics, logic, dialectics, theology, jurisprudence, sufism, *tafsir* (Qur'anic commentary) *hadith* (traditions of the Prophet, peace be upon him), and *al-kalam* theology). Some of his major works are enumerated below:

1. *Al-Tibr al Masbuk fi Nasihat al Muluk*, originally in Persian, a manual for rulers for just polity, translated in English as *Book of Counsel for Kings*, by F.R.C. Bagley.

2. *Ihya Ulum al Din* (The Revival of the Religious Sciences), Al-Ghazali's most significant work, in four volumes, covers all aspects of human life, according to Islamic *shariah*.
3. *Al-Iqtisad fi'l I'tiqad* (The Golden Mean in Faith), a book on theology (al-kalam).
4. *Al-Mustasfa min 'ilm al Usul* (Knowledge of the Rules of Jurisprudence), a book on the principles of Islamic jurisprudence.
5. *Mizaan al-'Amal* (The Criterion or Logic of Action), one of the early works on ethics.
6. *Al-Munqidh min al Dalal* (Deliverance from Error), an account of the development of his religious thought.

As the variety of these titles suggests, the main focus of al-Ghazali's intellectual pursuits was not the dominion of economic and material aspects of life. The same is invariably true of other Arab-Islamic scholars of the era, as for the medieval European scholastics; indeed, one chiefly encounters in their texts theological ratiocination, rather than economic reasoning as such, and all issues tended to be treated within the system of scholastic jurisprudence. Thus, the economic thought of al-Ghazali and others was not elaborated in special treatises; such an isolated treatment of a specific field of human affairs would hardly have been compatible with the principles of learning at the time, especially in light of the all-encompassing, comprehensive approach to life advocated by Islam. Further, like most authors of his time, al-Ghazali mixes philosophical, religious, sociological, ethical and economic considerations into his writings. From time to time, a poem or anecdote or aphorism or quotations from the Holy Qur'an or Hadith enlighten his texts. However, he is extremely well-organized and always follows a remarkably logical pattern.

Incidentally, lest our claim to al-Ghazali's originality and prominence as a scholar may be viewed as exaggerated, it must be acknowledged, for the sake of intellectual honesty, that al-Ghazali himself was deeply influenced by the writings of such Greek philosophers as Plato and Aristotle; indeed, he makes numerous references to them. However, the "achievement of al-Ghazali was to master their technique of thinking -- mainly Aristotelian logic -- and then, making use of that, to refashion the basis of Islamic theology, to incorporate as much of the Neoplatonists' teaching as was compatible with Islam, and to expose the logical weakness of the rest of their philosophy."<sup>7</sup>

Before proceeding further with our main task, however, it seems appropriate to present a brief review of al-Ghazali's economic philosophy, which, clearly, is fundamentally based on his deep commitment to the Islamic faith and his comprehensive study and knowledge of Islamic *shariah*. This brief review will include al-Ghazali's perception of an Islamic social welfare function, as well as his views on the

role and goals of economic activities, priorities of economic and social needs, pursuit of material gains, and so forth.

### III. ISLAMIC FOUNDATIONS OF AL-GHAZALI'S ECONOMIC PHILOSOPHY

An overriding theme that runs throughout al-Ghazali's writings is the Islamic concept of *maslahah* a powerful concept which encompasses all human activities, economic and others, private and public, relevant to the promotion of social welfare of the community and consistent with the rules and goals of *shariah*. Indeed, one recent scholar has argued that based on al-Ghazali's writings of almost 900 years ago, with further elaborations by al-Shatibi (d. 790 H. / 1288 A.D.), one can discover "the hard-to-pin-down concept of a social welfare function that modern economists long for."<sup>8</sup> Further, according to the same author, "The starting point is that Islam sets goals for human life. All matters (be they activities or things) that help in achieving these goals increase social welfare, and are called *masalih*, or utilities; those opposite are *mafasid*, or disutilities."<sup>9</sup> Thus, al-Ghazali defines an Islamic social welfare function, with a clearly specified hierarchy of individual and social needs.

According to al-Ghazali, in an Islamic society there are five necessary *shariah*-mandated foundations of proper individual and social life. These are: (1) *din*, i.e., religion (broadly defined), (2) *nafs*, i.e., life or soul, (3) *nasl*, i.e. family or progeny, (4) *mal*, i.e., property or wealth, and (5) *aql*, i.e., intellect or reason.<sup>10</sup> *Maslahah* (literally meaning public or social interest) requires the protection and pre-servation of these foundations, and *mafsadah* (evil) can destroy them.<sup>11</sup> Al-Ghazali emphasizes that the goodness of this life and the Hereafter (*maslahah al din wa al-dunya*) represents the key objective of *shariah* and this goal is necessarily known from *shariah's* overall teachings."<sup>12</sup> Indeed, the noblest of all worships is the promotion of society's well-being; al-Ghazali quotes one of the Prophet's (PBUH) sayings, "all creatures are dependents of Allah and the most beloved of them to Allah are those who are most beneficial to His dependents."<sup>13</sup>

As part of the Islamic social welfare function, al-Ghazali, among other things, also focuses on the economic aspects of *maslahah*. He proposes a tripartite hierarchy of social utilities; necessities (*darurat*), conveniences or comforts (*hajat*), and refinements or luxuries (*tahsinat*). The key to the minimum protection and preservation of the five foundations of *shariah* lies in the provision of necessities for people. The second group of needs "comprise all activities and things that are not vital to the preservation of the five foundations, but, rather, are needed to relieve or remove impediments and difficulties in life."<sup>14</sup> The third group "includes activities and things that go beyond the limits of conveniences . . . . . includes matters that complement, brighten or adorn

life.”<sup>15</sup> We may infer easily, according to al-Ghazali, it is the *obligation (fard kifayah)* of the state to perform this “need fulfilment” function as resources permit, in accordance with the “rules of precedence” implied in these guidelines so that conflicts among different social objectives are avoided or minimized.”<sup>16</sup>

Al-Ghazali discusses numerous aspects of the Islamic way of life as it relates to economic behaviour; some of these are discussed below:

### **1. Economic Activities and the Hereafter**

The cardinal feature of Islam, as a *din*, is that any and all “segmented” human activities form only a part of the “holistic” view of life, and indeed, the teachings of Islam extend to all aspects of life on this earth as well as to life in the Hereafter. When discussing the means and methods of earning one’s livelihood, al-Ghazali makes it clear that the Hereafter is actually the place for ultimate rewards and punishments for one’s deeds and that worldly life is not only temporary but the earth is the place for struggle and preparation for one’s salvation. However, this struggle is not to be at the expense of neglecting mundane human affairs, including economic pursuits. Indeed, the rightful conduct of worldly life is a means and a pre-requisite for one’s salvation in the Hereafter.<sup>17</sup>

In regard to these worldly pursuits, al-Ghazali divides people into three groups:

- i) those who ignore the Hereafter by indulging themselves almost completely in mundane affairs -- they will be destroyed;
- ii) those whose pursuit of the Hereafter is at the expense of worldly life -- they will be successful; and
- iii) those who follow the ‘middle path’ and engage in worldly affairs, including economic activities, according to the rules of *shariah* -- they will achieve salvation.<sup>18</sup>

Thus, al-Ghazali makes it abundantly clear that, while the ultimate goal of life is the Hereafter, the pursuit of economic activities is not merely desirable -- it is imperative for salvation. Indeed, he suggests that one of the reasons for separation of days and nights is to utilize the days for the satisfaction of worldly needs.<sup>19</sup> Further, al-Ghazali warns that in such endeavors, traders and businessmen must not lose sight of the ultimate goal of life. It is for this reason that he always emphasizes the “correctness” of one’s intentions in pursuing economic activities. When intentions are consistent with *shariah*, such activities are tantamount to worship -- consistent with one’s religious “calling”. In this regard, al-Ghazali quotes the Prophet (PBUH): “There are some sins which are forgiven because of the worries and pressures of earning one’s living.”<sup>20</sup>

In addition, al-Ghazali considers the development of the economy and pursuit of economic activities as part of the *shariah*-mandated socially-obligated duties (*fard kifayah*); and if they are not fulfilled, then worldly life would collapse and humanity would perish.<sup>21</sup> Further, al-Ghazali insists upon efficiency in the pursuit of economic affairs, whether on a job or one's own trade, for doing so is part of fulfilling one's religious duties.<sup>22</sup>

Al-Ghazali also identifies three distinct goals of economic activities, which are not only virtuous for their own sake, but also represent part of one's religious duties. These are:

- i) achievement of self-sufficiency for one's survival;
- ii) provision for the well-being of one's progeny; and
- iii) provision for assisting those in economic need.

Any shortcomings in their pursuit will be religiously "blameworthy", according to al-Ghazali. A man of strong faith, he quotes several sayings of the Prophet (PBUH) and his followers to corroborate his argument.<sup>23</sup>

## 2. Inadequacy of Subsistence Living

As part of his Islamic perception of economic affairs, al-Ghazali is critical of those people who, often because of their confusion of *halal* and *haram* (legitimate and illegitimate, according to *shariah*) hold that economic activities should be confined to the acquisition of merely a subsistence level of living. He argues as follows:<sup>24</sup>

"If people confine to subsistence level (*sadd al ramaq*) and become very feeble, deaths will increase, all work and industry will come to halt, and the society will be ruined. Further, religion will be destroyed, as the worldly life is the preparation for the Hereafter."

Thus, al-Ghazali insists that subsistence living could not be accepted as the norm for a society. He does suggest, however, that some may make this choice of their own volition.<sup>25</sup>

It should be noted, furthermore, that while arguing against subsistence living, al-Ghazali does not encourage excessive acquisition of material things -- surely not much more than what he calls *kifayah* -- defined as a moderate standard of living which enables one to provide for one-self and one's family the basic necessities of life, i.e., food, clothing, and shelter.<sup>26</sup> Curiously, however, al-Ghazali suggests that any income over and above the *kifayah* may be surrendered, rather than being accepted for expenditure on the poor.<sup>27</sup> Perhaps such a position is reminiscent of al-Ghazali's association with Sufism, a philosophy which preferred -- almost advocated -- voluntary

poverty, and the life of an ascetic. There seems to be a bit of a contradiction, for elsewhere, al-Ghazali recommends assistance to the poor and providing for the progeny and for the future as among the *shariah*-mandated goals of economic pursuits. We shall revert to this point in the succeeding pages.

Incidentally, al-Ghazali identifies certain groups of people who need not engage in economic activities directly; these are people who perform important social and religious functions for the well-being of the society. These groups include:

- i) people who are ascetics, engaged in physical worship and who are spiritually enlightened and able to discern the apparent and hidden secrets of human condition;
- ii) people who are engaged in the professions of teaching and guiding others (*sanat al talim*); and
- iii) those public servants who are responsible for the conduct of worldly affairs of the state -- rulers, judges, etc. (*sanat al siyasah*). Groups such as these can depend upon the public exchequer for their economic support.<sup>28</sup>

### **3. Economic and Non-Economic Needs and Their Hierarchy**

According to al-Ghazali, all economic activities are undertaken to provide for three basic human needs: food, clothing, and shelter. However, this meaning of basic needs is flexible and may be more inclusive, depending upon conditions prevalent in a given society and at a given time, but consistent with the Islamic *shariah*. Indeed, according to al-Ghazali, the list may include such economic and socio-psychological needs as furnishings, property, status and prestige, and even marital relations, in addition to the aforementioned basic needs. All of these (and others) are recognized as significant human needs.<sup>29</sup> As part of his Islamic social welfare function, al-Ghazali also explores the extent to which the provision and consumption of the various material things lead to human satisfaction and well-being. At another point in his book, *Mizan al 'Amal*, he distinguishes among three levels of consumption: the lowest, the middle, and the highest -- and these may apply to each of the three basic needs (food, clothing, shelter) - each may be satisfied at any of the three levels: as a necessity, convenience or luxury.<sup>30</sup> For example, the lowest (minimum necessary) standard of shelter may be living in a cave or a trust (public owned) dwelling. The middle (convenient) standard may be one's own house, with privacy and use through one's life; such a house may be the 'average' type, and this is the kind al-Ghazali includes as part of his *kifayah*. The highest level of shelter (luxury) is a large, well-built, aesthetically superior mansion, with many amenities -- the kind always sought by the worldly people and those of higher ranks. Further, al-Ghazali states that anyone may own such elaborate shelter, without any constraints from the state, but certain groups, such as the ascetics or sufis, may be discouraged from such ostentatious living, since, given the nature of their spiritual pursuits, they ought to live a simple life.

#### 4. Wealth and Poverty

Al-Ghazali's discussion of basic needs and the hierarchy of consumption-satisfaction leads one to examine his views concerning wealth and poverty in a society. According to al-Ghazali, there is nothing necessarily condemnable about the acquisitive behaviour of people, for the desire to acquire wealth and property is part of human nature and a means to achieve higher level of material well-being.<sup>32</sup> Al-Ghazali recognizes the "maximizing" nature of human beings, when he states, "Man loves to accumulate wealth and increase his possessions of all kinds of property. If he has two valleys of gold, he would want to have a third."<sup>33b</sup> Then, he mentions a clear reason for such behaviour; he says, "Man has high aspirations. He always thinks that the wealth which is sufficient presently may not last, or it may become destroyed and then he may need more. He tries to overcome these fears by further accumulation. But such fears do not end, regardless of the accumulations -- even if he has all the possessions of the world."<sup>34</sup> Al-Ghazali seems to be describing human materialistic tendencies in any society, whether his own or any contemporary industrialized society. He recognizes not only man's desire to accumulate wealth and possessions, but also his need to be cautious as to the unknown future.

