م ع ك التقرير الاقتصادي الأسبوعي رقم 338 / 2021

M E A K -Weekly Economic Report No. 338 /2021

prepared by Prof. Dr. Moustafa El-Abdallah Alkafry

Greetings,
send you:

M E A K Economic Weekly Report No. 338/2021

History of economic thought

Sunday May 16, 2021,

The report is a follow-up to the economic media and the web. I put it at the disposal of academics, economists, decision-makers and observers, to facilitate access to economic information. I note that some of the information and data contained in the report may not be reliable enough and need to be checked by an expert or specialist. Help verify this information and cite the source for reliability.

I release myself from responsibility for any incorrect or inaccurate information mentioned in the report, because the source installed at the bottom of every material published in the report is responsible.

with my best wishes

Professor Dr. Mustafa El-Abdallah Alkafry
Faculty of Economics - University of Damascus

Notice: I ask those who do not wish to continue sending the report to his sovereign, inform me so that his name will be removed from the mailing list.

E-mail: Moustafa.alkafri@gmail.com دمشق ص ب 12341 سورية

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تاريخ الفكر الاقتصادي

إعداد الدكتور مصطفى العبد الله الكفري

الأحد 16 ايار ، 16 MAY, 2021

تحية طيبة، أرسل لسيادتكم:

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تاريخ الفكر الاقتصادي

الأحد 16 ايار ، 16 MAY, 2021

التقرير حصيلة متابعة للإعلام الاقتصادي والشبكة العنكبوتية. أضعه بتصرف الأكاديميين والاقتصاديين وأصحاب القرار والمتابعين، لتسهيل الحصول على المعلومة الاقتصادية. أشير إلى أن بعض المعلومات والبيانات الواردة في التقرير قد لا تكون موثوقة بما يكفي، وتحتاج إلى تدقيق من قبل خبير أو مختص. ساعد بتدقيق هذه المعلومات مع ذكر المصدر لتحقيق الموثوقية .

وأخلي نفسي من المسؤولية عن أية معلومة غير صحيحة أو غير دقيقة واردة في التقرير، لأن المصدر المثبت في أسفل كل مادة منشورة في التقرير هو المسؤول.

مع أطيب تمنياتي

الأستاذ الدكتور مصطفى العبد الله الكفري

كلية الاقتصاد – جامعة دمشق

ملاحظة:

أرجو ممن لا يرغب باستمرار إرسال التقرير لسيادته، إعلامي ليتم حذف اسمه من القائمة البريدية.

E-mail: Moustafa.alkafri@gmail.com دمشق ص ب 12341 سورية

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E-mail: Moustafa.alkafri@gmail.com دمشق ص ب 12341 سورية

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الأحد 16 ايار ، 16 MAY, 2021

تاريخ الفكر الاقتصادي هو فرع من فروع علم الاقتصاد بحيث يهتم بدراسة التطورات والنظريات الاقتصادية التي بنت الاقتصاد وجعلته ما هو عليه الآن والأفكار التي قدمها علماء الاقتصاد عبر الزمن أمثال (ابن خلدون)،(آدم سميث)،(كارل ماركس)،(جون ماينارد كينز)،(دافيد ريكاردو) وغيرهم. يهتم تاريخ الفكر الاقتصادي بدراسة التطورات التي حصلت في الاقتصاد خصوصا في النظرية الاقتصادية بشقيها الجزئي والكلي، بالإضافة إلى إن هذا الجزء يدرس الأفكار التي قدمها علماء الاقتصاد عبر الزمن أمثال ابن خلدون آدم سميث, كارل ماركس, جون ماينارد كينز , ديفيد ريكاردو وغيرهم.[1][2][3]

يتعامل تاريخ الفكر الاقتصادي مع المفكرين ومع مختلف النظريات في هذا الموضوع الذي أصبح يعرف بالاقتصاد السياسي أو اقتصاديات السياسة منذ القدم إلى يومنا هذا، إنه يشمل العديد من المدارس المختلفة للفكر الاقتصادي. الكتاب اليونانيون القدامى كالفيلسوف (أرسطو) مثلا قام بدراسة وتحليل الأفكار المتعلقة بفن اكتساب الثروة وتساءل عما إذا كان من الأفضل أن تُترك الملكية في أيدي القطاع الخاص أو العام.

في العصور الوسطى، جادل علماء المذاهب مثل (توما الأكويني) أنه من الالتزام الأخلاقي للشركات أن تبيع السلع بسعر عادل.

منذ العصور الوسطى، كان الاقتصاد يتطوّر تقريبا بشكل حصري في الغرب حتى القرن 20.

الفيلسوف الإسكتلندي (آدم سميث) غالبا ما أُشير إليه بأنه "أب الاقتصاد الحديث" نسبة لأطروحتة "ثروة الأمم (1776)" حيث كانت أفكاره مبنية على مجموعة كبيرة من العمل الجسماني من أسلافه في القرن الثامن عشر، وأيضا كانت مبنية بصفة خاصة من المذهب الطبيعي، وظهر كتابه عشية الثورة الصناعية، مُقترنا بذلك مع تغيرات كبيرة في الاقتصاد.

E-mail: Moustafa.alkafri@gmail.com دمشق ص ب 12341 سورية

1 - History of economic thought

The history of economic thought is a branch of economics that is concerned with studying the economic developments and theories that built economics and made it what it is now and the ideas presented by economists through time such as (Ibn Khaldoun), (Adam Smith), (Karl Marx), (John Maynard Keynes David Ricardo and others.

The history of economic thought is part of the parts of economics and is interested in studying the developments that took place in economics, especially in economic theory, both partial and total, in addition to this part studies the ideas presented by economists through time such as Ibn Khaldoun Adam Smith , Karl Marx , John Maynard Keynes , David Ricardo and thers. [1] [2] [3]

The history of economic thought deals with thinkers and with various theories on this subject, which has become known as political economics or political economics from ancient times to the present day. It includes many different schools of economic thought.

Ancient Greek writers, such as the philosopher (Aristotle), for example, studied and analyzed ideas related to the art of gaining wealth and wondered whether property would be better left in the hands of the private or public sector.

In the Middle Ages, scholars of doctrines such as (Thomas Aquinas) argued that it was a moral obligation of companies to sell goods at a fair price.

From the Middle Ages, the economy was developing almost exclusively in the West until the 20th century.

Scottish philosopher (Adam Smith) was often referred to as the "father of modern economics" in relation to his thesis "The Wealth of Nations (1776)" where his ideas were based on a large body of physical work from his predecessors in the eighteenth century, and were also built especially from naturalism His book appeared on the eve of the Industrial Revolution, coupled with major changes in the economy.

