

Ibn Khaldun: A Pioneer of Economic Thought and Its Relevance Today

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Introduction

Ibn Khaldun (1332–1406), the renowned North African Muslim scholar, is widely recognized for his pioneering contributions to history and sociology. However, his equally significant role in the development of economic thought often receives less attention. In his seminal work the *Muqaddimah (Introduction to History)*, he presented a comprehensive vision in which the economy, society, politics, and religion are deeply interwoven. His insights, remarkably ahead of their time, continue to offer valuable frameworks for understanding both historical and contemporary economic challenges.

What distinguishes Ibn Khaldun from many of his contemporaries is his empirical approach. Rather than limiting himself to moral or legalistic frameworks, he analysed real historical events to understand how societies functioned in practice. For Ibn Khaldun, economics was not merely a matter of wealth, trade, or profit, but a reflection of broader social and political dynamics. He viewed economic activity as embedded within the moral and institutional fabric of society – shaped by labour, production, resource distribution, taxation, and governance. In his analysis, societies thrive when justice

prevails, rulers govern wisely, and the population is industrious. Conversely, excessive taxation, corruption, and loss of collective motivation lead to decline and eventual collapse.

This paper explores Ibn Khaldun's core economic ideas, including his treatment of division of labour, value, production, pricing, trade, consumption, taxation, and public finance. It further examines his theory of civilizational cycles, which explains the rise and fall of dynasties through both economic and political dynamics. Notably, his analysis of taxation prefigures the concept known in modern economics as the Laffer Curve, while his views on state expenditure bear striking resemblance to the ideas of John Maynard Keynes regarding counter-cyclical fiscal policy.

Modern scholarship – through the works of Muhammad Nejatullah Siddiqi, Jean David C. Boulakia, M. Umer Chapra, Azim Islahi, and others – has increasingly recognized Ibn Khaldun as a forerunner of modern economic analysis. Building upon these contributions, this study argues that Ibn Khaldun's socio-economic vision remains highly relevant, especially for Muslim-majority societies seeking ethical and balanced economic models. His approach, rooted in justice, moderation, and public welfare, offers enduring insights for contemporary economic thought. By situating Ibn Khaldun's ideas in dialogue with both Islamic and Western economic theories, this paper contends that he was not merely a thinker of his time but a foundational figure whose ideas speak meaningfully to the challenges of the modern world.

Although Ibn Khaldun is best known for his work in historiography and sociology, recent scholarship has emphasized the depth and originality of his economic ideas. In his *Muqaddimah*, he examined how labour, production, taxation, trade, and governance interact within the rise and fall of civilizations, offering a comprehensive socio-economic framework.

One of the earliest modern assessments of Ibn Khaldun came from Jean David C. Boulakia¹ (1971), who argued that he formulated ideas that resemble modern economic theories, including the labour theory of value, supply and demand, and the impact of state intervention. According to Boulakia, Ibn Khaldun was the first to apply empirical observation and inductive reasoning in analysing economic activity. Muhammad Nejatullah Siddiqi (1972)² em-

1 Boulakia, "Ibn Khaldun: a fourteenth-century economist." *Journal of Political Economy* 79, no. 5 (1971), pp. 1105–1118.

2 Siddiqi, *Muslim Economic Thinking*. (Leicester: Islamic Foundation, 1972), p. 43.

phasized Ibn Khaldun's ethical approach and social realism, noting his focus on justice, taxation, and responsible governance. M. Umer Chapra (2000)³ built on this view, highlighting how Ibn Khaldun's thought aligns with the Islamic legal objective of public welfare (*maslahah*), and how his insights into taxation resemble the modern Laffer Curve. Azim Islahi⁴ (2006) offered a detailed reassessment, framing Ibn Khaldun as a forerunner of political economy. He examined his treatment of production, pricing, labour, and public finance, stressing how *ʿaṣabiyyah* (social cohesion) shapes economic stability and institutional resilience. Islahi also critiqued the neglect of Ibn Khaldun's economic thought in conventional histories of economic theory.