#### 5. Sharing and Equality of Wealth

Al-Ghazali is critical of any means to force equality of income and wealth in a society. He is also critical of those who insist upon subsistence level of living for people generally -- such an approach may be suitable only for those pious people who only seek the Hereafter; it cannot be a prescription for society as a whole. If such is a general approach, it will provide a rationale for rulers to become tyrants and thieves and they will force people to surrender what, in their view, is over and above the needs of the people. Further, this will lead to problems for the state with respect to not only the collection of this 'surplus' but also concerning the proper distribution to those who are to be judged to be in need.<sup>35</sup>

As an alternative, al-Ghazali maintains that the spirit of Islamic brotherhood must lead to voluntary sharing of one's wealth. Here, too, al-Ghazali talks in terms of three types of sharing and he ranks them in terms of their desirability according to *shariah*. The lowest stage is when a person should consider his brother as his helper or servant and he takes it upon himself to help his brother in need without expecting to be asked for help. A higher level is to regard his brother as himself and permit him to share in his property as though he, too, was the owner of that property. The highest rank is to prefer the brother's needs over one's own needs.<sup>36</sup> According to al-Ghazali, true Islamic behavior is characterized by this highest level of voluntary sharing and giving. And he quotes the Qura'nic verse (42:38), ". . . and whose affairs are a matter of counsel, and who spend of what We have bestowed on them . . .", which he interprets as referring to those early Muslims who shared in each other's property, sometimes without even distinguishing what belonged to each other, as when riding on animals.<sup>37</sup> Thus, it is

clear that inasmuch as sharing of wealth is concerned, al-Ghazali would prefer such actions to be voluntary, as part of one's *shariah*-induced moral obligations and tendencies, rather than through rules of authority from the state -- although the later approach is not ruled out if condition so demand, as we shall discover later.

## 6. Extravagance and Miserliness

If humanitarian sharing of one's wealth and property and brotherly feelings for those in need are lacking, according to al-Ghazali, then two "blameworthy" consequences are likely to emerge in the society: extravagance on the part of some and miserliness among others.

Al-Ghazali defines extravagance as any type of expenditures which is contrary to Islamic *shariah*, and, further, those expenditures which are in excess of sufficiency (*kifayah*). He cites examples of the first kind -- that is, wasting money, as by burning clothes, destroying a dwelling without any reason, or throwing away wealth in the ocean. As for excessive expenditure, i.e., beyond the '*kifayah*', al-Ghazali gives no clear-cut definition, except that he says it is a relative matter and the extent of such expenditures differ from person to person and place to place.<sup>38</sup> He gives an example: A person who has 100 *dinars* and has to support his children and other dependents; he is extravagant if he spends on a feast. He quotes many verses from the Qur'an to support his views:<sup>39</sup> "Make not thy hand tied (like a niggard's) to thy neck, nor stretch it forth to its utmost reach, so that thou become blameworthy and destitute." (17:29). Further, ". . . and squander not (your wealth) in the manner of a spendthrift. Verily spendthrifts are brothers of the evil ones and the evil one is ungrateful to His Lord." (17: 26-27) And, "Those who when they spend are not extravagant and not niggardly, but hold a just (balance) between these extremes." (25:67).

Al-Ghazali's definition of extravagance is quite broad; even charity at the expense of depriving one's dependents is defined as extravagance.<sup>40</sup> However, his limitations on such expenditures ought not to be construed as ways of restricting expenditures in general -- doing so will slow down the flow of economic activities generally. Al-Ghazali recognizes this, as he is equally opposed to miserliness and thriftiness. He considers hoarding of money (i.e., keeping it idle by not spending) like the imprisonment of a public authority which is not allowed to perform its proper functions.<sup>41</sup> He advocates a kind of "rationality" in one's spending behaviour, in that terms of one's hierarchy of needs, as dictated by *shariah*, and according to one's level of income. Thus, al-Ghazali argues, "extravagance is spending money where it is not required, at the time it is not required and in the amount it is not required."<sup>42</sup>

Further, al-Ghazali states, "*mal* (money and wealth generally) has been created for a purpose -- to be used in fulfilling human needs. It can be withheld from such uses, or it can be used where it should not be; or it can be used in a just and optimal manner. Restricting the use of money where it should be spent is miserliness and spending it

where it should not be spent is extravagance. Between these two extremes is the praiseworthy middle way.<sup>43</sup> He goes on to divide spending obligations in two categories -- those imposed by the rules of *shariah* and those consistent with prevailing conventions and ethics. Anyone who refrains from meeting either of these obligations is a miser, and no specific amount can be fixed in this respect. Thus, "the definition of miserliness is to refrain from spending on objects which are more important than protection of money."<sup>44</sup>

### 7. Economic Efforts and Voluntary Poverty: A Contradiction?

While al-Ghazali does not elaborate as to the various sources through which living may be earned, he devotes a full chapter on the virtues of legitimate economic pursuits; and he encourages a level of income above the subsistence level.<sup>45</sup> However, elsewhere, he advocates his preference for poverty over riches.<sup>46</sup> In order to support his argument, he quotes earlier Islamic scholar, al Harith al Muhasibi (d. 857) extensively, who himself based his opinion mainly on the sayings of Prophet Christ (PBUH).<sup>47</sup> Further, al-Ghazali says, "If you ask my opinion as to whether living without doing any economic effort is prohibited or permitted or desired, my answer is that it is not prohibited."<sup>48</sup> Again, "If you ask me what is preferable between being idle or engaging in earning a livelihood, my answer is that if a person devotes himself to worship of God and if earning a living will interfere with worship, and if this person is patient and trusts in God for all his needs without dependence upon others, for such a person it may be preferable that he does not work. On the other hand, if such a person is discontent and craves for people's charity, then it is preferable that he should engage in earning his livelihood."<sup>49</sup>

Thus, on the one hand, al-Ghazali favors abandonment of economic activities on the part of the pious; but, on the other hand, he calls it ignorance to think that *tawakkul* (trust and dependence on God) means giving up efforts and surrendering to sickness and other misfortunes as the "will of God." For al-Ghazali such blind *tawakkul* is against the rules of *shariah*, for praiseworthy quality of life could not be achieved by following 'tawakkul' in this manner.<sup>50</sup>

Such assertions by al-Ghazali appear to be contradictory. However, a more comprehensive understanding of al-Ghazali's views enables one to reconcile the apparent contradiction, as discussed below.

### 8. Reconciliation of His Conflicting Views

Thoroughly well-versed in Islamic shari'ah and jurisprudence, al-Ghazali is aware of the two possible uses of wealth: its proper use for good deeds and things, securing one's own welfare and that of others, as well as winning the pleasure of Allah; and its potential misuse and abuse, securing frivolous luxuries and forgetting the Hereafter.<sup>51</sup>

He has repeatedly said that the acquisition of wealth has been encouraged and praised in the Qur'an and Sunnah, but only as a means to pursuing Islamically valid good deeds. If the acquisitive spirit is used to fulfil the lust for money and personal whims, then it is condemnable.<sup>52</sup> It is in this sense that al-Ghazali regards wealth as the "greatest test."<sup>53</sup> He warns against the evil consequences of the love for money and materials and suggests five guidelines to avoid such consequences. According to al-Ghazali, an individual should:<sup>54</sup>

- i) clearly know the aims and objectives of wealth, according to shari'ah;
- ii) follow the rightful means in the acquisition of income;
- iii) earn and acquire an amount which is consistent; with his needs – neither excessive nor deficient;
- iv) spend his money in a 'moderate' fashion, neither extravagantly nor miserly; and
- v) have the right intention in the acquisition, rejection, expenditure, or withholding of money – the intention in all cases being the worship and remembrance of Allah; if this is not the intention, he should avoid money and all its uses. Thus, there is the saying of Ali (Allah bless him), "a man would be pious if he acquired the whole world to win Allah's pleasure, and not so if he rejects everything for reasons other than Allah's pleasure."

Here again one might sense some conflict concerning items (iii) and (v) – the former discourages excessive holding of money, if the intention is not to use it for good deeds. Further, al-Ghazali suggests that those who may be tempted to use money and material things for bad deeds should hold minimum amounts of each so that evil temptations will remain in check.

In regard to al-Ghazali's preference for voluntary poverty, he is referring to the pious ideal who wishes to live an exclusively spiritual life in this world. However, according to al-Ghazali, such people could not be viewed as the norm in a society, and he does not recommend such voluntary poverty for people in general.<sup>55</sup> Such an extreme position to be found in his *Ihya Ulum al Din*, seems to reflect his deep involvement with Sufism (mysticism). In *Mizan al 'Amal* (chronologically a later writing), he adopted a more balanced perspective. Here, he raises a question: Should one who has been favored with wealth by Allah accept it or reject it? Then, he provides some clues to an answer. There are three types of people:

- i) those who are engaged in mundane life and pay only lip service to the Hereafter; they are mentioned in the Qur'an as "slaves of the tyrant" and "the most vicious creatures";
- ii) those on the other extreme who concentrate on the Hereafter only, without regard for the affairs of the world -- they are saints (*mussak*); and

- iii) those people of moderate habits who try to fulfill the obligations of both worlds -- they are the noblest of all. All prophets belong in this last group.<sup>56</sup>

In the same volume (i.e., *Mizan al 'Amal*), al-Ghazali suggests that one who wants to achieve the highest rank (both in a secular and a sacred sense) without acquiring some means of living is like a warrior without arms or an eagle without wings.<sup>57</sup> Thus, al-Ghazali clearly is in favor of acquisition of and uses of wealth, as per Islamic *shariah*; but if poverty happens to be part of one's lot, it is not be condemned, though one is admonished against accepting it simply as part of one's blind *tawakkul*.

## IV. ECONOMICS OF AL-GHAZALI

The preceding section presented the broad outlines of al-Ghazali's economic philosophy, as it emanates from his Islamic teachings and beliefs, and influenced by the Greek philosophers, whose contributions were clearly part of the intellectual heritage of many Islamic scholars. It must be reiterated that his discussion and analyses of economic matters are to be understood and appreciated in this socio-religious context.

The focus of the present section is on our main task: to present al-Ghazali's economics. It is possible to identify numerous specific concepts and principles from al-Ghazali's writings, quite similar to those we find in the works of some of his Arab contemporaries as well as in the writings of medieval European writers who succeeded al-Ghazali. Indeed, many of al-Ghazali's economic ideas are almost identical to those found in contemporary texts.

Much of al-Ghazali's commentary and analyses on economic matters is found in what is generally recognized as his greatest work, *Ihya 'Ulum al Din*, which is comprised of four volumes, covering 1700 pages. However, some of his other writings, cited above, are also important sources on the present subject. Based on thorough review and scrutiny of al-Ghazali's works, available primarily in the Arabic language but also to some extent in English as well as Urdu languages, it is possible to piece together several logically coherent, closely interrelated, major economic themes. These may be grouped together under the following four broad topics:

- 1) Voluntary Exchange and Evolution of Markets.
- 2) Production Activities, Their Hierarchy and Stages.
- 3) Barter System and the Evolution of Money.
- 4) Role of the State and Public Finances.

In the following pages, we shall explore these topics in some detail.

### 1. Voluntary Exchange and Evolution of Markets

Al-Ghazali provides a rather detailed and cogent discussion of the role and significance of voluntary trading activities and the emergence of markets, reflecting the forces of demand and supply as well as the determination of prices and profits. Further, he eloquently traces the emergence of trading cities and centres, as a matter of

satisfying mutual interests of the participants -- clearly providing the basis for subsequent formulation of international trade theory.

According to al-Ghazali, markets evolve due to natural forces, as part of the “natural order” of things, and as an expression of self-motivated human desires to voluntarily satisfy mutual economic needs. So that the reader has a proper appreciation of the depth and breadth of al-Ghazali’s analysis, it is appropriate to quote him in some detail:<sup>58</sup>

“It happens that farmers live in a place where farming tools are not available. And, blacksmiths and carpenters live where farming does not exist. So, the farmer needs blacksmiths and carpenters and they in turn need the farmers. Naturally, each will want to satisfy his needs by giving up in exchange a portion of what he possesses. But, it is also possible that when the carpenter wants food in exchange for some tools, the farmer does not need the tools. Or, when the farmer needs the tools from the carpenter, the carpenter does not need food. So such situations create difficulties. Therefore, there emerge forces leading to the creation of trading places where all kinds of tools can be kept for exchange and also the creation of warehouses where farmers’ produce can be stored. Then, customers come to obtain these goods and markets and storehouses are established. Farmers bring their produce to the markets and if they can’t readily sell or exchange what they possess, they sell them at a lower rate to the traders who in turn store the produce and try to sell to the buyers at a profit. This is true for all kinds of goods and services.”