E-mail: Moustafa.alkafri@gmail.com دمشق ص ب 12341 سورية

2 - Ancient economic thought (before 500 BC)

Ancient Greece:

Hesiods, active during the period between 750 and 650 BC. He wrote the first known work on the origins of economic thought, living Homer in the same era.

China

Van Li (also known as Tao Ju Gong), King Guoyan's advisor in the Yu District, wrote about economic issues and developed the "Golden Business Rules" package. [4]

India

Chanayaka of the Maori Empire, composed a thousand bishops with a number of Indian thinkers, is a trio of state systems, economic policies, and military strategies. According to the Archestra, there are four essential areas of knowledge that are Vedas, Anviksheki, Governance and Economics. From these four, and only from them all other knowledge, wealth and prosperity emerge. [5]

2 - Greek - Roman world:

Plato's discussion of the "republic" explains the utopia governed by the wise kings and which specifies the allocation of labor and production. According to Joseph Schumpeter, Plato was the first to talk about the value of money, given that money is a unit of debt measurement.

Aristotle's "politics" analyzed different systems of state and government (monarchy, aristocratic, constitutional government, dictatorship, oligarchy or democracy) criticizing Plato's model of kings-philosophers. What aroused the interest of economists in Aristotle's works, was his model of a society in which his sons share ownership of resources. Aristotle viewed this model as an antecedent. [6]

3 - Economic thought in the Middle Ages:

Thomas Aquinas

Thomas Aquinas was an Italian theologian and economic writer. He taught in both Cologne and Paris, and was part of a group of Catholic scholars known to the teachers, who transmitted their inquiries beyond theology, to philosophical and scientific discussions. In Aqua's Theological Abstract,

E-mail: Moustafa.alkafri@gmail.com دمشق ص ب 12341 سورية

Thomas Aquinas addressed the concept of fair price, which he considered necessary to reproduce the social system. Like many modern concepts of long-term equilibrium, a fair price was sufficient to cover production costs, including providing for the worker and his family. Aquinas argued that it was immoral for sellers to raise prices just because buyers had an urgent need for a product. [7]

Aquinas discusses a number of topics in the form of questions, answers, and a substantial pamphlet dealing with Aristotle's theory. Questions 77 and 78 relate to economic issues, mainly what would be the fair price and integrity of the seller who distributes rotten goods. Aquinas argued against any form of fraud and always recommended that compensation be paid for good service. While humanitarian laws may not impose penalties for unfair dealings, divine law did, according to him.

Danse Scots

Danse Scotts (1265-1308) was a Scottish educator in Oxford, Cologne and Paris, one of the most prominent critics of Thomas Aquinas. In his two years of work (1295), Scots believed that he could be more accurate than Aquinas in calculating a fair price, focusing on labor costs and expenditures, although he realized that the latter might be inflated due to the exaggeration that buyers and sellers often conceived of the fair price What is different. If, according to Scots, people did not benefit from this exchange, they would not trade. Scotts said merchants play a necessary and beneficial social role by transporting goods and making them available to the public.

Jean Bouridan

Jean Bouraydan was a French priest who viewed money from two angles: his metallic value and purchasing power can vary according to his opinion, and he said that aggregate supply and demand, not individual ones, determine market prices. Thus, for him, the fair price was what society wanted collectively and not just one individual from it.

Ibn Khaldun

Until the publication of Joseph Spengler's work in 1964 entitled "The Economic Thought of Islam: Ibn Khaldoun, Adam Smith was considered" the father of economics. " There is now a second candidate, the Arab Muslim scholar Ibn

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Khaldoun (1332-1406) from Tunisia, although the influence that Ibn Khaldun had in the West is unclear. Arnold Toynbee described Ibn Khaldun as a "genius" who seems to have "not been inspired by his predecessors nor cohabited with his contemporaries. Until now, the introduction to Ibn Khaldun is undoubtedly the greatest work of its kind that has not been devised by any mind at any time or place. Ibn Khaldun expressed the theory of the life cycle of civilizations and the specialization of work, the value of money as a means of exchange and not as a store of the inherent value. His ideas about taxes were very similar to the Laffer curve, which assumed that after a certain point higher taxes discouraged production and caused lower revenues. [8] [9]

Trade and global trade (from the sixteenth century to the eighteenth century)

Commercialism dominated Europe from the sixteenth to the eighteenth centuries. Despite the localism of the Middle Ages, the decline of feudalism began to reinforce the new national economic frameworks. After the journeys of Christopher Columbus and other explorers of the fifteenth century opened new opportunities to trade with the New World and with Asia, the newly powerful monarchies wanted to create a more powerful military nation to consolidate its position. Commercialism was a political and economic theoretical movement that called for the use of the country's military force to ensure the protection of local markets and sources of supply, which led to the emergence of protectionism. [10]

Trade viewers believe that international trade cannot benefit all countries at the same time. In their view, money and precious metals were the only source of wealth, and limited resources should be allocated between countries. Therefore, tariffs and tariffs should be used to encourage exports that bring money to the country, and to discourage imports from it. In other words, a positive balance in trade must be maintained through a surplus of exports supported by military strength. Although the commercialism paradigm spread, the term was not coined until 1763 by Victor de Riquetti and Marquis de Mirabeau (1715-1789), then Adam Smith famously published it in 1776 and he was one of his fiercest opponents.

Salamanca School

In the sixteenth century, the Jesuit school in Salamanca, Spain, developed economic theory to a high level, whose contributions were forgotten until the twentieth century.

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Pre-classical (seventeenth and eighteenth centuries)

4 - The British Enlightenment

In the seventeenth century, Britain went through difficult times, its calamities did not stop at the political and religious division in the English Civil War, nor at the execution and execution of King Charles I or the Cromorean dictatorship, but it was also plagued by the Great Plague in London and the Great Fire. The restoration of the monarchy during the reign of Charles II, who was sympathetic to the Roman Catholics, fueled unrest and conflict, and his Catholic-led successor King James II was overthrown. His place was the Protestant William of Orange and Mary, who approved the Bill of Rights 1689, ensuring that Parliament was the author of the word in what later became known as the Glorious Revolution.

The turbulence was accompanied by a number of major scientific developments, including Robert Boyle's discovery of fixed gas pressure (1660) and Sir Isaac Newton's publication of his famous work "The Mathematical Origins of Natural Philosophy" in 1687 that explained Newton's laws of motion and the law of gravitation.