Joseph Spengler⁵ (1964) and Syed Nawab Haider Naqvi (1981) similarly recognized Ibn Khaldun's focus on the socio-political dimensions of economic life. Naqvi described him as a "social economist" whose approach integrated morality, political stability, and economic development. Together, these scholars have contributed to repositioning Ibn Khaldun as a foundational figure whose economic insights remain relevant to modern debates on development, public finance, and the moral foundations of economic systems.

Ibn Khaldun's Theory of Social Systems and Civilizational Change

Ibn Khaldun, born in 1332 in Tunis to a prominent Arab family with roots in Islamic Spain and North Africa, lived through one of the most turbulent periods in Islamic history. His career spanned various high-ranking political, judicial, and diplomatic roles across the Maghrib, al-Andalus, and Egypt.⁶ These experiences exposed him firsthand to the cyclical nature of power, political instability, and the collapse of dynasties. Disenchanted with the dangers of political life, Ibn Khaldun withdrew from public service in 1375 and began

3 Bin Osman, "Maqashid Al Shariah in Economic Development: Theoretical Review of Muhammad Umer Chapra's Thoughts." *Millah: Journal of Religious Studies* (2022), pp. 583–612.

4 Islahi, Abdul Azim. *History of Islamic economic thought: Contributions of Muslim scholars to economic thought and analysis*. In *History of Islamic Economic Thought* (Edward Elgar Publishing, 2014), pp. 77–80.

5 Spengler, "Economic Thought of Islam: Ibn Khaldūn." *Comparative Studies in Society and History* 6, no. 3 (1964), pp. 268–306.

6 Fischel, "Ibn Khaldun in Egypt: His Public Functions and His Historical Research (1382–1406)." *A Study in Islamic Historiography* (Berkeley, Calif., 1967), pp. 15–19.

writing his monumental *Kitāb al-ʿIbar*, completing its famous introduction – the *Muqaddimah* – in 1377. This work marks a profound departure from traditional historiography, as Ibn Khaldun sought to construct a science of society (*ʿilm al-ʿumrān*) that would explain the underlying laws governing the rise, development, and decline of civilizations. In doing so, he laid the foundation for a comprehensive theory of social change, combining historical observation with sociological and economic analysis. He identified recurrent patterns in the evolution of societies and introduced a cyclical model of history, one shaped by both material factors and moral-psychological transformations. Ibn Khaldun’s analytical method was unique in its emphasis on cause-and-effect reasoning and its ambition to derive universal rules from the empirical study of human society.

At the heart of Ibn Khaldun’s theory is the concept of *ʿaṣabiyyah* – commonly translated as group solidarity or social cohesion. For Ibn Khaldun, *ʿaṣabiyyah* is the driving force behind the formation of strong states and the flourishing of civilizations. It emerges most powerfully among kinship-based groups, such as tribes and families, where mutual support is natural and binding. However, *ʿaṣabiyyah* can also extend to include clients and allies when motivated by shared interests or political goals. This cohesive social force allows for collective cooperation, the establishment of effective governance, and the consolidation of power.⁷ Yet Ibn Khaldun warned that as a dynasty progresses and accumulates wealth, the strength of its *ʿaṣabiyyah* inevitably erodes. Luxury, moral decadence, internal rivalries, and administrative corruption contribute to the weakening of social cohesion and, consequently, to political and economic decline. When the ruling class becomes disconnected from the virtues of hard work and solidarity that once sustained its rise, the state becomes vulnerable to collapse and replacement by a new group with revitalized *ʿaṣabiyyah*. Modern scholars have noted the relevance of this model to contemporary development studies.⁸ The success or failure of many states in the postcolonial era, particularly in the Global South, has often hinged less on economic resources and more on factors such as elite commitment, institutional cohesion, and cultural legitimacy – precisely the dynamics Ibn Khaldun theorized centuries earlier. His insights into the interplay between moral order, political power, and economic vitality anticipate many of the concerns of modern social and economic theory, making his work remarkably prescient and enduringly relevant.

7 Weiss, “Ibn Khaldun on Economic Transformation”, *International Journal of Middle East Studies* 27, no. 1 (1995), pp. 29–37.