Then, al-Ghazali is thinking of trade across immediate localities and across borders:<sup>59</sup>

“Then, such practices extend to different cities and countries. People travel to different villages and cities to obtain tools and food and transport them. People’s economic affairs become organized into cities which may not have all the tools needed and into villages which may not have all the foodstuffs needed. People’s own needs and interests create the need for each other and for transportation. Then, a class of professional traders who carry goods from one place to another is created. The motive behind all these activities is the accumulation of profits, no doubt. These traders exhaust themselves by travelling to satisfy others’ needs and wanting to make profits and these profits, too are then eaten by others -- like robbers or a tyrant ruler. This seems their ignorance and foolishness, but in these activities Allah has provided a system for the welfare of the people and the formation of communities. Really speaking, all worldly affairs are based on ignorance and meanness of some people. If people were wise and had higher and nobler intentions, they would discard the mundane life. However, if they would do this, then the means of livelihood would perish and people would perish including the pious too.”

Thus, in the process of economic activities, al-Ghazali illuminates the need for division of labour and specialization with respect to both places as well as people. Further, trading activities add value to goods by making them available at the appropriate place and time for buyers. The natural forces of exchange also lead to the creation of professional traders, who are guided by the profit motive. While accumulation of wealth in this manner is not among the noblest activities in the prevailing scheme of things, al-Ghazali recognizes it as a necessary phenomenon -- one that is essential to the proper functioning of a progressive society and it is in the mutual interest of the people generally. Moreover, while discussing trading activities, al-Ghazali also mentions the need for safety and security of the trading routes, and he suggests the rulers must provide such protection so that the markets could flourish.

It is possible to identify from al-Ghazali's writings his understanding of the interactions of demand and supply, as well as the role of profits as part of the divinely ordained scheme of the Almighty. Further, he provides a rather well-defined code of conduct which should guide business behavior.

#### **i) Demand, Supply, Prices and Profits:**

While al-Ghazali does not discuss the role of market demand and supply phenomena in the manner one finds in contemporary economic textbooks, nevertheless, numerous passages from his works, specifically *Ihya' Ulum al Din*, demonstrate the depth of his perceptions in this regard. Clearly, he is referring to an impact of low demand on price when he states, "when the farmer does not get a buyer for his produce, he sells at a very low price."<sup>60</sup> At another place, he shows his keen awareness of the demand-supply forces when, upon observing that prices of foodstuffs were very high, he suggested that the prices should be brought down by reducing the demand for food,<sup>61</sup> implying a leftward shift in the demand curve in contemporary terms. Elsewhere, he reveals his appreciation of the effect of changes in supply on prices (i.e. shifts in the supply curve in contemporary terms) when he condones hoarding of goods by traders if goods are available in abundance and the price is driven too low, while the community already has those goods in large quantities.<sup>62</sup>

Generally speaking, as with other scholars of the time, al-Ghazali discusses prices and profits more or less together, without a clear reference to costs and revenues. Although there is disdain for profit-seeking traders, he clearly recognizes the motivations for and sources of profits. Among other things, profits are related to risk and uncertainty, according to al-Ghazali, as evident from the following statement: "Look, how Allah has imposed upon them (traders) ignorance and foolishness as they bear a lot of trouble in seeking profits and take the risks and endanger lives in voyages . . . ."<sup>63</sup>

Al-Ghazali is quite critical of 'excessive' profit-making, the term 'excessive' being used in relation to some customary or 'normal' level of profits. He suggests that if a buyer offers excessive profit for a good that he is anxious to acquire, the seller should, out of his benevolence, refrain from accepting high profit -- although it would not be an injustice if excessive profits are taken without fraud. Al-Ghazali quotes some scholars who stated that if profit exceeded one-third of the prevailing market price, the buyer could have the option of having the transaction re-examined. However, al-Ghazali does not favor this option, and relies on the benevolence of the seller in keeping the profits within the normal limits.<sup>64</sup>

Although, al-Ghazali does not define the precise range or limits of normal profits, he does suggest that, given the sellers' benevolence as well as the norms of trading practices and market conditions, the profit rate should be around 5 to 10% of the price of a good. Further, he seems to have some insights into the idea of price-elasticity of demand when he says, "one who is content with a small profit has many transactions and earns a lot of profit by large volume of sales and thus he is favored."<sup>65</sup> Similar insight is evident when al-Ghazali suggests that "a cut in profit margin by decreasing the price will cause an increase in sales and ultimately an increase in total profit." Clearly, he implies here an 'elastic' price-quantity relationship, though he does not use those terms.<sup>66</sup>

#### **(ii) Profits and the "Market of the Hereafter":**

Despite his keen knowledge of the voluntary behaviour of buyers and sellers in a free-market setting where each entity by seeking its own gain works to the advantage of each other and where sellers have the right to earn profits, al-Ghazali warns the traders - the businessmen -- that such market activities with their emphasis on material goods and the pursuit of profits, should not be at the expense of the ultimate good in the "market of the Hereafter", referring of course, to one's salvation.<sup>67</sup> Obviously, his reference is to the "transactions" with Allah, in His remembrance as well as the fulfillment of one's religious obligations. Al-Ghazali's frequent reminders as to the importance of the Hereafter reflect on his part the desired behavior of sellers and producers (indeed, all participants in the market) functioning under the Islamic ethos. Thus, a Muslim seller of goods may be content with a reasonable monetary profit, while maximizing the possibility of spiritual rewards in the Hereafter, for the ultimate goal of all human activities, including economic, is one's salvation.<sup>68</sup>

Concerning the role of profits, al-Ghazali adopts an unusual position with respect to necessities, such as foodstuffs. Since food is basic to human life, trading in food should not be motivated by profits, he suggests. Instead, "since profits represent an extra worth", they should be sought from those types of goods which are not necessary for people."<sup>69</sup> In other words, food being a necessity, he advocated that it be available at low prices to buyers, and since traders are motivated by profits, they will be tempted to charge excessive price for food. (Here again, al-Ghazali clearly recognizes the concept of 'price-inelastic' demand for food, which can lead to exploitation of those needing food). While al-Ghazali focused on food specifically, his logic can be extended to other

goods also which are generally recognized as necessities -- e.g., clothing, shelter, and medicine.<sup>70</sup> While al-Ghazali's intentions are clearly noble, he does not seem to recognize the negative effect on the supply of such necessities if the profit motive is lacking or is suppressed; but then he expects that the noble Islamic values will serve as sufficient motivation for the suppliers.

**(iii) Values and Ethics in the Market:**

Al-Ghazali visualized the functioning of the markets on the basis of a set of moral values and ethical norms within which the business community will engage in their trading practices; of course, these values and norms have their origin in the Islamic teachings. He especially emphasizes the elimination of misleading and false advertisement, middlemanship, fraud, gambling and hoarding.

Specifically, with respect to hoarding, al-Ghazali mentions the example of hoarding foodstuff for the purpose of forcing the price upward. This, he insists, would be a great injustice, "for every person has the right to buy food at the prevailing market price, not the artificially-induced higher price, and hoarding of foodstuffs and items which are very much like food and part of nutrition is *haram* and is to be strictly condemned."<sup>71</sup> However, al-Ghazali is flexible: "Hoarding of medicines and other items which are not part of food and nutrition and not part or general needs is not quite *haram*."<sup>72</sup> Further, "even concerning such items as meats, cooking oils, and similar others, despite differences of opinion, it is preferable that their hoarding be despised, although such things are not quite like essential foods. It should be added, however, that even for foodstuffs, hoarding is to be condemned primarily when there is severe shortage. When there is abundance, then hoarding need not be *haram* for, then there will be no *harm* to anyone. But, it is better to discourage such hoarding . . . ."<sup>73</sup> Clearly, the principle that al-Ghazali is establishing is that for essential goods (specifically food and near-food items), if hoarding will lead to higher prices, it is to be condemned. However, when supply is plentiful, hoarding may be acceptable, for, then the price is not likely to be forced up.

Al-Ghazali considers false advertisement also as one of the evils of the markets which must be prohibited. He admonishes the businessmen against false praise and attempts to hide the defects of a good. Further, "they should not give false information about the weight, quantity, or the price. Engaging in such a practice is a fraud, which is to be strictly prohibited . . . ."<sup>74</sup> He also quotes the Prophet (PBUH), who had declared a person as "not among us (Muslims)", because this individual had mixed wet and dry grain together in order to cheat the buyers.<sup>75</sup> The purpose of advertisement, according to al-Ghazali, should be to provide proper information to the potential buyers. However, it will be wasteful on the part of the seller to point out the obvious qualities of the goods to the buyer, though the seller may describe the less obvious aspects to the buyers, without exaggerating them.<sup>76</sup> Further, among some of the other evils of the markets that must be avoided, al-Ghazali warns all those who deceive other by activities such as not giving full measure or weight in their transactions, will be subject to the doom expressed in the Holy Qur'an "Woe to those that deal in fraud"(86:1). Deceptive

grading or marketing of goods, adulteration, and other kinds of cheating will be considered *tatfif* (defrauding), condemned by the Qur'an and subject to severe punishment in the Hereafter.<sup>77</sup>

Al-Ghazali is very emphatic concerning truth in price quotations, contractual obligations, and in the use of prevailing market prices in all transactions. He strongly condemns any secret dealings and price manipulations on the part of buyers and sellers. He advises them to be truthful in all economic transactions, and in this context, he reminds them of the Prophet's (PBUH) statement, "A person will have the right to review the contract if he is deceived in any way."<sup>78</sup>

Thus, al-Ghazali's idea of the proper functioning of the markets requires that they be free from the defects and evils mentioned above.<sup>79</sup> Since the economic activities should reflect Islamic values, the participants' behavior should encompass benevolence (*Ihsan*) as well -- which means "doing something extra that benefits a person engaged in transactions above and beyond the material benefits, though that extra is not an obligation; it is merely an act of generosity."<sup>80</sup>

Al-Ghazali then goes on to enumerate six guidelines concerning exercising benevolence in the market place:<sup>81</sup>

- i) the seller should not charge a price that results in excessive profits;
- ii) the buyer should be lenient when bargaining with a poor seller and strict when transacting with a rich seller;
- iii) while seeking cancellation of a transaction or asking repayments of debts, a person should be gentle and be willing to be flexible to accommodate the circumstances of the other party;
- iv) when a person owes a debt to another, he should be prompt in repayment so that no inconveniences are caused to the other party;
- v) if someone wants to cancel a transaction, one should try to accommodate such a request; and
- vi) a person should be willing to sell to the poor who do not have the means and should extend credit to them without the expectation of repayment.

For al-Ghazali, principles such as these reflect the general moral-ethical guidelines for the business community to follow; and they represent a set of criteria for a person's piety and, above all, a reflection of his fear and love of Allah.

Further, for al-Ghazali, a person can transform his worldly economic activities into a means for ensuring the rewards of life in the Hereafter -- which is to be the ultimate goal of every Muslim. Here again al-Ghazali suggests several guidelines.<sup>82</sup>

- i) the trader or businessman should act Islamically "correct" intentions about his trade – i.e., to support himself and his dependents, and to acquire the means and strength of performing his religious duties, including help for the needy;
- ii) while starting a business, he should also seek the fulfillment of socially obligatory duties (*fard kifayah*)
- iii) his desire to be successful in material terms should not blind him against success in the Hereafter;
- iv) he should not transact his business in a greedy manner;
- v) he should refrain not only from clearly *haram* (prohibited) activities, but he should also be vigilant over all his activities, remembering at all times that he is accountable before Allah for all of them.

Al-Ghazali declares that one who observes principles such as these is of the highest rank in the hierarchy of successful people, both in this world and in the Hereafter.

## 2. Production Activities and Their Hierarchy

Al-Ghazali devotes considerable attention to various kinds of production activities in a society as well as their nature and hierarchy, although he does not discuss them in terms of the efficiency-oriented "laws" of production that one finds in contemporary economic texts. Given the Islamic ethos which is his inspiration throughout, his primary focus is on the types and manners of production activities in an Islamic environment, including a categorization in terms of their importance and with emphasis on the need for cooperation.

### i) Production of Necessities as a Socially Obligatory Duty (*Fard Kifayah*):

We already noted elsewhere that al-Ghazali, in light of the rules of Islamic *shariah* considers productive work as part of worship.<sup>83</sup> Further, production of necessities for the public welfare is a socially obligatory duty (*Fard Kifayah*).<sup>84</sup> That is if some people are engaged in the production of such goods in sufficient quantities for the society, then the obligation of all is fulfilled in this respect. However, if none is undertaking such activities or insufficient quantities are being produced, then all will be held accountable

in the Hereafter. Such a position by al-Ghazali suggests his conviction that the production of necessary goods is an individual as well as social duty. And, in an ultimate sense, we may infer, the state as the society's supreme social institution must assume the responsibility of ensuring that sufficient quantities of necessities are always forthcoming, and if the private sectors of the economy are lacking in this respect, then the state must undertake the responsibility of "need fulfilment" for the welfare of the people -- i.e., the state must be ready, willing and able to fulfill its obligations alongwith the private sector, in order to ensure a balanced functioning of the economy inasmuch as the necessities are concerned; an imbalance in this respect will tend to create ruinous conditions.