All these factors stimulated the progress of economic thought. For example, Richard Cantillon (1680-1734) reproduced Newton's forces of inertia and gravity in the natural world into the human mind and market competition in the economic world. In his article on the nature of trade in general, Cantillon argued that rational self-interest in a system of freely adapted markets would inevitably lead to order and to reciprocal and compatible prices. Unlike commercial thinkers, for Cantelon, wealth is not found and is not in commerce but in human labor. John Locke was the first to link these ideas to a political framework.

John Locke

John Locke (1632-1704) was born near the English city of Bristol, and was educated in London and Oxford. He is considered one of the most important philosophers of his time, mainly because of his criticism of Thomas Hobbes' defense of absolute rule in Leviathan (1651) and social contract theory. Locke believes that people are contracting into society and is obligated to protect their property rights. [11] Locke defined property widely to include people's lives, freedoms, and fortunes. When people combine their work with their surroundings, it creates what is known as property rights.

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Locke said that the government should not only stop interfering with people's property (or "in their lives, liberties, and possessions"), but must also work positively to ensure their protection. His views on price and money were presented in a letter to a member of Parliament in 1691 entitled "Some considerations related to the consequences of lowering interest and increasing the value of money" (1691), arguing that "the price of any commodity increases or decreases according to the number of buyers and sellers", which is a global rule that applies to all Things that are bought or sold. [12]

Dudley North

Dudley North (1641-1691) was a wealthy landowner and merchant who worked for Her Majesty's Treasury and opposed most trading policies. His publications on trade (1691), which were published anonymously, argued against the assumption of the need for an appropriate trade balance. North said trade benefits both parties, promotes specialization, divides work, and secures wealth for all. He also said that trade regulation overlapped with these benefits.

David Hume

David Hume (1711-1776) agreed with the philosophy of the North and denounced the trading assumptions. His contributions to "political discourse" (1752) were identified and later incorporated into his articles, "Moral, Political, and Literary" (1777).

Hume emphasized that any surplus from exports would be paid through imports of gold and silver. This would increase the money supply, causing prices to rise, which in turn would lead to a decrease in exports until the balance with imports on the market was restored.

Bernard Mendville

Bernard Mandeville (1670-1733) was an Anglo-Dutch philosopher, political expert and satirist critic. His main thesis is that men's actions cannot be divided into upper and lower. Man's supreme life is just a fantasy presented by philosophers and rulers to simplify government and society's relations. Indeed, virtue (which Mandeville defined as "every performance that a person does, unlike the incentive of nature, should seek to benefit others or his own emotions, out of rational aspiration to do good deeds) is detrimental to the

E-mail: Moustafa.alkafri@gmail.com دمشق ص ب 12341 سورية

progress of the state commercially and intellectually, because only vices Which, through inventions and capital circulation in pursuit of luxury life, stimulates society to work and progress.

5 - Classical (eighteenth and nineteenth centuries)

Ferdinando Galliani and the book “On the Money”

In 1751, a philosopher from the city of Naples called Ferdinando Galliani published a near-comprehensive article on money called Della Moneta or "On Money", twenty-five years before the "wealth of nations" by Adam Smith, and thus is seen as the first modern economic analysis. In its five divisions, Della Moneta covered all modern aspects of monetary theory including the value, origin and organization of money as well as inflation. Economists have been citing the text of this article for centuries, most notably Karl Marx and Austrian economist Joseph Schumpeter.

Adam Smith and the book "The Wealth of Nations"

Adam Smith (1723-1790) is considered the father of economics or the father of modern political economics. The issuance of his report in 1776 entitled "An Inquiry into the Nature and Causes of the Wealth of Nations" coincided with the American Revolution, and came shortly before the European revolutions that were considered a widespread reversion of the French Revolution, as it coincided with the dawn of a new industrial revolution that allowed more wealth to be gathered on a scale Wider than ever.

Smith was a Scottish moral philosopher, and his first book was entitled The Theory of Moral Sentiments (1759). Adam Smith said in his book that the moral systems of people develop through personal relationships with other individuals, and that right and wrong are felt through the reactions of others to the behavior of the individual. This book gained Smith more popularity and popularity than his next work titled "The Wealth of Nations " which the audience initially ignored, [13] but his most famous masterpiece was successful in important circles.

The invisible hand of Adam Smith

Smith argued defending the concept of the "natural freedom system" [14] where individual effort is the product of social good. Smith believed that even selfish people in society would work for everyone when they acted in a competitive market. Prices often do not represent the true value of goods

E-mail: Moustafa.alkafri@gmail.com دمشق ص ب 12341 سورية

and services. After John Locke , Smith believed that the true value of things is derived from the amount of work invested.

"A person is rich or poor according to the degree that he can enjoy the necessities and amenities of human life. But once division of labor is applied, this person's work can only provide him with a small portion of these things. Much of it must derive from the work of others, and thus be rich or poor according to the amount of this work that they can buy. Therefore, the value of any good for the person who owns it, if it is not to be used or consumed but rather to be replaced by other goods, is equal to the amount of work that enables him to buy or own these goods. Hence, business is the true measure of the interchangeable value of all commodities. The real price of everything, what it really costs for the man who wants to get something, is effort, fatigue and difficulty getting it. " [15th]

When the butcher, yeast, and baker act within the constraints of an open market economy, their pursuit of self-interest, Smith believes, pushes real price correction to equal its fair values. His classic statement on competition came as follows:

"When the quantity of any commodity put on the market is less than the actual demand for it, it cannot be provided to all those who are willing to pay ... the amount they want ... some of them will be willing to provide more in exchange for it. The competition will start among them, and the market price will rise ... When the quantity supplied in the market exceeds the actual demand, not all goods can be sold to those who are willing to pay their total value, and thus the market price will decrease. " [16]

Their determinants

Smith's vision of a free market economy based on safe ownership, accumulation of capital, expansion of markets and division of labor contrasts with the business vision that attempts to "regulate all evil human actions". [14] Smith believed that there were exactly three legitimate jobs for the government, the third of which were:

"... establishing and maintaining some public works and some public institutions, which can never be in the interest of any individual or a small number of individuals. The establishment and maintenance of ... every system that seeks ... to direct a share of the capital towards a specific industry greater than the share that society was directing in natural situations, will delay the progress of society towards wealth and greatness rather than its acceleration. "

E-mail: Moustafa.alkafri@gmail.com دمشق ص ب 12341 سورية

Smith argued that cartels were undesirable due to their ability to limit the production and quality of goods and services, and criticized government support for any kind of monopoly that always charges the highest price "they can get it out of buyers." [17]

