

THE RELATIONSHIP BETWEEN IBN KHALDUN AND ADAM SMITH (*)

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Introduction :

Economics is a modern science. Before 1776 most of the economic ideas were mixed with either philosophy or politics. A good example is the work of Ibn Khaldun. His economic ideas were mixed with either ethics or politics. As an example, when he discussed the empirical labor theory of value, he mixed it with the ethics of labor. Charles Issawi remarked that « Ibn Khaldun's remarks on economic theory deserve attention. »¹

In this paper I will discuss some of Khaldun's ideas compared with those of Adam Smith, who is called the father of political economy.² There is much economic literature before the time of Smith, but where it was not utopian or statistical, it was partial and usually little more than a party pamphlet for or against a particular economic policy.³

Ibn Khaldun's economic ideas came from his philosophy of history. He studies the nature and development of society, with a view to providing the historian with a criterion by which he can judge recorded events and changes.⁴

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(1) Charles Issawi, *An Arab Philosophy of History*, London: John Murray, 1950, p.15.

(2) C. R. Fay, *Great Britain from Adam Smith to present Day*, London : Longman's, 1950, p. 5.

(3) *Ibid.*

(4) Issawi, p. 7.

Adam Smith's economic ideas are in a moral philosophy.

I will try to discuss these ideas of Ibn Khaldun, who preceded Adam Smith, and compare the two thinkers. I will discuss the labor theory of value, the division of labor, and the stages of economic progress.

Labor Theory of Value :

In this part I will discuss Ibn Khaldun's ideas about labor and value. According to Ibn Khaldun, labor is a source of value. His ideas about this subject are mixed with those of ethics of labor. Let us quote from Charles Issawi in his book *An Arab Philosophy of History* :

Even his theory of value is not devoid of interest. He understands, though not very clearly, the influence of supply and demand factors on prices, including wages : he states that the value of a commodity is mainly derived from the labor embodied in it, he realizes that prices are interdependent, so that a rise or a fall in the price of one commodity tends to communicate itself to others.⁵

According to Ibn Khaldun labor is essential to every man because everyone wants to feed himself and so he will labor in order to provide himself with the necessities. It seems that he talks about the ethics of labor but indirectly he talks about the labor as a source of value. Ibn Khaldun stated :

Every man tries to get things, in this all men are alike. Thus whatever is obtained by one is denied by the other, unless he gives something in exchange [for it]. When [man] has control of himself and is beyond the stage of [his original] weakness, he strives to make a profit, so that he may spend what God gives him to obtain his needs and necessities through barter.

(5) Issawi, p. 16.

(6) Ibn Khaldun, *The Muqaddimah*, translated by Franz Rosenthal, Vol. II, New York : Bollingen Foundation, 1958, p. 311.

Therefore, one an individual possesses any thing, no other person may appropriate it, unless he gives an equal value of exchange for it. This profit or gain the individual has obtained comes from labor. Therefore Ibn Khaldun put human labor as a source of value. He said, « Without [human labor], no gain will be obtained, and there will be no useful [result].»⁷ Gain, therefore, can only come about by effort and labor. He gave the crafts as an example. The income which a man derives from the crafts is the value of his labor. In some crafts, the cost of the raw materials must be taken into account, for example the wood (in carpentry) and the yarn (in weaving) ; nevertheless, the value of the labor is greater because labor plays in these crafts the dominant part.⁸

Ibn Khaldun proceeds to discuss his theory of labor as a source of value in occupations other than crafts. In those occupations other than crafts the value of labor must be added to the produce because without labor there would have been no produce.⁹

It is clear that according to Ibn Khaldun labor is a source of value. He stated the importance of labor in the following quotation :

Cities with few inhabitants can be observed to offer little sustenance and profit, or none whatever, because little human labor is available. Likewise, in cities with a larger supply of labor the inhabitants enjoy more favorable conditions and have more luxuries.¹⁰

From all this we can say that Ibn Khaldun had realized the importance of human labor and considered it as a source value.

Issawi said of Ibn Khaldun's thoughts : « It is clear, then, that all or most incomes and profits represent the value of human labor.»¹¹

(7) *Ibid.*, p. 313.

(8) *Ibid.*

(9) *Ibid.*

(10) *Ibid.*, p. 314.

(11) Issawi, p. 72.