**ii) Hierarchy of Productive Activities:**

Al-Ghazali classified productive activities into five groups:

- Farming (food for people);
- Grazing (food for animals);
- Hunting (including exploration of mineral and forest products);
- Weaving (textiles, or clothing); and
- Building and construction (for shelter)

Further, al-Ghazali suggests a classification of industries quite similar to that found in contemporary discussions -- i.e., primary, secondary, tertiary, which refer to agriculture, manufacturing, and services, respectively. He identifies three broad categories:<sup>86</sup> *First*, there are *basic* industries without which human life will be difficult to sustain -- they encompass four types of economic activities: agriculture for food, textiles for clothing, construction for shelter, and activities of the state for facilitating the production and provision of sufficient quantities of necessities for the society's welfare and for promoting cooperation and coordination among those engaged in producing such goods. *Second*, there are those activities which are necessary *adjuncts* to the basic industries -- for example, iron industry. *Third*, there are those activities which are complementary to the basic industries -- for example, grinding and baking of certain agricultural products. Al-Ghazali recognizes the most important among these three groups is the basic industries group, and in this latter group, per al-Ghazali, the most important is the role of the state in promoting cooperation and coordination.

While al-Ghazali provides this three-way classification of industries with an indication of the relative importance of each, nevertheless, he believes that for proper harmony in a society's socio-economic environment, the pursuit of all three groups of industries is essential; indeed, their fulfilment represents a socially obligatory duty (*fard kifayah*). "These industries and businesses represent a religious duty because if people abandon them, then human beings could not survive. It is one of the blessings of Allah that people have skills to undertake different occupations. This is one of the interpretations of the Prophet (PBUH) sayings that "difference of my people are blessing."<sup>87</sup> Thus, the undertaking of a particular economic endeavor by a Muslim entrepreneur is not merely motivated by the desire for private profits, but also by the desire of fulfilling a *shariah*-mandated socially obligatory duty.<sup>88</sup>

**iii) Stages of Production and Need for Cooperation:**

In addition to suggesting a hierarchy of production activities, al-Ghazali also demonstrates his awareness of the various stage of processing and transformation that a product would typically go through before its final use by people. Not only that -- he seems to be aware of the “linkages” of other industries that often exist in the chain of production -- a notion well-recognized in contemporary discussions and often further sharpened in terms of ‘forward’ and ‘backward’ linkages.

Al-Ghazali states, “the farmer produces grain, the miller converts it into flour, the baker prepares bread from the flour.” Then, he recognizes the phenomenon of interdependence of economic activities, when he says, “further, the blacksmith makes the tools for farmer’s cultivation, and the carpenter manufactures the tools needed by the blacksmith. Same goes for all those who engage in the production of tools and equipment needed for production of foodstuffs.”<sup>89</sup>

Such linkage of various functions reaches even the Creator of the universe; the Creator -- Allah -- brought forth prophets who are guided by the angels (who receive their own guidance from Allah) and who reform the ‘ulama, and ‘ulama then reform the rulers who in turn must advise and guide the various economic agents and others in the society.

The various stages of production and linkages among the various industries require cooperation and division of labour. Al-Ghazali states, “You should know that the plants grown from the earth and the animals cannot be eaten and digested as they are. Each of them needs some transformation, cleaning, mixing, and cooking, before consumption. For a bread, for example, first the farmer prepares and cultivates the land, then the bullock and tools are needed to plough the land. Then, the land is irrigated for a period of time. It is cleared from weeds, then the crop is harvested and grains are cleaned and separated. Then, there is milling into flour before baking takes place. Just imagine -- how many tasks are involved; and we here mention only some. And, imagine the number of people performing these various tasks, and the number of various kinds of tools, made from iron, wood, stone, etc. If one investigates, one will find that perhaps a single loaf of bread takes its final shape with the help of perhaps more than a thousand workers . . . .”<sup>91</sup>

Al-Ghazali further elaborates his ideas on specialization and division of labour by using the example of a needle, quite analogous to the example of pin employed by Adam Smith almost 700 years later in making the same argument. Al-Ghazali says, “even the small needle would have become useful only after passing through the hands of needle-makers about 25 times, each time going through a different process.”<sup>92</sup> Al-Ghazali also provides some astute insights as to the specialization of economic functions and interdependence within married life; he says, “a person cannot provide for his wife and children unless there are a large number of groups each taking care of a particular industry . . . .”<sup>93</sup> Further, there is specialization within the family, in that the wife looks after household obligations whereas the husband earns livelihood; he goes

on, “if the husband were to look after all household duties, he would have wasted a lot of time and thus would not have time to devote to learning on and earning.”<sup>94</sup>

The foregoing clearly demonstrates not only al-Ghazali’s insights into the phenomena of division of labour and specialization, as we understand these concepts in contemporary terms, but also his awareness of the need for cooperation and coordination as part of the natural order of economic pursuits. While cooperation and coordination are emphasized, al-Ghazali is also conscious of the competitive environment in which economic activities tend to take place. According to al-Ghazali, “when people live in a society and their desires for different things develop, there tends to be a struggle in acquiring the fulfillment of those desires . . . . There is competition, but a balance can be maintained through the exercise of authority and maintenance of justice . . . .”<sup>95</sup> He uses the word “competition” in broader terms than its contemporary meaning; he suggests that competition in general is not to be condemned or prohibited. Rather, he identifies three forms of competition -- obligatory, desirable and permissible. Obligatory competition pertains to matters of religious duties. It is desirable if competition exists in the acquisition of necessities and comforts, as well as voluntary expenditures on the needs of others. It is permissible even if competition relates to the acquisition of valid means.<sup>96</sup> In all cases, however, competition should not create jealousy and contempt for others’ possessions.

Incidentally, it is interesting to note here that al-Ghazali precedes Thomas Malthus by several hundred years in suggesting his views on human resources (population) and how to control and regulate them. After examining the opinions of others, al-Ghazali says that there are different views concerning birth-control through ‘*azl* (coitus interruptus): absolute permission, permission under certain conditions, and absolute prohibition. In general, al-Ghazali believes birth-control is permissible under Islamic laws,<sup>97</sup> though he does not encourage such practices. There may be at least two economic motives for practicing birth-control, per al-Ghazali. First, a person may be apprehensive of the burden of raising a large family. Second, he may be afraid that if the family is large, he may be forced to resort to prohibited (*haram*) means of earning a livelihood. However, according to al-Ghazali, while birth-control may be condoned for reasons such as these, actions based on such motives “tend to place a person below the rank of praiseworthy and preferable people.”<sup>98</sup> Clearly, al-Ghazali was far ahead of his times.

### 3. Barter System and the Evolution and Functions of Money

As a means of facilitating exchange in economic transactions, money is one of the most important inventions: in the conduct of human affairs.<sup>99</sup> Al-Ghazali clearly realized this and offered a rather eloquent discourse as to the circumstances which led to the evolution of money as well as the various functions performed by it. Al-Ghazali considered this invention as one of the greatest blessings of Allah that obligates people to owe enormous thanks to Him. He discusses the barter system and its difficulties, the main functions of money, harmful effects of counterfeiting and currency debasement (anticipating similar observations by Thomas Gresham, Richard Cantillon, and others by several hundred years), as well as the abuse and misuse of money.

#### i) Problems of Barter and the Need for Money:

Even though the following is a rather lengthy quotation, it is most appropriate to cite this here so that one can fully grasp and appreciate the rigor and depth of Al-Ghazali's insights on this subject:<sup>100</sup>

“Creation of *dirhams* and *dinars* (i.e., gold and silver coins) is one of the bounties of Allah. The entire world of economic activities is based on transactions with these two kinds of money. They are two metals, with no benefits in themselves. However, people need them, in order to exchange them for different things -- food, clothing, and other goods. Sometimes a person needs what he does not own and he owns what he does not need. For example, a person has saffron but needs a camel for transportation and one who owns a camel does not presently need that camel but he wants saffron. Thus, there is the necessity for a transaction in exchange. However, there must be a measure of the two objects in exchange, for the camel-owner cannot give the whole camel for a quantity of saffron. There is no similarity between saffron and camel so that equal amount of that weight and form can be given. Likewise is the case of one who desires a house but owns some cloth or desires a slave but owns socks, or desires flour but possesses a donkey. These goods have no direct proportionality so one cannot know how much saffron will equal a camel's worth. Such barter transactions would be very difficult.

Various forms and types of goods such as these need a medium which could rule justly and determine their value or worth according to their place in exchange. When their place and grades are ascertained, it is then possible to distinguish which one is equal to each other and which is not. Thus, Almighty Allah created *dinars* and *dirhams* as two rulers and medium of exchange for all goods and the value of goods is measured through them. So it is said a camel is, say, equal to 100 *dinars* and this much quantity of saffron is worth 100 *dinars*. Since each of them is equal to a given amount, the two quantities are equal to each other. This equality of worth or value becomes conveniently possible through *dinars* only

because those *dirhams* and *dinars* are not needed for themselves. . . . Allah created *dirhams* and *dinars* to change hands (to circulate) and to establish rules between exchanging of goods with justice and buying goods which have usefulness. A thing (such as money) can be exactly linked to other things if it has no particular special form or feature of its own -- for example, a mirror which has no colour but can reflect all colours. Same is the case with money -- it has no purpose of its own, but it serves as medium for the purpose of exchange goods.”

The preceding detailed quotations clearly point to al-Ghazali’s astute understanding and appreciation of the difficulties of barter and the manner in which the invention of money overcomes those problems. Without using the jargon of contemporary economics, he is obviously pointing out the problems that will exist without a common denominator; that is: (1) lack of a measure of value in terms of which goods and services may be expressed; (2) indivisibility of most goods when attempting to exchange them with others, and (3) the problem of ensuring the double- coincidence of wants without the use of money.

Thus, al-Ghazali recognizes voluntary exchange as a natural phenomenon, since people do not produce and possess everything they desire. However, to facilitate exchange, the value of things must somehow be clearly known and understood. This is where values expressed in money become superior to a barter system. Although some goods may be directly exchanged for others, many are so peculiar in their features and use that values of one cannot be easily expressed in terms of another. Thus, money becomes a common denominator. Further, al-Ghazali mentions several examples -- such as exchange of a house with cloth, flour with a donkey, or a camel with saffron; in each case, the indivisibility problem arises because one item is very large, while the other is very small; and the large goods could not be divided into small pieces for exchange with the small quantities of the others. Thus, al-Ghazali says, "A camel owner cannot exchange his whole camel for a quantity or saffron."<sup>101</sup>

Further, there is a problem of double-coincidence of wants in a barter system. It may happen that a sheep owner wants to exchange his sheep for cloth. But, the cloth owner does not want sheep; he wants salt. Thus, exchange becomes difficult. Al-Ghazali takes note of this as he says: “there can be problems if the cloth-owner needs food, the food-owner does not want cloth -- he wants cattle!”<sup>102</sup> So, money evolved as a convention only -- no society could exist without the exchange of goods, no exchange could effectively take place without equivalence, and no equivalence could be determined without a common measure.

## **ii) Hoarding money is against shari’ah**

As indicated above, al-Ghazali clearly understood the functions of money: as a medium of exchange and as a measure of value. Money is used in payment of all goods

and debts. However, he emphasizes again and again that money is not desired for its own sake.<sup>103</sup> And, as a means of holding wealth, he says, when one owns money, one owns about everything.

For al-Ghazali, the purpose to be served by gold and silver is almost exclusively as money -- *dirhams* and *dinars*; these metals are synonymous with money. He cites a verse from the Qur'an, in which there is condemnation of those who hoard these metals and do not spend in the way of Allah; and, further, he interprets this verse also to refer to those who hoard money as well as convert *dirhams* and *dinars* into things such as utensils, etc. The following quotes from al-Ghazali succinctly elaborates these points:<sup>104</sup>

"Anyone who uses money contrary to its objectives or functions is ungrateful to the bounty of Allah. If some one hoards *dirhams* and *dinars*, he is a transgressor. He would be like a person who imprisons a ruler, thus depriving the society of the benefits of his benevolence. *Dirhams* and *dinars* are not created for any particular persons; they are useless by themselves; they are just like stones. They are created to circulate from hand to hand, to govern and to facilitate transactions. They are symbols to know the value and grades of goods. Anyone who converts them into utensils of gold and silver is ungrateful to his Creator and worse than the hoarder of money, for such a person is like one who forces the ruler to perform un-suitable functions -- as weaving cloth, gathering taxes, etc. Hoarding of coins may be preferable to such conversion of coins into utensils. Why? Because there are other metals and materials, copper, bronze, iron, clay -- which can be used to make utensils, instead of gold and silver, for the storage and drinking of liquids, etc. But, clay and iron cannot be used for the functions performed by *dirhams* and *dinars* -- they are not meant for that purpose. If anyone does not appreciate this fact, he should try to convince himself of remembering the saying of the Prophet (PBUH), "One who drinks in gold and silver utensils, he is like one who takes the fire of hell in his stomach."

### iii) Counterfeiting of Money and Currency Debasement:

Historically, gold and silver (as with *dirhams* and *dinars*) have been the most important metals used as commodity money. Governments started minting gold and silver coins to avoid costly weighings each time a transaction occurred. When gold and silver served as commodity money, private citizens could produce money by simply taking their mined gold or silver to the government's mint. Under a system such as this, the commodity or metal content of a unit of money is as much its value as money. Further, in such a system, if more of a metal, say, gold, is discovered, there is then more money in circulation, prices are likely to be bid up, and one unit of money -- gold -- thus buys fewer goods; and the opposite will also tend to hold, if due to an increase in non-money uses of the metals (say, as jewellery), there will be less money in circulation, prices will likely go down and one unit of money will buy more goods.