William Pete the Younger

William Pete the Younger (1759--1806), conservative British Prime Minister from 1783 to 1801, relied in his tax proposals on the ideas of Adam Smith, and defended free trade as a faithful messenger of the wealth of nations. Smith was appointed Commissioner of Customs and within twenty years, Smith had followers of the new generation bent on building political science. [13] [18]

Edmund Burke

Adam Smith expressed his admiration for the opinions of Irish MP Edmund Burke (1729-1797), widely known as a political philosopher, saying: “Burke is the only man I have known who thinks about economic issues just as I do without any previous contact between us.” Burke was a veteran political expert famous for his book "Ideas and Details of Rarity". He was widely critical of liberal politics, and condemned the French revolution that began in 1789. In his work "Reflections on the Revolution in France " (1790), he wrote that "the era of equestrianism is dead and that the era of sophists, economists and accountants has succeeded and that the glory of Europe has gone out forever." . Smith's contemporary influences included Francois Kissenay and Jacques Turgut, whom they met on a visit to Paris, and David Hume. That time produced a common need among thinkers to explain the social upheavals of the industrial revolution taking place, and to show that there was still a system in the midst of chaos and the absence of feudal and property structures in Europe . [19]

Jeremy Bentham

Jeremy Bentham (1748-1832) was the most radical thinker of his time, and he developed the concept of utilitarianism. Bentham was an atheist, prison reformer, and animal rights activist, believing in universal suffrage, freedom of expression, free trade, and health insurance at a time when many did not dare defend any of these ideas. He was studying rigorously from an early age, he finished his university studies

E-mail: Moustafa.alkafri@gmail.com دمشق ص ب 12341 سورية

and was called to the bar at the age of eighteen. His first book, Fragment of Government (1776), which was published without revealing the identity of its author, was a sharp criticism of William Blackstone's comments on the laws of England . This book gained widespread success until it was revealed that Bentham the young man, not a distinguished professor, had written it. In an introduction to the book "Principles of Ethics and Legislation" (1789), Bentham outlined his theory of benefit. [20] [21]

Jean Baptiste Sai

Jean-Baptiste Sai (1767-1832) was a French born in Lyon who helped spread the work of Adam Smith in France. His book "An Essay on Political Economy" (1803) contained a short paragraph that later became a doctrine of political economy until the Great Depression, now known as the Sai Law of Markets, occurred. Sai argued that there can be no general lack of demand or a general glut of commodities in the economy as a whole. People produce things to fulfill their own desires rather than the desires of others, so production is not a matter of supply but rather a reference to producers who demand goods. [22]

Sai agreed to the principle that families save a portion of their income, but in the long run these savings must be invested. Investment and consumption are two elements of demand, whereby production equals demand, and therefore it is impossible for it to outpace it, or for there to be a "glut" in supply. Sai added that money is neutral, because its only role is to facilitate exchanges, and therefore, people only ask for money to buy goods. [23]

David Ricardo

David Ricardo (1772-1823) was born in London. He became a wealthy trader in the stock market when he turned twenty-six years old, and bought himself a seat for constituencies in Ireland for a position in the House of Commons in the British Parliament. Ricardo's most famous work is "Principles of Political Economy and Taxes" (1817), which contains his criticism of the obstacles to international trade and a description of the way in which income is distributed to the population. Ricardo distinguished between workers who received fixed wages at a level at which they could survive, between landowners who earn rent, and between capitalists who own capital and earn profits. [24] [25]

E-mail: Moustafa.alkafri@gmail.com دمشق ص ب 12341 سورية

If the population increases, it becomes necessary to cultivate additional land, whose fertility is less than previously cultivated fields, due to the principle of decreasing productivity. Therefore, the cost of wheat production as well as its price increases: rents also increase, as do wages. Profits decrease until it becomes difficult for the capitalists to invest and the economy enters a state of stability, and this must eventually happen. [23]

John Stuart Mill

John Stuart Mill (1806-1873), the dominant figure in political economic thought of his time, was a member of Parliament for Westminster and a prominent political philosopher. Mill was a child prodigy, he read ancient Greek upon his third birthday, and his father James Mill was teaching him hard. Jeremy Bentham was a close and family-friendly guide, and Mel was also strongly influenced by David Ricardo. Mill's book, first published in 1848 entitled "Principles of Political Economy", was a summary of economic thought in the mid -nineteenth century . [26] [27]

Most universities used the principles of political economy (1848) as standard text at the beginning of the twentieth century. On the issue of economic growth, Mill attempted to find a compromise between Adam Smith's view of the ever-increasing opportunities for commercial and technological innovation, and Thomas Malthus' view of a limited population. In his fourth book, Mill identified a number of potential future outcomes rather than predicting a specific outcome.

6 - Classical political economy

Karl Marx was the first to refer to classical economists as a group. One of the theories that unites them was the labor theory of value, in contrast to the value derived from the general equilibrium theory of supply and demand. These economists had experienced the first economic and social transformation brought about by the industrial revolution: the migration of rural people and poverty and the emergence of a working class. [28]

They asked about population growth, because the demographic transition began in Great Britain at that time. They also asked many basic questions about the source of value, the reasons for economic growth and the role of money in the economy. They supported a free market economy, arguing that it was a natural order based on

E-mail: Moustafa.alkafri@gmail.com دمشق ص ب 12341 سورية

freedom and property. Despite all of this, they were divided and did not constitute a unified intellectual stream.

A notable trend in classical economics was the theory of excessive consumption, as advanced by the Birmingham and Thomas School of Robert Malthus in the early nineteenth century. They demanded government action to reduce unemployment and economic stagnation, and they were the ancestors of what later became known as the Keynesian economy in the 1930s. Another notable school was the Manchester Capitalism, which advocated free trade and opposed previous trade policy.