8 Weiss, “Ibn Khaldun”, p. 32.

Ibn Khaldun's Observations on Economic Development

Long before the publication of Adam Smith's *Wealth of Nations* in 1776, Ibn Khaldun had already articulated core principles of economic development in his *Muqaddimah*. Notably, he emphasized the necessity of the division of labour for increasing productivity, noting that no individual can meet all life's needs in isolation. Instead, human beings must cooperate to sustain civilization, and through such cooperation they can collectively produce much more than they could individually.⁹ He illustrated this with an agricultural example: only through the combined efforts of farmers, craftsmen, and labourers could food production be sustained, thereby linking the rise of complex economic activity directly to social cooperation – a function underpinned by *ʿaṣabiyyah* (social solidarity). For Ibn Khaldun, economic development is a cumulative and self-reinforcing process driven by the mutual stimulation of supply and demand. As demand grows – particularly for luxury goods in urban centres – so too does specialization and production, creating a cycle of economic expansion.¹⁰

Central to this dynamic is labour, which Ibn Khaldun identified as the true source of value. He explicitly stated that “profit is the value realized from human labour”,¹¹ and connected increasing productivity to advancements in education, science, and technology. Technological progress, he argued, attracts skilled individuals, who further enhance productive capacity – especially in cities where consumer sophistication and purchasing power are high.¹² However, for such development to occur sustainably, Ibn Khaldun insisted on the necessity of political stability and an efficient state structure. He advocated for a minimalist but effective government responsible for defence, diplomacy, fiscal order, and public safety, including market regulation and urban planning. Moreover, he outlined the moral and administrative qualities of a good ruler, emphasizing justice, generosity, humility, and adherence to religious and ethical principles.

Ibn Khaldun was also deeply concerned with the adverse effects of excessive state intervention in economic life. He warned against monopolistic practices

9 Ibn Khaldun, “The Muqaddimah: An Introduction to History”, in *The Anthropology of Climate Change: An Historical Reader*, ed. Mark Carey (London: Routledge, 2014), pp. 55–66.

10 Ibn Khaldun, “The Muqaddimah”, p. 60.

11 Ibid., p. 311.

12 Ibid., p. 432.

by rulers, state-enforced low prices, and heavy taxation, arguing that these policies disincentivize production and trade, ultimately harming the economy. For instance, when the state monopolizes commerce or forces producers to sell at low prices, it erodes agricultural incentives and disrupts food security – a problem still relevant in some Arab countries today. He cautioned that trade controlled by rulers can lead to the destruction of civilization, as it stifles private initiative and undermines fiscal stability. Similarly, Ibn Khaldun recognized the importance of monetary stability and upheld the religious and institutional role of the mint. Gold and silver, in his view, were the foundation of wealth and should be protected from debasement; their value, he believed, was intrinsic and not subject to market fluctuations like other goods.¹³

Regarding taxation, Ibn Khaldun developed one of his most forward-thinking economic insights. He argued that low, just taxation encourages commerce and expands the state's revenue base, while high taxes deter trade and reduce revenue – a theory that foreshadows the modern Laffer Curve. As he put it: “At the beginning of the dynasty, taxation yields a large revenue from small assessments. At the end of the dynasty, taxation yields a small revenue from large assessments.”¹⁴ As dynasties grow wealthy, rulers often increase taxes to finance luxury and bureaucratic expansion. This burdens the population, discourages economic activity, and erodes the very base of state income. He linked the economic deterioration of the state to over-taxation, dwindling trade, famine, and eventual rebellion, and thus argued for a balance between state responsibility and economic freedom. While ensuring market fairness and protecting public welfare, the state must avoid interfering with natural market forces or suppressing the incentive structures that drive economic growth.

Ibn Khaldun provides a sophisticated account of the socioeconomic and political dynamics underlying urban growth and concentration. He observes that as populations expand and migrate toward cities, urban purchasing power increases, leading to the diversification of markets and the emergence of specialized occupations. This process enhances labour productivity and overall wealth.¹⁵ In capital cities, this development is further amplified by public expenditure, as proximity to the ruler often translates into increased access to wealth and patronage. Urban elites, benefiting from their closeness to power,

13 Ibid., p. 231.

14 Ibid., p. 82.

15 Weiss, “Ibn Khaldun”, pp. 29–37.

accumulate wealth and luxury, which in turn stimulates the growth of crafts and industries, culminating in what Ibn Khaldun describes as a “sedentary culture”. This environment, marked by concentrated consumption and refined tastes, accelerates the formation of complex urban economies.