We noticed that Ibn Khaldun has realized the importance of human labor and considered it a source of value. What Ibn Khaldun discussed was the empirical labor theory of value.

Adam Smith said that labor is the measure of value. It seems to me that the theory of labor as a measure of value in Smith's view comes from his philosophy that the division of labor arises from a propensity in human nature to exchange. Let us quote some of Adam Smith's discussion regarding the labor theory of value.

According to Smith :

The value of any commodity, therefore, to the person who possesses it, and who means not to use or consume it himself, but to exchange it for other commodities, is equal to the quantity of labor which it enables him to purchase or command. Labor, therefore, is the real measure of exchangeable value of all commodities.¹²

From this we can see that Adam Smith talked about labor theory of value while Ibn Khaldun talked about the labor as a source of value.

In fact Ibn Khaldun did not state that labor is the measure of value, but he stated that money is the measure of value. "God created the two precious metals, gold and silver, to serve as the measure of value of all commodities."¹³

Smith stated that the real price of everything is the human labor. "What is bought with money or with goods is purchased by labour," Smith said, "as much as we acquire by the toil of our own body."¹⁴

It is clear from these quotations that Adam Smith is different from Ibn Khaldun. Ibn Khaldun, as we said above, stressed the labor as a *source* of value while Adam Smith looked at it as *the measure* of value.

Smith said directly that labor was the ultimate standard of value :

(12) Adam Smith, *Wealth of Nations*, New York : Modern Library, 1937, p. 22.

(13) Issawi, p. 77.

(14) Smith, p. 30.

Labour was the first price, the original purchase money that was paid for all things. It was not by gold or silver, but by labour, that all the wealth of the world was originally purchased ; and its value, to those who possess it, and who want to exchange it for some new productions, is precisely equal to the quantity of labour which it can enable them to purchase or command.⁵¹

In Chapter Four, Smith said that only in the earliest stages of society were commodities exchanged on the basis of the labor they had cost to produce. Therefore, in the rude state the quantity of labor is originally the only rule of value because labor would get all the national income and all the goods will be priced proportional to their labor only . But Adam Smith still thinks that labor is the only measure of value.

We can conclude that Ibn Khaldun and Smith think differently about labor and value. Ibn Khaldun realized that labor is a source of value and the money is the measure of value, while Smith stated that the labor is the only measure of value or the real price of the commodities and money is the nominal price.

The Division of Labor :

In this part of the paper we will discuss the division of labor as stated by Ibn Khaldun and Adam Smith. Although Ibn Khaldun recognized the effects of the division of labor, he did not state these directly. He stated it through co-operation. It seems to me that the division of labor as it is stated through co-operation reflects the philosophy of Ibn Khaldun. Ibn Khaldun in his philosophy tries to show that man's physical needs lead him necessarily to associate with others, and this will lead to the betterment of man. ¹⁶

We can go further in order to know how he states the division of

(15) *Ibid.*, pp. 30-31.

(16) Mishan Mahdi, *Ibn Khaldun's Philosophy of History*, Chicago : University of Chicago Press, 1957, p. 187.

labor through his philosophy. Since the individual cannot live alone, he has to co-operate with others to obtain his necessities. He did not use the phrase "division of labor" exactly but the meaning of his words is the division of labor as stated by Adam Smith.

Let us quote Ibn Khaldun's words :

All human beings must co-operate to that end of their civilization. But what is obtained through co-operation of a group of human beings satisfies the need of a number many times greater than themselves. For instance, no one, by himself, can obtain the share of the wheat he needs for food. But when six or ten persons, including carpenter to make the tools, and others who are in charge of the oxen, the plowing of the soil, the harvesting of the ripe for food. But when six or ten persons, including a smith and grain, and all the other agricultural activities undertaken to obtain their food and work toward that purpose either separately or collectively and thus obtain through their labor a certain amount of food, that amount will be food for a number of people many times their own. The combined labor produces more than the needs and necessities of the workers. If the labor of the inhabitants of a town or city is distributed in accordance with necessities and needs of those inhabitants, a minimum of that labor will suffice.¹⁷

He saw that in order for men to satisfy their needs, they have to come together, to specialize and produce the tools, perform the many tasks required for acquisition or production of food. Therefore, through the division of labor, they can satisfy needs which no individual can satisfy by himself ¹⁸. All the additional labor serves luxury and wealth, in contrast to the original labor that served the necessities of life. This is the division of labor in the view of Ibn Khaldun. It seems that his words about the division of labor are similar to those

(17) Khaldun, pp. 271-273.