While al-Ghazali does not seem to be aware of such linkages between the amount of gold and silver in circulation and the general price level, he recognized an inherent problem associated with commodity money. This is the problem of counterfeiting and currency debasement, by way of mixing of inferior metals with gold or silver coins, or mutilation of the metallic content or simply ‘shaving’ or ‘shedding’ of some of the metals.<sup>105</sup> According to al-Ghazali, “it is a great injustice to place counterfeited money in circulation. All those who have to accept such money in transactions are harmed.”<sup>106</sup> Further, “circulation of one bad *dirham* is worse than stealing a thousand *dirhams*, for the act of stealing is one sin and it finishes once committed; but circulating bad money is an innovation which affects many who use it in transactions.”<sup>107</sup> Thus, al-Ghazali is critical of counterfeited money in terms of its “sinfulness” at the individual level and also its potentially negative consequences for the society generally.

Al-Ghazali gives a rather clear meaning of debasement. He says: “By *zaif* (alloy, mixed metal, or debased currency) we mean that unit of money which contains no silver at all; it is only polished; or *dinars* with no gold in them. If a coin contains some silver but it is mixed with copper and that is the existing coin in the country, al-Ghazali’s view is that this currency is acceptable whether the silver content is known or not. But if it is not the currency of a country, then it will be acceptable only if the silver content is known.”<sup>108</sup> Al-Ghazali seems to imply here that if currency debasement is a fraudulent action by private citizens, then it is to be condemned; however, if state policy requires a change or mixing of metal contents of coins and it is known to all users, then it is acceptable. Thus, al-Ghazali allows for the possibility of “representative” or “token” money, as we know it in contemporary discussions under state monopoly.

#### iv) Prohibition of Usury (*Riba*):

Al-Ghazali does not discuss the problem of interest on borrowing-lending of money as such. He simply says that charging of interest on money deflects it from its primary functions -- as a medium of exchange and as a measure of value. For him, as with many other Muslim as well as non-Muslim scholars, prohibition of interest in such transactions is absolute and part of one’s faith, and for good reasons -- the most important being the possibility of exploitation. However, al-Ghazali discusses other, nonmonetary transactions where interest may still occur but in disguised form; and some of these transactions may be consistent with *shariah*, while others may not be. It is worth mentioning here that this, indeed, has been among the most controversial topics in Islamic jurisprudence.

There are two possibilities in which interest could arise in disguised form. One of these pertains to exchanging gold for gold, silver for silver, wheat for wheat, etc., but with differences in quantity or the time of delivery. If the time of delivery is not immediate and excess quantity of the commodity is called for, it is called *riba al nasi’ah* (interest due to late payment or delivery). Secondly, if quantity exchanged is not equal but the exchange takes place simultaneously, then the excess given in

exchange is called *riba al fadl* (interest due to extra payment). Both kinds are forbidden, according to al-Ghazali and others, if the items in exchange are the same – i.e. gold for gold, wheat for wheat, etc.<sup>109</sup> That is, for either kind of interest *not* to occur, exchange should be with equal quantity and transfer of ownership should be simultaneous; otherwise, there is the likelihood of interest in disguised form. However, if exchange is between the same genre of commodities (in contrast with same specific commodity), such as metals (gold and silver), or foodstuffs (wheat and barley), then only *nasi'ah* is prohibited and *fadl* is allowed. Further, if exchange is between different genre of commodities (e.g., metals and foodstuffs), then both are permissible, according to al-Ghazali.

It seems to be instructive to examine here al-Ghazali's analysis of *riba al fadl* and *riba al nasi'ah*. He says:

“One who practices interest on *dirhams* and *dinars* is denying the bounty of Allah and is a transgressor, for these coins are created for other purposes and are not needed for themselves. When someone is trading in *dirhams* and *dinars* themselves, he is making them as his goal, which is contrary to their objectives. Money is not created to earn money, and doing, so is a transgression . . . . The two kinds of money are means to acquire other things; they are not meant for themselves. In relation to other goods, *dirhams* and *dinars* are like prepositions in a sentence; as the grammarians define them, ‘a preposition is that which is used to give proper meaning to words,’ or their position is like a mirror reflecting colors (of other things but no color of its own). If a person is permitted to sell (or exchange) money with money, then such transactions will become his goal, and as a result will be imprisoned and hoarded like anything. Imprisonment of the ruler or a postman is a transgression, for they are then prevented from performing their functions; same is the case with money. It is a transgression. If it is asked why one of the two kinds of money is permitted to be exchanged for the other and why exchanging *dirham* is permitted with the same amount of it? Then, you should know that the two kinds of money are different from each other in being means of obtaining something else. Sometimes one of them is more useful in being because it is in larger quantity, like *dirham* which is disbursed on different needs in smaller units. If this exchange is forbidden, then their special purpose, i.e., their use as means of getting other things is destroyed. As for selling *dirhams* with the same amount of *dirhams* is concerned, it is allowed, but no rational person or trader will do so, for, they are both the same. It is just like doing something in vain -- putting a *dirham* on the ground and then picking it up again. There is no need to prohibit such exchange.

. . . . . This exchange may be done if one *dirham* is better quality than another. But, this is also not likely because one who has better quality will not (knowingly) accept equal but inferior quality of the other. So the transaction could not happen. The intention from this exchange may be to obtain a greater amount of the inferior one. Of course, this is what we oppose and affirm that good and bad quality *dirhams* are both equal, for good and bad should be seen only about those things which are needed for themselves. And it is not quite proper to examine the minute differences in quality of things -- such as *dirhams* and *dinars* -- which are not needed for themselves. And, it is a transgressor who mints coins with differences in quality (i.e. counterfeits) and thus makes them desirable for their own sake; that must not happen.<sup>110</sup>

In the preceding passage al-Ghazali has analysed and justified the prohibition of exchanging *dinar* for *dinar* or *dirham* for *dirham* with the difference in quantity and time of payment. In his opinion, in this way money will become an end and not a means, and people will start hoarding money. According to him, there is no need to prohibit an exchange of *dinar* for *dinar* or *dirham* for *dirham* when quantity is same and payment is simultaneous, because it will be exercised in vain and no one will do it. He gives reason why exchange of *dinar* for *dirham* with a difference of quantity but simultaneous payment is allowed -- small coins of silver can be used for small buying whereas gold money cannot be used.

The same reasoning he applies in case of exchange of foodstuffs. Foodstuffs are meant for nutrition. A barter exchange of the same commodity will hinder its use for nutrition and result in hoarding. This requires that such exchange should be prohibited so that a person must sell it with money and it may reach to one who actually needs it. This exchange is allowed with the condition of simultaneous payment if the commodities are different, as the two commodities will have different purposes. In all these exchanges, no consideration of qualities is made to curb the luxury seeking mentality of man. He says:

"Similar is the position of foodstuffs. They are created to be used as nutrition so they should not be misused. If exchange within them is freely allowed it will result into their longer stay in hands and delay their use as nutrition for which they are created. Foodstuffs are created by Allah to be eaten which is a dire need. This requires that they should go from the hands of that who does not need them to one who needs them. Only that person will do a transaction on food who does not need it. Because if a person has food why does he not eat it if he is in need of that; why is he using it as a trade commodity? If he wants to make it a trade commodity, he should sell it to that who needs it with something other than the same foods. If someone is buying with exactly same food, he is also not in need of it, this is the reason that *shariah* cursed the hoarder.

Of course, a seller of barley with dates is having excuse because one of them cannot work for the other. A seller of one *sa'* (a measure) of wheat with the same is not having any excuse but he is doing something in vain, so he does not need prohibition. Such a thing will be done only if one of the amounts is a better quality but in this case, the owner of better quality will not be ready to do it. One unit of a good can be exchanged with the two inferior of that, but since the foodstuffs are necessities and good and inferior both fulfill the necessity while they differ only in being luxuries, the *shariah* has rejected the consideration of luxury in that which is basic and necessary thing<sup>11</sup>

## V. ROLE OF THE STATE AND PUBLIC FINANCE

Although al-Ghazali avoided practical politics, he offers detailed advice and commentary on the affairs of the state and how the rulers should conduct them; indeed, he has little hesitation in chastizing the rulers, as we shall see below. He considers the state as a necessary institution, not only for the proper guidance and functioning of society's affairs but for the fulfillment of *shariah*-mandated social obligations (*furud kifayah*). For al-Ghazali, the "state and religion are the inseparable pillars of an orderly society. The religion is the foundation and the *sultan* is its promulgator and protector. Any pillar without a foundation will be weak, and if not protected, it may crumble."<sup>112</sup> Further, he goes on, "Man's inability to fulfill all his needs alone persuades him to live in a society with cooperation; but tendencies like jealousy, competition, and selfishness, can create conflicts, and, therefore, some collective arrangement becomes necessary to check and control those tendencies."<sup>113</sup> Still, on another occasion, al-Ghazali mentions the management of society's affairs through the state as one of the four key "industries", which is "essential" to keep people living together harmoniously and in cooperation with each other in order to obtain the mean of livelihood . . . The noblest of all basic industries is the state which must strive for the good of the society through cooperation and reconciliation."<sup>114</sup>

### 1. Justice, Peace, Stability: Conditions of Economic Progress

Al-Ghazali does not discuss specifically the various economic functions and responsibilities of the state in the manner and style as one would find such discussions in texts today. Among other things, however, he clearly identifies and discusses the types of state functions that are often attributed to the classical economists, such as Adam Smith and others. He mentions that in order to promote economic prosperity, the state must establish justice and provide conditions of peace and security so that healthy economic development could take place. According to al-Ghazali, "The God on High sent the Prophets to transform the Abode of Unbelief into the Abode of Islam through His benediction and to bring development and prosperity to the world through justice and equitable (rule)."<sup>115</sup> After citing the examples of old Persian rulers, al-Ghazali says, "the efforts of these kings to develop the world were undertaken because they knew that the greater the prosperity, the longer would be their rule and the more numerous would be their subjects. They also knew . . . that the religion depends on the authority, the authority on the army, and the army on supplies, supplies on prosperity, and prosperity on justice."<sup>116</sup> And, further, emphasizing the role and functions of the state, he states, "where injustice and oppression are present, the people

have no foothold, the cities and localities go to ruin, the inhabitants flee and move to other territories, the cultivated lands are abandoned, the kingdom falls into decay, the revenue diminishes, the treasury becomes empty, and happiness fades among the people. The subjects do not love the unjust king, but always pray that evil may befall him.”<sup>117</sup>

In order to establish conditions of internal law and order and defense from external threats, al-Ghazali stresses the state must adopt all necessary measures. “Army should be kept to defend the country and protect people from robbers; there should be a judiciary for settlement of disputes; there will be need for jurisprudence to control people through it . . . . These are necessary government functions which can be undertaken by specialists only, and when they engage in these activities they cannot spare themselves for other industries and need support for their living. On the other hand, people need them because if all people engaged in fighting the enemy, the industries will suffer and if military men engaged in industries for their livelihood, the country would lack defenders and people will be victimized.”<sup>118</sup>

Thus, al-Ghazali holds the state responsible for establishing conditions of justice, security, peace, and stability in order to promote economic prosperity and development for the society.<sup>119</sup> Further, al-Ghazali wrote at length on the institution of *al-Hisbah* -- an institution that prevailed in many Islamic countries of the time and whose functions were broad and multifarious, but chief among them were checks on the harmful practices that may prevail in the markets.<sup>120</sup> Al-Ghazali strongly endorses this state institution (to be headed by a “*muhtasib*” or (public inspector or auditor) and discusses the types of market practices that may be checked through this entity: “false statements about profits, false advertisement, incorrect weights and measures, usurious transactions, contracts which are not valid according to *shariah*, buying and selling of prohibited (*haram*) items, and all other contracts involving fraud and gambling and so on and so forth.”<sup>121</sup>

In view of the special significance of the state and the ruler that al-Ghazali visualized, he in fact compiled a separate volume on this subject, called *Kitab Nasihat al-Muluk* or *Book of Counsel for Kings*. Among other things, al-Ghazali recommends for the rulers of the Islamic state ten “principles of justice and of the equitable treatment of subjects.”<sup>122</sup> Each is discussed not only from the perspective of Islamic *shariah*, supported with appropriate sayings of the Prophet (PBUH), and examples from the lives of the Caliphs, but also supplemented by illustrations from the Bible and the Torah as well as from the reigns of numerous non-Islamic rulers, including the Romans, the Greeks, and even the Chinese. It seems most appropriate to briefly append these “ten principles” which al-Ghazali believes must be followed by the rulers to ensure prosperity and development of the state and its subjects:<sup>123</sup>

- i) The ruler should first of all understand the importance, and also the danger, of the authority entrusted to him. In authority there is great blessing, since he who exercises it righteously obtains unsurpassed happiness; but if any (ruler) fails to do so, he incurs torment surpassed only by the torment of unbelief.