In his analysis, Ibn Khaldun also anticipates what modern economists might recognize as a form of central place theory. He asserts that large cities serve as hubs for highly specialized crafts and services that cannot be sustained in smaller towns or rural areas due to insufficient demand. Facilities such as public baths or elaborate commercial services require a high population density and wealthy consumer base to function effectively, as without these such infrastructure deteriorates and becomes unsustainable. Furthermore, Ibn Khaldun draws attention to the sanitary challenges posed by urban concentration. He notes that densely populated areas often suffer from poor air circulation, leading to the accumulation of “corrupt” and “putrefied” air, which contributes to the spread of disease and epidemics. For this reason, he argues for the necessity of open, uninhabited spaces between densely settled zones to allow airflow and promote public health, highlighting the frequency of pestilence in overcrowded urban settings.¹⁶

Ibn Khaldun links urban and demographic expansion to a broader civilizational trajectory. He suggests that population growth is not simply a function of biological factors but results from rising wealth and just governance. Benevolent leadership encourages cultural flourishing, which in turn supports population growth and economic prosperity. However, this growth has limits. After two or three generations, the vitality of a civilization begins to decline as luxury and complacency set in, ushering in stagnation and eventual decline. The late phases of dynasties are often marked by deteriorating living conditions, rising disease, famine, and the abandonment of agriculture. Heavy taxation, land appropriation, and social unrest drive peasants out of farming, reduce food supply, and raise prices, contributing to economic and political instability.¹⁷

This process of decline is closely tied to public finance. As states enter their final phases, rulers increasingly extract resources from a shrinking tax base to finance growing expenses, including the payment of mercenaries to maintain authority. Under this pressure, state expenditures on urban services and goods contract, further weakening the urban economy. In this way, Ibn Khaldun’s

16 Ibn Khaldun, “The Muqaddimah”, pp. 55–66.

17 Ibid., p. 136.

cyclical model integrates the interdependence of demographic trends, urbanization, and fiscal policy with psychological, cultural, and political variables. His framework – drawn from careful observation of the historical experiences of North Africa and Muslim Spain – captures the complex and dynamic interplay of forces that determine the rise and fall of civilizations.

Ibn Khaldun's Ideas and Contributions to Modern Economic Thought

Price Theory

Ibn Khaldun presented a remarkably nuanced understanding of price theory for his time, offering insights into how supply and demand interact to determine the quantity of goods produced and their market value. Although he primarily focused on agrarian production, reflective of the economic realities of the 14th-century Maghrib, his analysis reveals a proto-modern grasp of market dynamics. In his classification, he distinguished between two categories of goods: necessities and luxuries. Necessities, such as food staples, tend to be in abundant supply because individuals prioritize securing their basic sustenance. As Ibn Khaldun notes, “nobody would neglect [to provide for] his own food or that of his establishment for a month or a year”, leading to widespread production and, consequently, lower prices due to oversupply.¹⁸ In contrast, luxury goods – nonessential items – are produced less frequently, resulting in scarcity and higher prices. The differentiation in price levels, therefore, is not set by intention or moral worth, but emerges naturally from the degree of necessity and production volume. While not as formally articulated as later comparisons such as the “water-diamond paradox” discussed by John Law and Adam Smith, Ibn Khaldun’s analysis rests on the same fundamental principle of price formation based on relative scarcity and utility.¹⁹

Moreover, Ibn Khaldun applied this logic not only to goods but also to labour. He argued that “profit is the value realized from labour”, and that the remuneration for various types of work should reflect the level of social demand for each occupation.²⁰ For example, although he considered judges and

18 Ibid., p. 267.

19 McCaffrey, “Ibn Khaldun: the forgotten father of economics.” *ISOR Journal of Business and Management* 16, no. 3 (2014): pp. 1–3.