(18) Mahdi, p. 188.

of Mandeville ¹⁹. He did not tell us how he used the division of labor and he did not use the phrase "the division of labor" directly, but it is the same thing as spoken of by Smith. The difference between the two is that Smith used the concept of division of labor more clearly and he gave good examples to prove the usefulness of the division of labor. The division of labor as Adam Smith stated it helps the worker to :

1. Increase his dexterity by concentration on fewer processes.
2. Specialization of labor brings a saving of time in changing from one process to another.
3. The division of labor encourages inventions and mechanization.

Adam Smith emphasized that the division of labor comes from the propensity to exchange which in turn is linked to self-interest ²⁰. It comes from his philosophy that division of labor is linked through the propensity to exchange with self-love. The division of labor, which is linked with self-love, is the only factor of economic progress ²¹. The increase in the division of labor means increase in invention, and as Rosenberg stated it :

It does this, first of all, by sharpening the attention of the workers and focusing it more forcefully than before upon a narrow range of processes. By narrowing down the range of the processes the worker is enabled to lavish greater care as well as curiosity upon his work ²².

Adam Smith, in Book Five of *Wealth of Nations*, stated that the division of labor makes the worker stupid and ignorant. Therefore, he recognized that there are some disadvantages in the division of labor.

The man whose work and whole life is spent in performing a few simple operations, of which the effects too, are perhaps

(19) Mandeville in footnotes of Adam Smith's *The Wealth of Nations*, p. 3.

(20) E. G. West, "Adam Smith's Views on the Division of Labor," *Economica*, February 1964, p. 24.

(21) Schumpeter, *History of Economic Analysis*, New York : Oxford Press, 1954, p. 187.

(22) Nathan Rosenberg, "Adam Smith on the Division of Labor : Two Views or One ? ", *Economica*, May 1965, p. 128.

always the same, or very nearly the same, has no occasion to exert his understanding, or to exercise his invention in finding out expedients for removing difficulties which never occur. He naturally loses, therefore, the habit of such exertion and generally becomes as stupid and ignorant as it is possible for a human creature to become ²³.

Although Adam Smith visualized that the worker becomes stupid and ignorant as a result of further division of labor, there is no reason to believe that this was inconsistent or incompatible with the possibilities for continuing technical progress and invention ²⁴.

The division of labor is an important concept in both the writings of Ibn Khaldun and Adam Smith, but Smith discussed this concept more clearly and broadly.

Stages of Economic Progress :

The division of labor leads us to the distinction between the primitive and civilized society and the needs of the people in these societies.

For as Mahdi stated :

Ibn Khaldun proves the necessity of human society or culture through the enquiry into its origin and an attempt to reconstruct the stages through which man passed before the rise of the culture ²⁵.

Ibn Khaldun proceeded to distinguish between the primitive society and civilized society, and consequently he distinguished between the primitive culture and civilized culture. He did not distinguish between the culture and the society. Ibn Khaldun defined primitive culture in terms of its economic way of life ²⁶.

(23) Smith, p. 734.

(24) Rosenberg, p. 134.

(25) Mahdi, p. 187.

(26) Ibid., p. 194.

According to Ibn Khaldun primitive society concentrates on the cultivation of land and taking care of domesticated animals, whether in one locality or while roaming the wide deserts. Here the needs are limited. The communities are small and self-supporting ²⁷. Most tolls and arts are absent. There are no cities and no market economy.

Civilized society or culture centered around the cities. It is characterized by the life in big cities with its complexity, luxury and technical skills ²⁸. According to Ibn Khaldun civilization is not simply living in big cities only but leading the way of life characteristic of civilization, such as concentration on the production and consumption of luxuries, the concentration of absolute political power, the practice of the complex arts, and the knowledge of highly sophisticated sciences ²⁹. There are great cities that do not possess civilized culture because those living in them concentrate on the production and consumption of the necessities of life ; such uncivilized cities become civilized only when their inhabitants develop a civilized mode of life ³⁰.