- ii) The ruler should be always thirsting to meet devout ‘ulama and ask them for advice; and that he should beware of meeting ‘ulama with worldly ambitions who might inveigle, flatter and seek to please him in order to gain control over his terrestrial body by stealth and deceit.
- iii) The king should understand that he must not be content with personally refraining from injustice, but must discipline his slave-troops, servants, and officers and never tolerate unjust conduct by them; for he will be interrogated not only about his own unjust deeds but also about those of his staff.
- iv) The holder of authority should not be dominated by pride; for pride gives rise to the dominance of anger, and will impel him to revenge. Anger is the evil genius and blight of the intellect.
- v) In every situation which arises, the ruler should figure that he is the subject and that the other person is the holder of authority; and that (he should not sanction of others) anything that he would not sanction for himself.
- vi) The ruler should not disregard the attendance of petitioners at his court and should beware of the danger of so doing. As long as the Muslims have grievances, he need not occupy his time with supererogatory religious observances, for redressing the grievances is more meritorious.
- vii) The ruler should not form a habit of indulging the passions. For example, even though he might dress more finely or eat more sumptuously, he should be content with all (that he has); for without contentment, just conduct will not be possible.
- viii) The ruler should make the utmost effort to behave gently and avoid governing harshly; only then the rulers themselves will be treated gently in the Hereafter.
- ix) The ruler should endeavor to keep all the subjects pleased with him; there is the Prophet’s (PBUH) saying, “The best of my community are those who love you and whom (you love), and the worst of my community are those who hate you and whom you curse.” Even through espionage, the ruler should check and find out if all the subjects are genuinely pleased with him.
- x) The ruler should not give satisfaction to any person if a contravention of God’s law would be required to please him; for no harm will come from such a person’s displeasure.”

Notwithstanding the foregoing, al-Ghazali lived during the Seljuq dynasty and his career was much influenced by his observations of the manner in which the rulers conducted the affairs of the state. This also holds for much of his intellectual endeavors; he observed a great deal to be critical about and had the courage to speak out, often in scathing terms. There are numerous references, especially in his *Book of Counsel for the Kings*, which points out situations of rampant corruption and bribery among the

rulers and their administration. Thus, he states, “. . . Sultan’s (prerogative of) administering justice, supervising (the judicial administration and (deciding) punishments are still in large measure the object of bribery. This is the result of slackness and negligence on the part of the Sultan, who ought to do his utmost to ensure that such things are found out.”<sup>124</sup>

In the same vein, al-Ghazali cautions the rulers against excessive indulgence in some of the passions of the day (see his principle 7 above), which seemed not only to offend his sense of Islamic propriety, but also contrary to his views of the proper conduct of the affairs of the state. He advises the kings, “Continual backgammon-playing, chess-playing, wine-drinking, ball-games (and hunting) do not befit the king because they distract him from his task. Every task needs time; and when time is lacking, profit becomes loss and joy becomes sorrow.”<sup>125</sup>

## **2. Public Finance**

Al-Ghazali provides a rather detailed and succinct discussion of the role and functions of state finances in an Islamic society. His discussion, unlike that of many scholars on this subject during the last one or two centuries, tends to be quite symmetrical -- that is, he concentrates on both sides of the public budget, revenues as well as expenditures. Indeed, he also provides some insights into what has since become known as benefit-cost analysis in matters of public policy. He mentions the various sources of revenues, scope of taxation, burden-distribution of taxation, public borrowing, and public expenditure -- precisely the areas of concern one finds in any contemporary text on the subject. Given the breadth and depth discernable in al-Ghazali’s writings on this subject, he is often counted among the few Islamic scholars who emphasized these aspects of the government affairs.

### **i) Sources of Revenue:**

Quite in accordance with the rules of *shariah*, al-Ghazali begins first with noting that the sources of revenue fall on two groups in the community -- Muslims and non-Muslims. And, there are different types of revenue to be solicited from each group.

In regard to the revenue from the Muslims, al-Ghazali identifies several sources, but he is critical of some sources as not being valid Islamically, and others which are consistent with *shariah* are not being utilized. Al-Ghazali declares “that almost all revenues collected by contemporary princes are illicit because uncanonical, and that pious Muslims should accordingly refuse payments from princes and avoid contact with them.”<sup>126</sup> Further, al-Ghazali felt, as promulgated by the Seljuq dynasty of his age, the system of “taxation was in fact based upon long-established customs, not upon *shariah*.”<sup>127</sup>

One of the valid sources of revenue al-Ghazali mentions pertains to property and assets without heirs, whose owners could not be traced, and those *awqaf* (charitable endowments or trusts) with no caretakers. As for *zakah* and *sadaqat*, al-Ghazali points out that they were not to be found during his time. There are many other kinds of taxes collected from Muslims, including confiscation of property and bribery -- all invalid sources of revenue, according to al-Ghazali. Indeed, al-Ghazali declares, "the state finance in our time, the whole or most of it, is based on illegitimate (*haram*) sources. Why so? The valid sources like *zakah*, *sadaqat*, *fai*, and *ghanimah* are non-existent. *Jizyah* is found but collected with so many illegal methods. Apart from these, there are different kinds of taxes on Muslims; there are confiscations of their properties, briberies, and all kinds of injustices."<sup>128</sup>

The incomes to be received from the non-Muslims are *ghanimah*, *fai'*, *jizyah*, and tributes or *amwal al masalih*.<sup>129</sup> Whereas *ghanimah*, or "spoils of war", is property confiscated from the enemy after or during a declared war, *fai'* refers to possessions acquired without actual warfare. *Jizyah* (or poll tax) is collected from non-Muslim subjects (*dhimmi*s) in return for two distinct benefits extended to them by the Islamic state: exemption from defense duties and protection of their rights as citizens.

## ii) Imposition of Additional Taxes:

As indicated, al-Ghazali is critical of the types of taxes that were levied during his time, for they did not comply with *shariah*. Further, he supports the principle of imposing additional (extra-*shariah*) taxes, beyond those explicitly authorized by the *shariah*, under certain conditions. It might be pointed out that this position on the part of al-Ghazali, as well as some other prominent Islamic scholars, has been the subject of considerable controversy.

Whether additional taxes can be imposed in the interests of public welfare, according to al-Ghazali, depends upon whether there are sufficient resources available in the public exchequer from *shariah*-mandated levies for the defense and security of the state. However, if that is not the case, then "extra-*shariah*" taxes may be levied. He further states that if the Islamic society is threatened by the infiltration of infidels or other incongruous elements who would create disharmony in the state, the ruler has the right to impose additional taxes to face such situations. Beyond these stipulations, al-Ghazali suggests considerable flexibility. He states that if the ruler believes that the greater good of the society can be served by spending the proceeds of taxation, then he has the authority and discretion to levy new taxes, though he must at all times be guided by the general principles of *shariah*. He says, "What people will pay in taxes will mean less of a loss to them than the possible risk to their lives and property in case the Islamic state lacks the power to guarantee the proper functioning of the state. This position can be supported by other acceptable *shariah* principles, such as a guardian of an orphan spending part of the orphan's resources to enhance the orphan's properties or to provide medicines for his sickness so that greater future losses are avoided."<sup>130</sup> Here, indeed, is

an early formulation of what contemporary literature on public policy refers to as benefit-cost analysis.

Thus, while al-Ghazali allows the imposition of new taxes, there are two guiding principles evident from his discussion:

- (a) For defense of the Islamic state -- i.e., when there is a deficiency of resources in the state treasury and the security and survival of the state may be at stake. Thus, taxes may be imposed to avoid and minimize the threat to the state. Al-Ghazali talks in terms of a principle such that "greater loss could be avoided by facing a smaller one" -- that is, greater loss to the Islamic state is to be avoided by incurring smaller costs (taxes).
- (b) Another principle that is suggested here is by al-Ghazali's analogy of protecting and/or improving the property of the orphan. The state as the guardian and protector of the society may impose new taxes which will enhance the society's overall well-being. Thus, it would seem, al-Ghazali provides considerable *maslahah*-based flexibility with respect to new taxes and the uses to which the proceeds may be put.

It is appropriate to mention that while discussing the subject of taxation, al-Ghazali sheds some light, though rather scantily, on such current concerns on this subject as the administration and enforcement of taxation, as well as the method of apportioning tax burdens among the subjects. For example, al-Ghazali is critical of the rulers when he points out the "ruler's personal responsibility for extortion by his revenue officials which was apparently very bad in Seljuq times."<sup>131</sup> Elsewhere, al-Ghazali admonishes the rulers, ". . . no king should ever tolerate extortion from the subjects by any revenue officer."<sup>132</sup> And, he further adds, "The king must look after the world as he would look after his own house, so that the world may prosper and be developed. What he takes (from the subjects), he must take in moderation, and what he gives must give in moderation; for each of these things has its limits and its measures. . . ."<sup>133</sup>

And, al-Ghazali clearly is aware of both the benefits -- as well as ability-to-pay principles of apportioning tax burdens, as the terms are used in contemporary literature. He is aware of the *quid pro quo* basis of some taxes when he discusses the benefits-related levy of *jizyah* on non-Muslims. However, as a general principle of just taxation, al-Ghazali advocates the ability-to-pay concept; indeed, based on this concept, he suggests a highly progressive tax system.

Thus, according to al-Ghazali:<sup>134</sup>

" . . . when they (rulers) demand sums of money from the subjects for the well-being of the empire, they must demand them only at the proper seasons and times; they must know the usages and fix (tax) burdens in accordance with capacity and ability (to pay). They must be crane-slayers, not sparrow-slayers, at the hunt'; that is to say, they must take nothing from the poor; they must not covet the belonging and estates of deceased persons when there are heirs, but must shun such greed, as

it is inauspicious; they must keep the hearts of the subjects and officials happy by granting them benefits and satisfying their petitions . . . .”

**iii) Public Borrowing:**

Al-Ghazali is among the very few scholars of his age -- Muslim or any other -- who talked about the possibility of state borrowing as a source of revenue, in addition to taxes and other levies. His discussion is relatively brief, however. He states, “One cannot deny permission to the ruler to borrow from the people when the needs of the state so require. However, the question is: if the ruler does not anticipate revenues in the public treasury which would exceed what is needed for the armies and other public officials, then on what basis can the funds be borrowed?”<sup>135</sup>

Thus, it appears al-Ghazali would allow public borrowing as long as it is possible to ensure repayments from future revenue flows, and in terms of the contemporary interpretations, this may well be inferred to mean that public borrowing may be permitted provided such an act of the state is justified by the existing and anticipated economic conditions.

**iv) Public Expenditure:**

As with sources of revenue prevalent during his time, al-Ghazali is also highly critical of the manner as well as areas of state expenditures. The following statement seems quite representative of his views in this regard:<sup>136</sup>

“At this time, the sultans (rulers) do not reward the deserving people, but those who they think could be utilized to safeguard their own interests, make their courts decorated with them, and who could be used to praise them and give their appreciation in their presence as well as their absence . . . .”

The areas of public expenditures suggested by al-Ghazali are rather broad and flexible: establishment of justice, security of the state, and development of a prosperous society.<sup>137</sup> One almost infers from his writings this to be the priority ranking as far as state functions are concerned. Concerning justice, al-Ghazali warns the rulers, . . . . where injustice and oppression are present, the people have no foothold; the cities and localities go to ruin . . . . the kingdom falls into decay, the revenue diminishes, the treasury becomes empty, and happiness fades among the people . . . .”<sup>138</sup> As for the need for a secure, peaceful, and stable environment, al-Ghazali declares, “Whenever sultans (rulers) rule oppressively, insecurity appears; and however much prosperity there may be, this will not suit the subjects if accompanied by insecurity. However, little prosperity there may be, this will not displease them if accompanied by security;

on the contrary, it will suit them well . . . . Now the security of the world depends on the discipline maintained by the Sultan.”<sup>139</sup>

While al-Ghazali discusses the concept of justice from several dimensions, in the present context, his focus is mainly on distributive justice. Thus, he emphasizes that for justice to prevail, the state must remove poverty and distress in the society, and if necessary, public expenditures should be undertaken for this purpose. Further, “When the sultan’s subjects fall into penury or suffer distress, it is his duty to come to their aid, especially in times of drought or when they are incapable of earning their livelihood (on account of high prices). The king must (then) provide the subjects with food and extend financial assistance from the public treasury, and take good care to stop his officials from oppressing the subjects; for in that case, the people would become impoverished and quit the territory, the royal revenues would be shattered, profit would accrue to hoarders, and the Sultan would (earn) curses and a bad name. It was for this reason that the Sultans of old practised the utmost frugality in such situations, and were accordingly able to grant aid from their treasures to the subjects.”<sup>140</sup>

Al-Ghazali also states what is generally recognized by Islamic scholars that certain areas of public expenditures be directly linked to the sources of revenue; indeed, there are specific guidelines in this context from the Holy Qur’an and the Sunnah. For example, such is the case concerning revenue from *zakah*, and four-fifth of the *ghanimah* (spoils of war). However, revenues such as one-fifth of *ghanimah*, *fai’*, *jizyah*, *kharaj* and other miscellaneous sources may be employed for the general welfare of the society. With respect to *ghanimah*, a verse in the Holy Qur’an (8:41) provides such latitude: “Whatever spoils fall into your hands, one-fifth thereof is for God, the Prophet, his relations, the orphans, the poor, and the wayfarers.”