7 - Karl Marx and Communism

Marx wrote his masterpiece "Capital" (1867) at the Library of the British Museum in London . Karl Marx begins with the concept of goods. Marx says that pre-capitalist production depended on slavery, in ancient Rome for example, then slavery in feudal societies in medieval Europe. The current state of labor exchange produced an irregular and unstable situation whose conditions allowed the outbreak of the revolution. People buy and sell their work as they buy and sell goods and services. People themselves have become a disposable commodity, as Marx wrote in the Communist Manifesto. Marx uses the word "commodity" in an intense metaphysical discussion of the nature of material wealth, how objects of wealth are perceived and how they can be used. When people mix their work with something or purpose, this purpose becomes a 'commodity'. In the natural world there are trees, diamonds, iron ores, and there are people. In the economic world, these raw materials become chairs, rings, factories, and workers. Commodities have a dual nature and a double value, Marx says. It distinguishes the value of using something from the value of exchange. The value of using a good can only be talked about when using or consuming that good. Marx attempted to support his theory by linking his ideas of "surplus value" and "socially necessary working time" with the classic labor theory of value and rental theories. Marx's theory says that people exaggerate the value of commodities like glittering diamonds. Marx applied discrimination in employment or exchange to work and claimed that employers pay their workers less "in exchange" than they produce in "value in use". Therefore, as Marx says, capitalism is an exploitative system. [29] [30] [31]

Marx believed that the reserve army for the unemployed would grow and grow, adding to the pressure on wages because desperate people would accept work for a lower allowance. But this would produce a deficit in demand as the

E-mail: Moustafa.alkafri@gmail.com دمشق ص ب 12341 سورية

ability of people to buy products would decrease. An abundance of unsold products may result in a decrease in the level of production and a decline in profits until we fall into an economic recession that will ultimately lead to a revolution that will create a classless society.

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8 - Ancient economic thought

Schools of economics
History of economic thought
Pre-modern
Early economic thought
Early Modern
Mercantilism · Physiocrats
Modern
Classical Economics English historical school · German historical school Socialist economics · Neoclassical economics Lausanne school · Austrian school
Twentieth-century
Institutional economics · Stockholm school Keynesian economics · Chicago school

The concerns of those early economists involved a number of issues which they held in common, the answers to which are the basis of the structure of well-functioning societies today as much as in those early times. These include how to make markets, taxation policies, and other monetary instruments transparent and free from corruption; when is profit permissible (and how much) based on the labors of others, such as in the case of merchants, the charging of interest and when does it become unacceptable usury; and other practices that would otherwise destroy the well-being of ordinary law-abiding people on which strong and unified states were built.

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Contents

While their ideas were not always complete, and in some cases involved long-lasting debates rather than answers, much similarity can be found in their efforts. It is also of note that early economic thinking, closely tied to philosophical and/or religious tenets, generally took into account the welfare of the common man, the worker, rather than seeking ways to benefit a few elite individuals, themselves or others.

General principle

Did you know?
Discussions of economics have existed since ancient times but it was not a separate discipline until the nineteenth century

Economics was not considered a separate discipline until the nineteenth century. Still, economic thought has existed from the ancient world right up to the present day:

Men undoubtedly behaved economically for many centuries before they undertook to analyze economic behavior and arrive at explanatory principles. At first, this analysis was more implicit than explicit, more inarticulate than articulate,

E-mail: Moustafa.alkafri@gmail.com دمشق ص ب 12341 سورية

and more philosophical and political in mode than economic. But in the face of ubiquitous and inevitable scarcity, the study, in various forms and for various proximate purposes, went on. (Spengler and Allen 1960:2)

The earliest writings were not clearly separated from other discussions, particularly those of justice and morality. This reflects the reality of early societies—as Karl Polanyi noted, early economies were "embedded economies," not separate and certainly not dominant institutions (Eggleston 2008).

Early economic thought was in general hostile to enrichment and regarded wealth as inner wealth, rather than external or monetary riches. This attitude was consistent with an economy that was essentially closed and static, based on agriculture and on slave work. However, it greatly restrained economic development in ancient societies.

Near East

The upper part of the stele of Hammurabi's code of laws

Economic organization in the earliest civilizations of the Middle Eastern fertile crescent was driven by the need to efficiently grow crops in river basins. The Euphrates and Nile valleys were homes to the earliest examples of codified measurements written in base 60 and Egyptian fractions. Egyptian keepers of royal granaries, and absentee Egyptian landowners reported in the Heqanakht papyri. Historians of this period note that the major tool of accounting for agrarian societies, the scales used to measure grain inventory, reflected dual religious and ethical symbolic meanings (Lowry 2003:12.)

The Erlenmeyer tablets give a picture of Sumerian production in the Euphrates Valley around 2,200-2,100 B.C.E., and show an understanding of the relationship between grain and labor inputs (valued in "female labor days") and outputs and an emphasis on efficiency. Egyptians measured work output in man-days.

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The development of sophisticated economic administration continued in the Euphrates and Nile valleys during the Babylonian Empire and Egyptian Empires when trading units spread through the Near East within monetary systems. Egyptian fraction and base 60 monetary units were extended in use and diversity to Greek, early Islamic culture, and medieval cultures. By 1202 C.E. Fibonacci's use of zero and Vedic-Islamic numerals motivated Europeans to apply zero as an exponent, birthing modern decimals 350 years later.

The city-states of Sumer developed a trade and market economy based originally on the commodity money of the Shekel which was a certain weight measure of barley, while the Babylonians and their city state neighbors later developed the earliest system of economics using a metric of various commodities, that was fixed in a legal code. The early law codes from Sumer could be considered the first (written) economic formula, and had many attributes still in use in the current price system today... such as codified amounts of money for business deals (interest rates), fines in money for 'wrong doing', inheritance rules, laws concerning how private property is to be taxed or divided, and so forth (Horne 1915).

Earlier collections of (written) laws, just prior to Hammurabi, that could also be considered rules and regulations as to economic law for their cities include the codex of Ur-Nammu, king of Ur (ca. 2050 B.C.E.), the Codex of Eshnunna (ca. 1930 B.C.E.) and the codex of Lipit-Ishtar of Isin (ca. 1870 B.C.E.).

Europe

Some prominent classical scholars have asserted that relevant economic thought did not arise in Europe until the Enlightenment (Meikle (1997), Finley (1970)), as early economic thought was based on metaphysical principles which are incommensurate with contemporary dominant economic theories such as neo-classical economics (Lowry 2003).

However, several ancient Greek and Roman thinkers made various economic observations, starting with Hesiod in eighth century B.C.E. Being a farmer, Hesiod was interested in efficiency—an economic concept measured as a ratio of outputs to inputs. Maximum efficiency is taken to be

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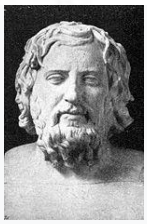
achieving the largest possible output with a given input. Hesiod lived in a place that was not exactly conducive to agriculture, a "sorry place ... bad in winter, hard in summer, never good" (Rand 1911). Because of this, he understood and wanted to help alleviate the problem of scarcity on earth. In *Works and Days*, he noted that because of scarcity time, labor, and production goods had to be carefully allocated. He advocated more freedom in land owning and less stringent rules on the payment of interest. When one considers the audience for whom he wrote, it can be understood that Hesiod wanted to help alleviate the problems of hunger and debt. (Rand 1911: 131-165).