The people in the primitive society will practice those occupations which deal with the necessities of life. Most men will devote themselves to agriculture and some will take care of animals. They produce only the necessities of life and they do not possess conveniences and luxuries beyond the necessities. They are settled in the countryside as Ibn Khaldun stated it :

For those who make their living through the cultivation of grain and through agriculture, it is better to be stationary than to travel around. Such, therefore, are the inhabitants of small communities, villages, and mountain regions ³¹.

Then when their standard of living rises, they begin to enjoy more

(27) **Ibid.**

(28) **Ibid.**, pp. 194-202.

(29) Ibn Khaldun, Vol. I, pp. 223-256.

(30) **Ibid.**, Vol. II, p. 237.

(31) **Ibid.**, Vol. I, p. 250.

than the bare necessities, and the effect will be to breed in them a desire for repose and tranquillity ³². Therefore, the people will co-operate to specialize and to produce the tools and perform the many tasks required for the production ³³. Their co-operation or the division of labor will secure their food and clothing in quantity and refinement. They will enlarge their houses and plan their towns for defense. Further improvement in their conditions will lead to habits of luxury, resulting in extreme refinement in their food and choosing the best clothing. At this stage the crafts develop and reach their height ³⁴. Therefore, the increase of economic opulence transforms the community from a community of necessity to a community of luxury. According to Ibn Khaldun the society will go from Beduin society to the city society (Adam Smith called it from hunters and shepherds to civilization).

Ibn Khaldun stated this :

Evidence for the fact that beduins are the basis of, and prior to, sedentary people is furnished by investigating the inhabitants of any given city. We shall find that most of its inhabitants originated among beduins dwelling in the country villages of the vicinity. Such beduins became wealthy, settled in the city, and adopted a life of ease and luxury, such as exists in the sedentary environment. This proves that sedentary conditions are secondary to desert conditions and that they are the basis of them ³⁵.

Elaborate arts and highly specialized skills and professions are gradually perfected ³⁶. The specialization through the human labor of the city and the industry will be stimulated since the market is extended and there will be further specialization which leads to improvement of methods of production ³⁷. This is the civilized society in

(32) Issawi, p. 81.

(33) Mahdi, p. 188.

(34) Issawi, p. 81.

(35) Khaldun, Vol. I, p. 253.

(36) Mahdi, p. 218.

(37) *Ibid.*, p. 219.

the view of Ibn Khaldun. According to Ibn Khaldun, these stages are necessary and natural ³⁸. In his view this civilization may decay and the reason for that is injustice. The injustice brings about the ruin of the civilization.

Injustice according to Ibn Khaldun :

Injustice should not be understood to imply only the confiscation of money or other property from the owners, without compensation and without cause. It is commonly understood in that way, but it is something more general than that. Whoever takes someone's property, or uses him for forced labor, or presses an unjustified claim against him, or imposes upon him a duty not required by the religious law, does an injustice to that particular person. It is the dynasty that suffers from all these acts, in as much as civilization, which is the substance of the dynasty, is ruined when people have lost all incentive ³⁹.

Therefore, injustice is the cause of the declining of the civilization. Ibn Khaldun clarifies this in the following quotation :

If the attacks upon property are but light, the stoppage of gainful activity is correspondingly slight. Civilization and its well-being as well as business prosperity depend on productivity and peoples' efforts in all directions in their own interest and profit. When people no longer do business in order to make a living, and when they cease all gainful activity, the business of civilization slumps, and everything decays ⁴⁰.

The civilized society according to Ibn Khaldun is good. It is the enjoyment of the full benefits of the advanced form of social life⁴¹.

(38) Issawi, p. 81.

(39) Khaldun, Vol. II, pp. 105-107.

(40) *Ibid.*, p. 104.

(41) Mahdi, p. 277.

Now let us compare the stages described by Ibn Khaldun with those of Adam Smith.