Further, al-Ghazali states his position on matters of expenditures as follows:<sup>141</sup>

“Let us consider welfare revenue such as four-fifths of *fai’*, and heirless property only. If revenue is from *waqf* (charitable endowments), *zakh* or one-fifth of *ghanimah* or *fai’*, then the beneficiaries are known and fixed. If a property belongs to the sultan, he has the right to give the benefits to anyone in any amount. However, as for the general welfare revenue and property without known owners, these revenues should not be spent except for the general benefit of the community or for those who are needy and cannot earn a livelihood. A rich man with no general benefit should not receive anything from the public treasury. This is the correct stand, although some experts differ with it. One of the sayings of Umar b. Khattab mentions that every Muslim has a right to the public treasury. But, his policy was not to distribute public revenues without a certain criteria. Further, every person who is performing a certain duty for the benefits of Muslims has the right to an adequate income from the state, and if he is also engaged in earning his livelihood, or he has inadequate income, then the performance of his duty will be hurt.”

The foregoing quotation makes it clear that there is considerable scope and latitude as to the areas of public expenditures and the main criteria is the general welfare (*maslahah*) of the community. Elsewhere, al-Ghazali also included among the potential beneficiaries of the public treasury such groups as the 'ulama, students, public officials, military personnel, and even physicians.<sup>142</sup> In other words, public expenditures may be incurred on functions such as education, maintenance of general law and order (or public administration), defense, and health-care. Further, al-Ghazali suggests expenditures may be undertaken to build social and economic infrastructure for prompting development and prosperity of the state; he says, "fai' revenue meant for the welfare of Muslims should be spent on construction of bridges, mosques, public shelters, roads leading to Makkah, and other similar activities whose benefits are shared by all Muslims."<sup>143</sup>

Al-Ghazali is also keenly aware of the need for honesty and efficiency in the affairs of the public sector. He says the public treasury is a trust in the hands of the ruler and the ruler must maintain utmost care in fulfilling this trust. He must not be extravagant in the use of public funds. Arguments such as these are further emphasized by al-Ghazali with frequent citations of Prophet's (PBUH) sayings, other anecdotes and analogies, and episodes from the days of the Caliphs and even poetry.<sup>144</sup>

It should be added, however, that in a chapter entitled "*On Magnanimity in Kings*," in his *Book of Counsel for Kings*, al-Ghazali recommends, by way of quoting several supportive anecdotes magnanimity on the part of the kings in terms of financial generosity, he almost insists that this be done on a lavish scale. Since the means for such extravagance must presumably come from the public treasury, this advice seems inconsistent with the high praise, given elsewhere in this and other volumes, to those rulers and Caliphs who lived modestly and practiced frugality in the use of public funds. Perhaps, al-Ghazali expects such magnanimity on the part of kings from their private resources; perhaps he means to compensate for his numerous admonitions to the kings who "indulged in passions" and "tolerated extortions and bribery". Regardless, he ends this chapter with a gentle warning against magnanimity which is unaccompanied by adequate means: "The most praiseworthy course is that a man should not let his magnanimity outstrip his capacity and strength; for (if he does) he will live in constant worry."<sup>145</sup>

## VI. CONCLUDING REMARKS

In the preceding pages we have discussed in some details the contributions to the discipline of economics by Imam Abu Hamid al-Ghazali, as discernable from a rather thorough survey and scrutiny of the original works of this pre-eminent Arab-Islamic scholar. Writing several centuries before the well-known European classical economists, al-Ghazali was the product of an era when man, not matter, was the measure of all things and mundane concerns such as earning a living or the idea of profits and wealth-accumulation were viewed as some-how secondary, although Islamically-valid pursuits, in the overall social scheme of things. All human activities were to be judged against the ultimate goal of ensuring the salvation of one's soul in the Hereafter. Clearly, no scholar of that age, Islamic or non-Islamic, wrote any discourses specifically focusing on a "compartmentalized" segment of human affairs, be it economics, politics, or whatever; doing so would have simply not "fitted" the tempo of life during those times.

Al-Ghazali was a scholar in the truest sense of the word, having assimilated and absorbed much of the then available knowledge. As with numerous other Islamic scholars, al-Ghazali's works, including his economic thought, are not only thoroughly immersed in Islamic philosophy, but also flow from it. In this respect, al-Ghazali is very much in company with such Christian scholars of medieval Europe, as St. Thomas Aquinas (1225-1274 AD), Albertus Magnus (d. 1280 AD), and others, whose own writings, as influenced by Arab-Islamic scholars such as al-Farabi (d. 339 HJ/ 950 AD), al-Ghazali, as well as the Greek philosophers, extended to all facets of human affairs but within the framework of Christian view of human salvation.

As pointed out earlier, al-Ghazali clearly defines a *shariah*-mandated, Islamic social welfare function, with specific objectives (protection and preservation of *din*, *nafs*, *nasl*, *mal* and *'aql*) and guidelines as to 'prioritizing' of individual and social needs (necessities, comforts and luxuries), the latter to be interpreted in a broad sense such as to include material and non-material aspects of life.<sup>146</sup>

More specifically, inasmuch as economic activities are concerned, al-Ghazali has a rather clear understanding of the voluntary, market-oriented transactions that emerge among freely-acting individuals, guided by mutual necessity and private gain, but within the Islamic code of ethics and values. Further, while warning against worldly evils, al-Ghazali clearly acknowledges -- nay, encouraged -- the need for economic pursuits, both private and public. Indeed, he accords such activities an aura of piety and nobility by his constant reminders as to their *shariah*-mandated, Islamic validity.

However, he concludes that men should strike a happy balance regarding this world -- neither as an ordeal only, nor as the ultimate joy, but as a necessary stage on the journey toward salvation. While al-Ghazali does not specifically talk in terms of modern-day concepts of demand and supply, he has a pretty good notion of how these forces interact in influencing market prices and profits; and, in general, how markets and trading centers evolve. It is fair to say, however, that one can find more lucid and analytically superior discussions on these topics in such other Arab-Islamic scholars as Ibn Taimiyah (1263- 1328 AD), and Ibn Khaldun (1332-1404). Ibn Taimiyah, for example, while aware of the market forces of demand and supply in determining prices, points out the possibilities of market imperfections which could lead to unjust practices on the part of suppliers; under these circumstances he would recommend state intervention to promote the common good.<sup>147</sup> Further, Ibn Khaldun even recognizes taxation as a source of increased production costs, and therefore, higher prices.<sup>148</sup> It should be remembered, however, that al-Ghazali lived long before Ibn Taimiyah and Ibn Khaldun. Thus, his analysis is somewhat limited in these respects. While he was keenly aware of the “low world” of human tendencies (or “destructive tendencies”), he also had enormous faith in the possibility that businessmen and traders will be guided in their behavior by the Islamic moral and ethical values; indeed, he suggests a code of conduct for such market participants.

In discussing production behavior, while there is no analysis in terms of contemporary efficiency-oriented input-output combinations, al-Ghazali provides a hierarchy of industries in terms of the four-fold classification (including a major role for the public sector) -- all of these as part of the *shariah*-mandated socially obligatory duties (*fard kifayah*). This classification complements and strengthens al-Ghazali's aforementioned social-welfare function, which defines a hierarchy of individual and social needs, including consumption needs in economic terms.

Al-Ghazali also not only explicitly talks of the need and advantages of specialization and division of labor, but he seems to be aware of the human problems that can arise due to “excessive” specialization and division of labor. Thus, he emphasizes a major role for the spirit of cooperation in production activities. Al-Ghazali insists that the undertaking of these industries is a socially obligatory duty of all -- a religious “calling,” aside from any personal material gains that accrue from such activities.

While al-Ghazali hopes and assumes that such activities would be voluntarily undertaken and thus, *maslahah*, or social welfare, will be promoted, he fails to suggest any measures in case these industries do not develop to the extent that is consistent with the needs of the society. It was Ibn Taimiyah who later suggested that such a possibility would warrant state intervention so that various industries are developed and sufficient quantities of the products and services are available to the society as part of the *fard kifayah* -- which, of course, extends to the state rulers also.<sup>149</sup>

Al-Ghazali provides a very clear and succinct discussion of the functioning and problems of a barter economy, as well as the evolution of money and monetary exchange. One can almost assert that no other scholar anywhere upto that time had provided as lucid an exposition of this topic in economics as did al-Ghazali; certainly in terms of its broad content and analysis, it is about similar to what one finds in a typical contemporary textbook. Al-Ghazali recognizes the problems of “indivisibility” and “double coincidence of wants” under barter, and how the emergence and invention of money mitigates these “exchange” problems. He clearly identifies and elaborates the various functions of money, almost in the manner of most current texts on the subject.

In the true Islamic spirit, as with other Islamic scholars of the time and most Islamic scholars of the present, al-Ghazali condemns hoarding of money and payment of usury, for both such actions cause money (gold and silver coins) to deviate from the key functions of money for which, according to al-Ghazali and others, God Almighty created money – i.e., to serve as a measure of value and to facilitate exchange of goods and things. Of course, his Greek predecessors and subsequent medieval Christian scholastics professed identical views on these issues. While the problems of barter are not as lucidly discussed by Ibn Taimiyah, Ibn al Qayyim, and Ibn Khaldun, these scholars did indeed discuss some of the functions of money in more or less the same fashion as did al-Ghazali.

Al-Ghazali also discusses the problem of counterfeiting and debasement of money, he condemns both. While presenting his arguments, he provides an early version of what later became known as the “Gresham’s Law.” Further, it may be noted that al-Ghazali provided the basis of contemporary “token” money when he argued that money should be accepted in transactions whatever the metallic content, as determined by the rulers; i.e., if money is declared as money, regardless of its intrinsic value, it should be freely accepted to circulate and to facilitate exchange.

Al-Ghazali wrote a special treatise on the role of the state and the functions of the rulers, entitled *Book of Counsel for Kings (Nasihah al Muluk)*. In this volume and elsewhere, he provides considerable discussion on the subject of public finance as well -- sources of revenue, including public borrowing, and areas of public functions and expenditures. While numerous contemporaries of al-Ghazali wrote on public finances, his discourse clearly is most elaborate. He distinguishes between *shariah* as well as “extra-*shariah*” sources of revenues, and he is bold enough to condemn the prevalent “anti-*shariah*” levies. Further, while he would want to implement *shariah*-mandated levies, he allows additional taxes under certain conditions, chief among them being the need for *maslahah*, or social welfare of the community. Moreover, al-Ghazali recognizes and advocates the well-known “ability-to-pay” principle of taxation; he is also aware of the “benefits-received” principle when there is mention of levies-upon non-Muslims. Indeed, al-Ghazali is also concerned about tax administration and compliance when he criticizes malpractices of tax-collectors. Al-Ghazali allows for the

possibility of public borrowing under rare circumstances (such as security and survival of the Islamic society), although he would want to ensure appropriate means of future repayment. In this respect, he is ascribing to the views of an earlier Islamic scholar, Qadi Abu Yala al Farra (d. 1066 AD), which were also endorsed subsequently by Ibn Taimiyah.<sup>150</sup>

Historically speaking, al-Ghazali is among the rare scholars -- Islamic or any other - whose discussion on matters relating to the public treasury are symmetrical: he focuses both on public revenues as well as public expenditures. He identifies various areas of public expenditures, not simply in terms of *maslahah*, or *fard kifayah*, but explicitly in terms of developing the society's socio-economic infrastructure (bridges, canals, etc.) for promoting development. And, he is keenly concerned about the need for economy and efficiency in the use of public funds. Indeed, given his hierarchy of society's needs, al-Ghazali suggests a method of prioritizing the use of public funds, based on a framework for analysis and evaluation of public projects in an Islamic society.

In concluding this study, it is eminently fair to state that al-Ghazali, perhaps more than any other Islamic scholar of the era, provided a rather clear understanding of the operation of a voluntary-exchange economic system, as well as the foundations of numerous economic concepts which one finds in contemporary textbooks. Al-Ghazali's scholarship, as that of many other Islamic philosophers, contributed immeasurably to Europe's "Age of Reason," a fact that is often ignored, or only hesitatingly acknowledged in Western circles. Perhaps it is appropriate in this context to quote W. Montgomery Watt again. Referring to Islamic scholars such as al-Ghazali, al-Farabi, Ibn Sina, and others, he states:<sup>151</sup>

"Though the part they played in stimulating the medieval Christian scholastics is acknowledged, the contributions of these men to the intellectual progress of mankind as whole has not yet been fully appreciated."

Abu Hamid al-Ghazali is truly among the most prominent pioneers in economic thought. While he built on the inherited knowledge available to him, within the framework of the Islamic ethos to be sure, al-Ghazali left behind a rich legacy of economic thought upon which, through the transference of his original and translated manuscripts, and those of others, to medieval Europe much more could be built upon that structure. Undoubtedly, this has been the case in many areas of human endeavors, including economics.

Seen in this context the legacy of al-Ghazali seems to be of a special significance for the newly emerging discipline of Islamic economics. His emphasis on the correct Islamic motivation on part of all economic agents, especially the businessmen and the fact that he looks at a large number of vocations, trades and industries not as mere

means of promoting private gains on part of those engaged in them but as ‘socially obligatory duties (*furud kifayah*) may be one of the many insights provided by al-Ghazali that could help put this new discipline on the right track in contradiction to conventional economics.