Many other Greek writings (in addition to those of Aristotle and Xenophon discussed below) show understanding of sophisticated economic concepts. For instance, a form of Gresham's Law is presented in Aristophanes' *Frogs*, and beyond Plato's application of sophisticated mathematical advances influenced by the Pythagoreans is his appreciation of fiat money in his *Laws* (742a–b) and in the pseudo-Platonic dialogue, *Eryxias* (Lowry 2003 :23). Bryson of Heraclea was a neo-platonic who is cited as having heavily influenced early Muslim economic scholarship (Spengler 1964).

In Roman times, the law clearly took into account important economic analyses. Later, the Scholastic theologians took on the role of guiding society, and their writings included economic aspects of life. In this area they built on Greek thought as revived by medieval Muslim scholars.

Xenophon

Main article: Xenophon



Xenophon, Greek historian

The influence of Babylonian and Persian thought on Greek administrative economics is present in the work of Greek historian Xenophon. Xenophon's writing, some four hundred years after Hesiod, took the concepts of efficient management much farther than Hesiod and applied them at the level of the household, the producer, the military, and the public

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administrator. This brought him insights into how efficiency can be improved by practicing a division of labor. Attention to the division of labor was continued by other Greek writers, including Aristotle, and, later, by the Scholastics.

Discussion of economic principles are especially present in *Oeconomicus, Cyropaedia* his biography of Cyrus the Great, *Hiero,* and *Ways and Means* (Lowry 2003:14.) *Hiero* is a minor work which includes discussion of leaders stimulating private production and technology through various means including public recognition and prizes. *Ways and Means* is a short treatise on economic development, and showed an understanding of the importance of taking advantage of economies of scale and advocated laws promoting foreign merchants.

The *Oeconomicus* discusses the administration of agricultural land. The Greek word *oikonomia* (οἰκονομία) designates mainly the *oikos* (οἶκος), meaning the home or hearth. Thus Xenophon's *Oeconomicus* is concerned with household management and agriculture. The Greeks had no precise term to designate the processes of production and exchange. In this work, subjective personal value of goods is analyzed and compared with exchange value. Xenophon uses the example of a horse, which may be of no use to a person who does not know how to handle it, but still has exchange value (*Oeconomicus I*: 5-6, 8). Although this broadens the idea of value based on individual use to a more general social concept of value that comes through exchange, it is not yet a market theory of value (Lowry 2003:17.)

In *Cyropaedia* Xenophon presents what in hindsight can be seen as the foundation for a theory of fair exchange in the market. In one anecdote, the young Cyrus is to judge the fairness of an exchange made between a tall and a short boy. The tall boy forces the pair to exchange tunics, because the tall boy's tunic is too short, shorter than the short boy's, which is too long for him. Cyrus rules the exchange fair because it results in a better fit for both boys. Cyrus' mentors were not pleased with Cyrus' basing his decision on the values involved, as a just exchange must be voluntary (*Cyropaedia* I(3): 15–17). Later in the biography, Xenophon discusses the concept of division of labor, referencing specialized cooks and workers in a shoemaking shop (*Cyropaedia* VIII(2): 5–6). Scholars have noted that Adam Smith's early notes about this concept "read like a paraphrase of Xenophon's discussion of the role of the carpenter as a 'jack of all trades' in small cities and as a

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specialist in large cities" (Lowry 2003: 18). Xenophon also presents an example of mutual advantage from exchange in a story about Cyrus coordinating an exchange of surplus farmland from Armenians, who were herders, and surplus grazing land from Chaldeans, who were farmers (*Cyropaedia* III(2): 17–33).

Aristotle

Main article: Aristotle

Plato (left) and Aristotle (right), a detail of *The School of Athens,* a fresco by Raphael. Aristotle is holding a copy of his *Nicomachean Ethics*.

Aristotle's main contributions to economic thinking concern the exchange of commodities and the use of money in this exchange. He regarded economic activity as the way to realize well-being within the idea city-state—a just and harmonious community (Eggleston 2008). People's needs, he said, are moderate, but people's desires are limitless. Hence the production of commodities to satisfy needs was right and natural, whereas the production of goods in an attempt to satisfy unlimited desires was unnatural. Aristotle conceded that when goods are produced to be sold in a market, it can be difficult to determine if this activity is satisfying needs or inordinate desires; but he assumed that if a market exchange is in the form of barter, it is made to satisfy natural needs and no economic gain is intended.

Allocation of scarce resources was, therefore, a moral issue to Aristotle, and in Book I of his *Politics,* Aristotle expressed that consumption was the objective of production, and the surplus should be allocated to the rearing of children, and personal satiation ought to be the natural limit of consumption. (To Aristotle, this question was a moral one: in his era child mortality was high.) In transactions, Aristotle used the labels of "natural" and "unnatural." Natural transactions were related to the satisfaction of needs and yielded wealth that was limited in quantity by the purpose it served. Un-natural transactions aimed at monetary gain and the wealth they yielded was potentially without limits. He explained the un-

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natural wealth had no limits because it became an end in itself rather than a means to another end—satisfaction of needs. For Aristotle, wealth was an instrument for the achievement of happiness, but was never to become an end in itself. This distinction is the basis for Aristotle's moral rejection of usury (Lowry 2003:15.)

Aristotle's *Nicomachean Ethics,* particularly Book V, has been called the most economically provocative analytic writing in ancient Greece (Lowry 2003:20). Therein, Aristotle discussed justice in distribution and exchange. Still considering isolated exchanges rather than markets, Aristotle sought to discuss just exchange prices between individuals with different subjective values for their goods. Aristotle suggested three different proportions to analyze distributive, corrective, and reciprocal or exchange transactions: the arithmetic, the geometric, and the harmonic. The harmonic proportion is interesting, as it implies a strong commitment to the subjective values of the traders. Sixth century C.E. philosopher Boethius used the example of 16 as the harmonic mean of 10 and 40. 16 is the same percentage larger than 10 as it is smaller than 40 (60 percent of 10 is 6, while 60 percent of 40 is 24). Thus if two bargainers have subjective prices for a good of 10 and 40, Aristotle pointed out that in exchange, it is most fair to price the good at 16, due to the equality proportional differences from their price to the new price. Another interesting nuance in this analysis of exchange is that Aristotle also saw a zone of consumer surplus or mutual advantage to both consumers that had to be divided (Lowry 2003:20.)