20 Ibn Khaldun, “The Muqaddimah”, pp. 55–66.

religious scholars to be honourable and socially necessary, he contended that their compensation should remain relatively low because their services cater to a specific segment of society rather than the general public. In his view, the value of labour – just like that of goods – should be determined by its relative necessity and the extent to which it serves the broader economic or social system. This integrated analysis demonstrates that Ibn Khaldun did not draw a sharp distinction between labour and commodities in terms of value determination, an approach that anticipates aspects of later theories of labour value.

Production and Social Organization

In Ibn Khaldun's economic theory, the concept of production is inseparable from human social organization. He draws upon the Aristotelian notion that man is "political by nature", emphasizing that survival and prosperity depend on cooperative living.²¹ Human beings, according to Ibn Khaldun, cannot live or work in isolation; even the most basic tasks – such as the preparation of food – require collaborative effort. One person alone cannot cultivate crops, craft tools, or prepare meals without depending on others who possess different skills. Thus, through collective labour and the interdependence of trades, societies can meet the needs of far more individuals than the number directly engaged in production.

This cooperation, however, is not merely a matter of survival; it is also the foundation of economic prosperity. Ibn Khaldun argued that specialization – dividing labour according to skill – is key to maximizing productivity. Since the human mind can only master one craft effectively, dedicating oneself to a specific trade enhances efficiency and output. He maintained that habits form part of the soul, and once a particular skill is internalized, it becomes difficult for a person to excel equally in another craft.²² Consequently, specialization enables surplus production beyond subsistence, and this surplus can then be exchanged in the marketplace for other goods, including luxuries. Ibn Khaldun's insight into the relationship between specialization, surplus, and trade reflects a sophisticated understanding of how economies grow.

When compared to other Muslim thinkers such as Ibn Taymiyyah, Ibn Khaldun's analysis is notably more advanced. Ibn Taymiyyah also acknowledged that human welfare depends on cooperation and social cohesion, asserting that

21 Ibid., p. 45.

22 Ibid., p. 318.

humans are naturally social beings who must associate for mutual benefit.²³ However, his approach was more normative and lacked economic elaboration. In contrast, Ibn Khaldun examined not only the necessity of cooperation but also its economic outcomes, explaining how organized social life underpins productivity, trade, and ultimately civilization.

Moreover, Ibn Khaldun proposed an early version of what modern economists might call a “demand-driven” model of production. He asserted that demand precedes supply: rising demand for goods lead to increased production and improved quality. Rejecting the notion that supply itself can generate demand, he wrote that individuals cannot be expected to labour without compensation and are thus unlikely to produce goods for which there is no market. The mechanism behind this dynamic, he explained, lies in the urban marketplace, where high demand for a product motivates individuals to learn the necessary craft. As more artisans emerge to meet the demand, the supply of goods increases. Conversely, if demand disappears, the craft associated with that good will decline and eventually vanish. This cyclical understanding of supply and demand highlights Ibn Khaldun’s deep engagement with the mechanisms of economic motivation and adaptive production behaviour.²⁴

The Role of Government

Ibn Khaldun viewed the state as a foundational institution necessary for economic stability and societal well-being. Central to his theory was the protection of property rights, which he believed were essential for encouraging individual economic initiative and sustaining market activity. He warned that widespread violations of property rights – whether by the ruler or others – would lead to economic paralysis, as the fear of confiscation or injustice would discourage people from pursuing wealth or engaging in trade. As he put it: “attacks on people’s property remove the incentive to acquire and gain property. When attacks on (property) are extensive and general, affecting all means of making a livelihood, business inactivity, too, becomes general.”²⁵ Thus, the protection of private property, according to Ibn Khaldun, is not only a legal matter but a key driver of economic dynamism.

23 Islahi, *Economic Concepts of Ibn Taymiyah*, Islamic Foundation.

24 McCaffrey, “Ibn Khaldun”, p. 3.

25 Ibn Khaldun, “The Muqaddimah: An introduction to history.” *The Anthropology of Climate Change: An Historical Reader* (2014), pp. 55–66.