## VII. NOTES AND REFERENCES

1. See, for example, Montgomery Watt. *Muslim Intellectual: A Study of Al-Ghazali*; Edinburgh University Press, Edinburgh, 1963. p. vii.; Watt, *Faith and Practice of Al-Ghazali*, George Allen and Unwin Ltd., London, 1953; M. Abdul Quasam, *The Ethics of Al-Ghazali: A Composite Ethics in Islam*, Universiti Kebangsaan Malaysia, Petaling Jaya, Selangor, Malaysia, 1975; Mohamed Ahmed Sharif, *Ghazali's Theory of Virtue*, State University of New York Press, Albany, N.Y., 1975; Fadlou Shehada, *Ghazali's Unique Knowable God*, E.J Brill, Leiden, Netherlands, 1964; William Makane, *Al-Ghazali's Book of Fear and Hope*, E.J. Brill, Leiden, Netherlands, 1965; Nabih Amin Faris, *The Boox of Knowledge*, Sh. Mohammad Sharif, Lahore, Pakistan, 1962; M. Umaruddin, *The Ethical Philosophy of Al-Ghazali*, Aligarh Muslim University, Aligarh, June 1962.
2. There is a Ph.D. dissertation in Turkish entitled: *Ghazali'nin iktisat felsefesi* (Economic Philosophy of al-Ghazali) by Orman, Sabri (Istanbul 1984) It is based on *Ihya Ulum al Din* and not all the works of al-Ghazali.
3. Joseph A. Schumpeter, *History of Economic Analysis*, Oxford University Press, N.Y., 1954, p. 74.
4. Pierce Butler, "Fifteenth Century Editions of Arabic Authors in Latin Translation," in the *McDonald Research Volume*, Books for Libraries Press, Inc., Freeport, N.Y., 1933, p. 63.
5. Karl Pribram, *A History of Economic Reasoning*, The Johns Hopkins Press, Baltimore, n.d., 1983, p. 21.
6. For detailed biography one can refer to the following sources: Ibn Khallikan - *Wafiyat al A'yan*, ed. by Abbas, I. Beirut, Dar Sadir, n.d. vol. 4, pp. 216-19, Biography No. 588.  
  
Al-Asam, Abd al Amir, *al Failasuf al Ghazali*, pp. 27-47, Beirut, Dar al Undulus, 1981, 2nd print.
7. Watt, *Faith and Practice* . . . .p . 13.
8. Anas Zarqa, "Islamic Economics: An Approach to Human Welfare," in Khurshid Ahmed (Editor), *Studies in Islamic Economics*, The Islamic Foundation, Leicester, U.K., 1980; p. 13.

9. Ibid.
10. Al-Ghazali, *al Mustasfa min 'Ilm al Usul*, al-Matbah al Amiriyah, Bulaque, 1322 H; Vol. I, pp. 286-87.
11. Ibid, pp. 310-11.
12. Al-Ghazali, *Ihya Ulum al Din*, Darul Nadwah, n.d., Beirut, Vol. 2, p. 109.
13. Al-Ghazali, *Mizan al 'Amal*; Sulaiman Dunya (Editor), Dar al Ma'arif, Cairo, Egypt, 1964; p. 383.
14. Zarqa, p. 14.
15. Ibid.
16. See Zarqa for more details, pp. 13-17.
17. *Ihya*, Vol. 2, p. 60.
18. Ibid.
19. Ibid.
20. Ibid., p. 32.
21. Ibid., p. 83.
22. Ibid., p. 249; Ibid., Vol. 3, p. 236; *Mizan al Amal*, p. 377.
23. Ibid., Vol. 2, pp. 63, 269.
24. Ibid., p. 108.
25. Ibid., p. 109.
26. Al-Ghazali, *al Arba'in fi Usul al Din*, Maktabah al Tijariyah, n.d., Cairo, Egypt, pp. 128-30. Keeping in mind the prevailing economic condition, al-Ghaazali calculated the *kifayah*, but in doing so he approached near to the subsistence level of living. But he left some scope for disagreement.
27. Ibid., p. 129.
28. *Ihya*, Vol. 2, p. 63.
29. *Ihya*, Vol. 4, p. 230.
30. *Mizan*, p. 377.

31. Ibid., p. 378.
32. *Ihya*, Vol. 3, p. 290.
33. Ibid. This is reminiscent of a *hadith*, “If a man had a vast stretch of land full of wealth, he would have desired a second one; and if he had the second, he would have desired a third one. The stomach of the sons of Adam cannot be filled but with soil.”
34. Ibid., p. 280.
35. *Ihya*, Vol. 2, p. 108.
36. Ibid., p. 173.
37. Ibid., p. 174.
38. Ibid., p. 341.
39. Ibid.
40. Ibid., pp.341-42.
41. Ibid., Vol. 4, pp. 91-92.
42. *Mizan*, p. 284.
43. *Ihya*, Vol. 3, p. 259.
44. Ibid., p. 260.
45. Ibid., Vol. 2, p. 60.
46. Ibid., Vol. 3, p. 265.
47. Ibid.
48. Ibid., Vol. 4, p. 267.
49. Ibid., p. 269.
50. *Ihya*, Vol. 4, p. 265.
51. *Ihya*, Vol. 3, pp. 234-35, 263.
52. Ibid., p. 234; *Ihya*, Vol. 4, p. 101, *Mizan*, p. 296.
53. *Ihya*, Vol. 3, pp. 51, 231.

- 54. Ibid., p. 263.
- 55. Ibid., Vol., 4, p. 95; Vol. 2, p. 64.
- 56. *Mizan*, p. 383.
- 57. Ibid., p. 296.
- 58. *Ihya*, Vol. 3, p. 227.

It might be noted that this insightful analysis of the markets by al-Ghazali precedes what so many European classical economists said in their discourses during the 17-19th centuries, especially Adam Smith. It is especially interesting to note that the “farmer-carpenter” example here is analogous to the famous “butcher-baker” illustration of Adam Smith. While discussing the self-interest motivated” behavior, Smith says, “It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own self-interest.” (*Wealth of Nations*, Modern Library, New York, 1965, p. 14).

- 59. Ibid.
- 60. Ibid.
- 61. Ibid., Vol. 3, 3. 87.
- 62. Ibid., Vol. 2, pp. 72-73.
- 63. Ibid., Vol. 4, p. 118.
- 64. Ibid., Vol. 2, p. 79.
- 65. Ibid., p. 80.
- 66. Ibid.
- 67. Ibid., pp. 75, 76, 84.
- 68. Ibid., p. 85.
- 69. Ibid., p. 73.
- 70. Perhaps based on such reasoning, some Islamic scholars have viewed as undesirable the profession of those giving bath to the dead, for these people might pray for others’ death and also exploit them. For example, see Ibn Taimiyah, *al Ikhtiyarat al Fiqhiyah*, Dar al Marifah, Beirut, n.d., p. 156.
- 71. *Ihya Ulum al Din* , Vol. 2, p. 73.

72. Ibid.
73. Ibid.
74. Ibid., p. 75
75. Ibid.
76. Ibid.
77. Ibid., p. 77.
78. Ibid., p. 78.
79. Ibid., p. 72.
80. Ibid., p. 79.
81. Ibid., pp. 79-82.
82. Ibid., pp. 83-87
83. Ibid., p. 61.
84. Ibid., p. 83.
85. Ibid., Vol. 3, p. 225.
86. Ibid., Vol. 1, pp. 12-13; 16; Mizan, pp. 328-29.
87. *Ihya*, Vol. 2, p. 83; Mizan, p. 360.
88. It is interesting to note that al-Ghazali is talking precisely in terms of what during the post-reformation period of Europe came to be known as “religious calling” . . . reference being to pursuit of private profits ax consistent with religious faith.
89. *Ihya*, Vol. 4, p. 120.
90. Ibid.
91. Ibid., p. 118.
92. Ibid., p. 119.
93. Ibid., Vol. 3, p. 226, Vol. 1, p. 55.
94. Ibid., Vol. 2, p. 31.

95. Ibid., Vol. 1, p. 55.
96. Ibid., Vol. 3, pp. 190-191.
97. Ibid., Vol. 2, p. 51.
98. Ibid., p. 52.
99. According to Geoffrey Crowther, "Money is one of the most fundamental of all man's inventions. Every branch of knowledge has its fundamental discovery . . . In economics, in the whole commercial side of man's social existence money is the essential invention on which all the rest is based." See his *An Outline of Money*, Nelson, London, revised edition, 1967; p. 4.
100. *Ihya*, Vol. 4, p. 91.
101. Ibid.
102. Ibid.
103. Ibid, Vol. 3, pp. 169, 279; Vol. 4, p. 91.
104. Ibid., Vol. 4, pp. 91-92.
105. Analyses of these types by scholars such as al-Ghazali led to what later became known as Gresham's law, named after Sir Thomas Gresham (1519-1579 AD), who was a successful banker and merchant, accumulated a great fortune, and endowed Gresham's College in London. Further, it seems erroneous on the part of Karl Pribram to suggest that Nicole Oresme (1320 -1382), Bishop Lisieux, "demonstrated, long before Sir Thomas Gresham, that good coinage was driven out of circulation by bad" (Pribram p. 24). Others had laid the foundations much earlier.
106. *Ihya*, Vol. 2, p. 73.
107. Ibid., pp. 73-74.
108. Ibid., p. 74.
109. This prohibition follows from several traditions which report the Prophet (PBUH) as having said, "Gold for gold, silver for silver, wheat for wheat, barley for barley, date for date, and salt for salt be exchanged the same thing for the same thing, in equal quantity and hand to hand. One who demanded extra had indulged in interest." The tradition further reports ". . . when these kinds differ, then sell them as you like (with the difference of quantity) provided that it is hand to hand (i.e. transfer of ownership is simultaneous). "Muslim, Abul Hasan Muslim b. Hajjaj al Qushairi, *Sahih Muslim*, Maktabah M. Ali Sabih wa Auladuhu, Bab al Sarf, Cairo, Egypt, n.d. Part 2, p. 44.

110. *Ihya*, Vol. 4, p. 192.
111. *Ibid.*, pp. 192-193.
112. *Ibid.*, Vol. 1, p. 17; Vol. 2, p. 140, al-Ghazali, *Counsel for Kings*, p. 59, tr. by Bagley, F.R.C. London, Oxford University Press, 1964, Mizan, p. 297.
113. *Ihya*, Vol. 4, p. 119; also Vol. 1, p. 55.
114. *Ibid.*, Vol. 1, p. 13.
115. *Counsel*, p. 55.
116. *Ibid.*, p. 56.
117. *Ibid.*
118. *Ihya*, Vol. 3, p. 226.
119. While there were others, who had similarly emphasized the role and functions of the state, al-Ghazali discussed them specifically as conditions of economic development and prosperity. Al-Ghazali emphasizes the “protective” function of the state, referring to defense from within and without, as well as the “judicial” function for the enforcement of laws and settlement of claims, and the maintenance of peace and stability. Similar views were articulated by Adam Smith seven centuries later, as the “justifiable,” essential functions of the state in a *laissez faire*, free-market economy. See Adam Smith, *The Wealth of Nations*, Modern Library Edition, 1937 (originally published - 1776); Book V, pp. 653-767.
120. *Ihya*, Vol. 2, pp. 312-38.
121. *Ibid.*, p. 338.
122. *Counsel*, p. 13.
123. *Ibid.*, pp. 14-31.
124. *Ibid.*, p. 93.
125. *Ibid.*, pp. 79-80.
126. *Ibid.*, p. xliii.
127. *Ibid.*
128. *Ihya*, Vol. 2, p. 139.

129. Ibid., p. 135.
130. *al Mustasfa*, pp. 303-304.
131. *Counsel*, p. xliv.
132. Ibid., p. 80.
133. Ibid., p. 81.
134. Ibid., p. 112.
135. Al-Ghazali, *Shifa al-Ghalil*, Al-Irshad Press, Baghdad, 1971; p. 241.
136. *Ihya*, Vol. 2, p. 139.
137. *Counsel*, pp. 56, 76, 81.
138. Ibid., p. 56.
139. Ibid., p. 76.
140. Ibid., pp. 101-102.
141. *Ihya*, Vol. 2, pp. 139-40.
142. Ibid., p. 140.
143. Ibid., p. 130.
144. *Counsel*, pp. 66-70.
145. Ibid., p. 133.
146. Alfred Marshall talks of 'necessities, luxuries' in his 1890 publication -- something al-Ghazali mentioned in the 11-12th century. See Alfred Marshall, *Principles of Economics* (8th edition), Macmillan & Co., Ltd., London, 1962 (originally 1890), pp. 57 and 88-89.
147. For a detailed analysis of Ibn Taimiyah's views in this regard, see A.A. Islahi, *Economic Aspects of Ibn Taimiyah*, Islamic Foundation, Leicester, 1988. pp. 88-102. Also see Islahi, "Ibn Taimiyah's Concept of Market Mechanism," *Journal of Research in Islamic Economics*, Vol. 2, No. 2, Winter 1405 / 1985; pp. 55-56.
148. Ibn Khaldun, *Muqaddimah*, Dar al Fikr, Beirut, n.d. p. 314.
149. Islahi, A.A. *Economic Concepts of Ibn Taimiyah*, pp. 184-86.

150. Abu Yala, *Al Ahkam al Sultaniyah*, Mustafa Babi al Halabi Egypt, 1966, p. 2530; Ibn Taimiya, *Majmu Fatawa Shaikh al Islam ibn Taimiyah*, Vol. 30, pp. 347-48, al-Riyad Press, Riyadh, 1381 H.
151. Watt, *Faith and Practice*, p. 184-86.

## APPENDIX

### SOME IMPORTANT ARABIC QUOTATIONS OF AL-GHAZALI

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