Roman law

Early Greek and Judaic law follow a voluntaristic principle of just exchange—a party was only held to an agreement after the point of sale. Roman law, written on Twelve Tables, developed the contract with the recognition that planning and commitments over time are necessary for efficient production and trade. According to Cicero in 450 C.E.:

Though all the world exclaim against me, I will say what I think: that single little book of the Twelve Tables, if anyone look to the fountains and sources of laws, seems to me, assuredly, to surpass the libraries of all the philosophers, both in weight of authority, and in plenitude of utility (Cicero, De Oratore, I.44. In: Thatcher 1901: 9-11.)

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Following are some examples of those laws having direct impact on economy:

Table III

1.One who has confessed a debt, or against whom judgment has been pronounced, shall have 30 days to pay it in. After that forcible seizure of his person is allowed. The creditor shall bring him before the magistrate. Unless he pays the amount of the judgment or some one in the presence of the magistrate interferes in his behalf as protector the creditor so shall take him home and fasten him in stocks or fetters. He shall fasten him with not less than fifteen pounds of weight or, if he choose, with more. If the prisoner choose, he may furnish his own food. If he does not, the creditor must give him a pound of meal daily; if he choose he may give him more (Thatcher 1901: 9-11)

Table VI

1. When one makes a bond and a conveyance of property, as he has made formal declaration so let it be binding (Thatcher 1901: 9-11).

Table VII

9. Should a tree on a neighbor's farm be bend crooked by the wind and lean over your farm, you may take legal action for removal of that tree.

10. A man might gather up fruit that was falling down onto another man's farm (Thatcher 1901: 9-11).

Table IX

4. The penalty shall be capital for a judge or arbiter legally appointed who has been found guilty of receiving a bribe for giving a decision (Thatcher 1901: 9-11).

The large body of law was unified in the 530s C.E. by Justinian who was Emperor of the Eastern Roman Empire from 526-565 C.E. This "Code of Justinian" or *Corpus Juris Civilis* formed the base of most European civil law legal systems, still in force today. In the *Institutiones,* the principle of just trade is stated as *tantum bona valent, quantum vendi possunt* ("goods are worth as much as they can be sold for") (*Institutiones* 3:305).

Jewish thought

Five axioms of early Jewish economic theory can be expressed as follows (Sauer & Sauer 2007):

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1. "Man is created in God's image." In Judaism, this statement is interpreted as meaning that God is the creator of the world, and man is the creator in the world. (Babylonian Talmud Shabbat 10a)
2. Private property rights are essential and must be protected. Note that two of the Ten Commandments directly relate to the safeguarding of private property: "you shall not steal" and "you shall not covet anything that belongs to your neighbor." The prohibition against stealing includes outright robbery, but also various forms of theft by deception and unethical business practices, such as the use of false weights in a transaction.
3. Accumulation of wealth is a virtue not a vice. Man is obligated to participate in the creative process, should not be demotivated by inadequate protection of private property, and is blessed when the outcome of honest labor is the accumulation of wealth. (Berachot 8a, Avot 4:1) also (Mishneh Torah *Hafla'ah* (Separation): Laws of vows and oaths 8:13).
4. There is the obligation to care for the needy through charitable giving. The Torah mentions the commandment to give charity in *parashat Re'eh*: "You should not harden your heart or shut your hand from your needy brother" (Deuteronomy 15:7—8).
5. It concerns the inefficiency of government and the dangers of concentrated power. The Torah repeatedly warns about the evil nature of government and bureaucracy:

These will be the rights of the king who is to reign over you. He will take your sons and assign them to his chariotry and cavalry, and they will run in front of his chariot. He will use them as leaders of a thousand and leaders of fifty; he will make them plough his ploughland and harvest his harvest and make his weapons of war and the gear for his chariots. He will also take your daughters as perfumers, cooks, and bakers. He will take the best of your fields, of your vineyards and olive groves and give them to his officials. He will tithe your crops and vineyards to provide for his eunuchs and his officials. He will take the best of your manservants and maidservants, of your cattle and your donkeys, and make them work for him. He will tithe your flocks, and you yourselves will become his slaves. When that day comes, you will cry out on account of the king you have chosen for yourselves, but on that day God will not answer you (1 Samuel 8:11—18).

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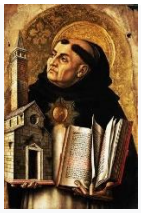
These words could be compared to Friedrich Hayek's warning in *The Road to Serfdom*. Simply stated, when governments play an important role in allocating resources in society and/or map out a detailed plan for the workings of an economy, we risk the prospect of ever-increasing degrees of oppression in order to meet the plan's goals (Sauer & Sauer 2007).

As the early Jewish philosophy, politics, and economics had developed within the Babylonian and Greco-Roman worlds in the Near East—during the period that the early Islamic scholars were also very much present in the same area—the interpretation of ethical canons vis-a-vis their respective populations among the three religions was almost absolute. It is, therefore, of no surprise that the early thinkers of all three religions had almost exactly the same views on the micro- and sometimes even macro-economic matters. In fact, most of these early thinkers pre-dated with their theories much more famous European mercantilists and even classical economists that appeared 400 to 1400 year later.

There is, however, an interesting difference between Judaism and Christianity and ancient Islamic thoughts regarding *riba* (interest and usury). While Christianity unequivocally condemns this practice and the institution (Wilson 1997: 82-85), the same does not seem to be the case with Judaism, especially when the Jews are in a state of diaspora (Wilson 1997: 33-36). The Islamic position is the most explicit on the abolition of *riba,* which is seen as one of the most "visible" defining characteristics of an Islamic economic system (Wilson 1997: 124-125).

The Scholastics

Main article: Scholasticism



Depiction of Saint Thomas Aquinas from *The Demidoff Altarpiece* by Carlo Crivelli

The "Scholastics" were the group of thirteenth and fourteenth century theologians, notably the Dominican Thomas Aquinas, that set down the dogma of the Catholic Church in light of the resurrection of Greek philosophy in the hands of twelfth

E-mail: Moustafa.alkafri@gmail.com دمشق ص ب 12341 سورية

century Islamic scholars. In the economic sphere, we can discern roughly four themes the Scholastics were particularly concerned with: property, justice in economic exchange, money, and usury.

The coexistence of private property with Christian teachings was never comfortable. In the fifth century, the early Church fathers (the Patricians, such as Augustine) had struck down "communistic" Christian movements and the Church itself went on to accumulate enormous amounts of property.