Ibn Khaldun also demonstrated a surprisingly anticipatory understanding of the role of public expenditure in economic health, an idea that parallels modern Keynesian economics. He asserted that the ruler must manage state spending with great care, as much of the economy depends on it. When public spending contracts, he argued, business activity slows, commercial profits decline, and tax revenues – especially from land – diminish. Moreover, these losses are not isolated, as they affect the entire economic system and ultimately harm the ruler himself. “Business slumps and commercial profits decline because of the shortage of capital”, he wrote, adding that “revenues from the land tax decrease, because the land tax and taxation depend on cultural activity, commercial transactions, business prosperity, and the people’s demand for gain and profits”.²⁶ He concluded that the state itself serves as the “greatest market”, and when the ruler hoards money rather than spending it, the funds are removed from circulation, weakening both public welfare and royal income.

This cyclical understanding of state spending and its effects on economic activity is strikingly similar to John Maynard Keynes’ theory of aggregate demand and the fiscal multiplier. Keynes proposed that government spending stimulates economic activity, especially in times of downturn. Ibn Khaldun, writing centuries earlier, had already articulated the idea that public expenditure not only fuels demand but also circulates wealth within society, generating trickle-down effects across various classes. He understood that a reduction in public spending would lead to lower demand for goods and services, which in turn depresses the income of producers and landowners, even if they were not the direct targets of fiscal austerity. In both substance and structure, his economic reasoning highlights a holistic view of governance, fiscal responsibility, and macroeconomic stability.

Taxation and the Decline of States in Ibn Khaldun’s Economic Philosophy

Among the most profound and prescient elements of Ibn Khaldun’s economic thought is his theory of taxation and its implications for state stability and economic development. His insights, articulated in the *Muqaddimah*, reflect a sophisticated understanding of how taxation policies affect productivity, trade, revenue, and ultimately the survival of political regimes. Ibn Khaldun observed a dynamic relationship between the stage of a dynasty and the effectiveness of taxation: “At the beginning of a dynasty, taxation yields a large

26 Rizkiah and Chachi, “The relevance of Ibn Khaldun’s economic thought in the contemporary world.” *Turkish Journal of Islamic Economics (Tujise)* (2020).

revenue from small assessments. At the end of the dynasty, taxation yields a small revenue from large assessments.”²⁷ This foundational observation anticipates the modern concept known as the Laffer Curve, the idea that increasing tax rates beyond a certain point will lead to a decline in overall revenue due to decreasing incentives for productivity and compliance.

Ibn Khaldun’s explanation for this phenomenon was grounded not just in economic logic but also in a historical and sociological analysis of dynastic cycles. At the early stage of a state, rulers tend to be frugal, guided by religious law and minimal governance, and taxes remain low. This allows trade and production to flourish, expanding the tax base and generating sufficient public revenue. However, as the state matures and rulers grow accustomed to luxury and centralized power, they demand more revenue to support increasingly extravagant lifestyles and expanded bureaucracies. This leads to heavier taxation, which undermines economic motivation, disrupts markets, and eventually shrinks the revenue base. When production slows and people are burdened with excessive levies, they become disincentivized, migrate, or hide income, weakening the entire fiscal and political structure²⁸.

This cyclical understanding of state and tax policy was remarkably ahead of its time. Arthur Laffer, in the 20th century, formalized what became known as the Laffer Curve, arguing that there is an optimal tax rate that maximizes revenue without suppressing economic activity. Laffer credited Ibn Khaldun as one of the earliest thinkers to articulate this principle. According to Laffer, when taxation increases, it can initially boost revenue per capita, but it also reduces labour supply, capital investment, and ultimately leads to declining productivity.²⁹ This corresponds closely with Ibn Khaldun’s assertion that overly burdensome taxation leads to economic stagnation and the downfall of regimes.