Adam Smith did not discuss these stages directly but by searching in his books we find some ideas about the civilized society and the rude state. We know that Smith considered the division of labor as the basis of economic progress, as we showed above. The division of labor according to Smith is a necessary process in social and economic change. As Rosenberg stated, "Smith looked upon the growing division of labor as a process which had not only an historical but necessarily also important social dimension ⁴²". Therefore, the stages in the view of Adam Smith had importance both historically and analytically. The first stage is the primitive society, which he called "Hunters and shepherds society". The people here work to get only the necessities. As we said before, the division of labor is a result of the propensity to exchange which exists in human nature. This propensity to exchange can be found in man only ⁴³. Man has many wants, but in uncivilized society people are ignorant of the advantages of the division of labor and one person works in different things. Rosenberg describes it : "In a primitive — i.e. unspecialized — economy each worker is, in general, obliged to perform a significant fraction of the total number of activities ⁴⁴".

Therefore, in uncivilized society people work to get their necessities only. Adam Smith said in very rude society.

Every man endeavours to supply by his own industry his own occasional wants as they occur. When he is hungry, he goes to the forest to hunt, when his coat is worn out, he clothes himself with the skin of the first large animal he kills, and when his hut begins to go to ruin, he repairs it as well as he can with the trees and the turf that are nearest it ⁴⁵.

(42) Rosenberg, p. 134.

(43) Smith, p. 13.

(44) Rosenberg, pp. 134-135.

(45) Smith, p. 259.

Therefore, according to Smith the nature of society is very important and as the division of labor becomes available in the society the society will change from a primitive society to a civilized society. As the society progresses toward a more civilized state the division of labor will take place and every man will get a small operation. In this stage the structure of the social division of labor becomes more complex and the role of the worker becomes simple. Rosenberg said :

As society progresses toward a more civilized state the number of separate activities grows prodigiously but the number performed by each individual worker declines. In an advanced society, then, there are many more activities going on in the economy but the individual worker is confined to a very narrow range ⁴⁶.

These are the stages of the progress of the society in the view of Smith, but Smith said that in a rude society man's mind does not become stupid, while in civilized society man's mind, after he becomes expert in a small operation, becomes drowsy. Smith stated that in the barbarous societies :

The varied occupations of every man oblige every man to exert his capacity, and to invent expedients for removing difficulties which are continually occurring. Invention is kept alive, and the mind is not suffered to fall into drowsy stupidity, which seems to benumb the understanding of almost all the inferior ranks of people ⁴⁷.

As we have seen above he gave us a distinction between the savage state and the civilized state, but we do not know if there is any intermediate stage between the two. Adam Smith looked at historical and analytical stages while Ibn Khaldun simply considered historical stages.

(46) Rosenberg, p. 135.

(47) Smith, p. 735.

These stages work for the good of the man, since in the civilized stage Smith's society consists of progressive, stationary and declining states. The best one for the man, according to Smith, is the advancing one. Smith said :

It deserves to be remarked, perhaps, that it is in the progressive state, while the society is advancing to further acquisition, rather than when it has acquired its full complement of riches, that the condition of the labouring poor, of the great body of the people, seems to be the happiest and the most comfortable. It is hard in the stationary, and miserable in the declining state. The progressive state is in reality the cheerful and the hearty state to all the different orders of the society. The stationary is dull ; the declining melancholy ⁴⁸.

Therefore we observe that the highest form of social organization as Cropsey stated "which is mentioned by Smith is 'civilization', or commercial society found upon the elaborate division of labor ⁴⁹".

Therefore, according to Smith the best thing for man is the civilized state. It is a means but it is not the end of life. Thus the civilization is the best for mankind but not the end of economic life according to both Ibn Khaldun and Adam Smith.

Conclusion :

From this discussion we can conclude that Ibn Khaldun had some economic ideas before Smith. We have seen above that Ibn Khaldun recognized labor as a source of value while Adam Smith considered it as a measure of value.

In the division of labor we find the same ideas in both Ibn Khaldun and Smith's discussion.

(48) Smith, p. 81.

(49) Cropsey, p. 62.

The most important thing is that both Ibn Khaldun and Smith want the best for man, and for this reason Smith talks about the increasing of wealth and civilized society as the best thing.

According to both Ibn Khaldun and Adam Smith, the civilized society is good but not the end of life.

The stages of economic progress are historical and analytical according to Smith, while they are historical and necessary ones in the view of Ibn Khaldun.

The difference between different people arises out of the differences in their occupations, according to Ibn Khaldun ⁵⁰. It seems that the view of Adam Smith is essentially the same, since the difference between the people arises from habit, customs and education ⁵¹.

(50) Issawi, p. 11.

(51) Smith, p. 75.

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