Scholars such as Azim Islahi have emphasized that Ibn Khaldun’s views on taxation go beyond mere revenue optimization, and instead reflect a broader ethical and economic philosophy. Islahi highlights how Ibn Khaldun advocated for a tax system that was low, stable, and just – ensuring public cooperation and preventing economic alienation.³⁰ For Ibn Khaldun, taxation was not merely a fiscal instrument but a regulatory and moral mechanism to maintain

27 Ibn Khaldun, “The Muqaddimah”, pp. 55–66.

28 Ibid., p. 135.

29 Laffer, “The Laffer Curve: Past, Present, and Future.” *The Heritage Foundation Lecture Series* (1981), pp. 33–36.

30 Islahi, “Ibn Khaldun’s theory of taxation and its relevance.” *Turkish Journal of Islamic Economics* 2, no. 2 (2015), pp. 1–19.

economic vitality and social cohesion. Abu Bakar Jaafar and Abdul Ghafar Ismail³¹ also argue that Ibn Khaldun's model integrates moral and practical considerations, treating taxation as a means to encourage productivity rather than punish it.

Furthermore, Ibn Khaldun linked excessive taxation to political decadence. As dynasties age, rulers' dependency on luxury and their disconnection from the productive classes increase. To maintain their power and finance large military forces, especially mercenaries, rulers impose higher taxes, which in turn damage the economy and erode the state's legitimacy.³² The result is a vicious cycle of declining economic activity, fiscal desperation, and eventual collapse. His analysis thus represents not just a proto-Laffer model, but a fully integrated socio-economic and political theory of taxation within the lifecycle of regimes.

Ibn Khaldun's tax theory also incorporates a strong normative message: taxation must be used for the public goods of justice, infrastructure, security, and welfare, not to support the personal luxury of rulers. When taxes are seen as oppressive or unfair, they lead to social unrest, loss of productivity, and political instability. Therefore, a just and efficient taxation system is both a moral imperative and a foundation for long-term state survival.

To sum up the above discussions, Ibn Khaldun's theory of taxation offers five critical lessons: i) low taxes stimulate production, trade, and voluntary compliance; ii) excessive taxation leads to economic decline and reduced revenue; iii) taxation must be predictable, fair, and ethically grounded; iv) fiscal health is intertwined with the lifecycle of dynasties and political legitimacy; and v) tax policy should be oriented toward sustainable economic development and social welfare.³³

Long before the emergence of modern economics, Ibn Khaldun provided an empirically informed and normatively rich theory of taxation that integrates fiscal policy with political ethics, administrative cycles, and the moral responsibilities of governance. His model remains a compelling framework for understanding the intersection of economy, society, and state power, particularly

31 Jaafar and Ismail. "Tax Rate and its Determinants: An Opinion from Ibn Khaldun." *International Journal of Academic Research in Business and Social Sciences* 7, no. 4 (2017), pp. 881–899.

32 Nagarajan, "The Socio-Economic Theory of Ibn Khaldun." *Islamic Studies* 21(2). (1982), pp. 111–122.

33 Syafiq and Rashid, "Ibn Khaldun and Adam Smith: Comparative Studies on Economic Thought, Tax Imposition and National Wealth Relationship." Bachelor's thesis, Universiti Teknologi MARA, (2014).

for modern Muslim-majority states grappling with debt crises, poor governance, and fiscal mismanagement.

Ibn Khaldun's economic thought, as articulated primarily in the *Muqaddimah*, constitutes a foundational contribution to the intellectual history of economic theory. Long before the formal emergence of economics as a distinct discipline in the modern West, Ibn Khaldun developed a systematic framework that integrates economic behaviour with sociopolitical structures, ethical considerations, and historical processes. His insights on labour as a source of value, the role of government in economic stability, the impact of taxation on productivity, and the cyclical nature of dynastic rise and decline exhibit a remarkable level of analytical sophistication.

Recent scholarly engagements have increasingly acknowledged Ibn Khaldun's work as a precursor to several concepts in classical and modern economics. However, his unique contribution lies not only in anticipating later economic theories, but also in embedding economic analysis within a broader epistemological and civilizational context. Unlike the positivist reductionism of much of modern economics, Ibn Khaldun's approach remains deeply normative, emphasizing the interdependence of economic vitality, social cohesion (*ʿasabiyyah*), and moral governance.

Conclusion

In the end we can conclude that Ibn Khaldun should be recognized not merely as a historical curiosity or a forerunner to Western economic thinkers, but as a significant and original contributor to economic thoughts in his own right. The critical re-engagement with his work may offer valuable perspectives for contemporary debates on political economy, development and economic growth, and the ethical dimensions of economic life.

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