In the twelfth century, Saint Francis of Assisi began a movement (the Franciscans), which insisted on vows of poverty, "brotherhood" and deplored the accumulative tendencies of the Church. Against the Franciscans were arrayed Saint Thomas and the Dominicans, who extracted from Aristotle and the Bible the necessary arguments for their challenge. The Thomists took a practical stance: they argued that private property was a "conventional" human arrangement with no moral implications, and furthermore, it had the beneficial side-effect of stimulating economic activity and thus general welfare. The Thomists cautioned that this did not mean they endorsed all private enterprise: the "love of lucre," they noted, was a serious sin. They stressed the fact that man only has "stewardship" of God's property and should make property available for communal use. They also claimed that theft in times of need was justifiable (Lapidus 1994).

The growth of commerce forced the Scholastics to deal with the impact of market exchanges. They identified the "just price" as that which supported the continued reproduction of the social order. The Christian should "do unto others as you would have them do unto you," meaning he should trade value for value. Aquinas believed that it was specifically immoral to raise prices because a particular buyer had an urgent need for what was being sold and could be persuaded to pay a higher price because of local conditions.

Thomas Aquinas held that it was immoral to gain financially without actually creating something. This led to the distinction between legitimate interest and illegitimate usury. Interest taking became acceptable when lenders could demonstrate that by making the loan they suffered a loss (through missing an opportunity to use the money for another purpose) or had incurred risk that the loan might not be repaid (Eggleston 2008).

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Another question that arose was that of entrepreneurship. Should a merchant be allowed to profit from differentials in prices? The Scholastics replied with a qualified yes, provided the merchant was not motivated by pure gain and profit be only just enough to cover his labor expenses (sacrifices) of the merchant. They went on to argue that the trader performs a valuable service and increases general welfare by meeting different needs.

India

The earliest known treatise on economic principles in India is the *Arthashastra,* authored by Chanakya.

Chanakya

Main articles: Chanakya and Arthashastra

Chanakya (c. 350 B.C.E.-283 B.C.E.) was a professor of political science at the Takshashila University of ancient India, and later the Prime Minister of the Mauryan emperor Chandragupta Maurya. He wrote the *Arthashastra* ("Science of Material Gain" or "Science of political economy" in Sanskrit). Many of the topics discussed in the *Arthashastra* are still prevalent in modern economics, including its discussions on the management of an efficient and solid economy, and the ethics of economics. Chanakya also focused on issues of welfare (for instance, redistribution of wealth during a famine) and the collective ethics that hold a society together. According to Chanakya, a conducive atmosphere is necessary for the state's economy to thrive. This requires that a state's law and order be maintained. *Arthashastra* specified fines and punishments to support strict enforcement of laws (the *Dandaniti*).

The *Arthashastra* argues for an autocracy managing an efficient and solid economy. The qualities describing the system, in effect, are that of a command economy. Chanakya says that *artha* (sound economy) is the most important quality and discipline required for a Rajarshi, and that dharma and kama are both dependent on it. He wrote on the economic duties of a king:

Hence the king shall be ever active in the management of the economy. The root of wealth is (economic) activity and lack of

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it (brings) material distress. In the absence of (fruitful economic) activity, both current prosperity and future growth will be destroyed. A king can achieve the desired objectives and abundance of riches by undertaking (productive) economic activity.

China

Qin Shi Huang


The first emperor of China, Qin Shi Huang

Main article: Qin Shi Huang

Ideal and effective economic policy was long sought for in ancient China, and one of the greatest early reformers was the Emperor Qin Shi Huang (260 B.C.E.–210 B.C.E., ruled as First Emperor 221 B.C.E.-210 B.C.E.). He standardized coin currency throughout the old Warring States once he unified them under a strong central bureaucracy.

He claimed that both the agriculture and commerce were very important for the economy. He also standardized the coinage, introducing a circular copper coin with a square hole in the center. Equally important reforms were the standardization of weights and measures, and codification of the law. These reforms benefited both the economy and cultural exchange during the period.

Wang Anshi

Main article: Wang Anshi

However, one of the greatest economic reformers in China lived during the medieval Song Dynasty (960-1279 C.E.), that being Chancellor Wang Anshi (1021-1086). Espousing heated reaction by conservative ministers at court, Wang Anshi's political faction of the New Policies Group enacted a series of reforms that centered around military reform, bureaucratic reform, and economic reform.

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Among the initiated major economic reforms in the interest of merchants and small farmers—whom he considered the backbone of the Chinese economy in terms of production of goods and greatest source of the land tax—were: reduced interest, commutation of labor services, and reduced prices and land taxes.

Medieval Islamic economic thought

The possible indebtedness of political economy to fourth-century Greek thinkers has been widely debated, the contribution of Islam, on the other hand, has been consistently forgotten. Islamic economic thought is as old as Islam itself, for the Qur'an and the Sunnah, the sayings and acts of Muhammad, contain economic teachings. However, their contents are considered divine, and thus it is only their interpretation that can be considered Islamic economic thought. The early Muslims generally based their economic analyses on the Qur'an (such as opposition to *riba,* meaning usury or interest), and from Sunnah. These efforts in Islamic economic thinking are thus ascribed to the writers who made these attempts, rather than to the Qur'an and the Sunnah.

Throughout its 14 centuries there are works in which economic issues are discussed in light of the Shari'ah. However, the vast literature on the exegesis of the Qur'an, commentaries on Hadith, principles of jurisprudence *(usul al-fiqh),* and law *(fiqh)* has greatly overshadowed the economic treatises. Nevertheless, a number of writings on economic thought are available.

Persian philosopher Nasir al-Din al-Tusi (1201-1274) presented an early definition of economics (what he called *hekmat-e-madani,* the science of city life) in his *Ethics*:

the study of universal laws governing the public interest (welfare?) in so far as they are directed, through cooperation, toward the optimal (perfection) (Hosseini 2003: 39).

The concept of *tadbîr* is of significance in this context. There is a slightly different meaning of the *tadbîr* from that of Hellenic *oikonomia*. Tadbîr also includes God-determined harmony and rationally organized administration. Thus, it reflects an idealized model of enlightened yet authoritarian administration, rather than the building of an exact notion related to the economy.

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Muslim economic thought enriched the Hellenic contribution to economic thought in the areas of government of the kingdom by the caliph, of the city, and the household organization. In rejecting profit, usury, egoism, and monopoly, and in preaching moderation, altruism, the practice of fair prices, and unselfishness, Islam inaugurated an "economic system" which has derived from that of the Greeks and which laid the basis for pre-capitalist thought (Essid 1995).

Zaid bin 'Ali

Zaid bin 'Ali (10-80 AH/699-738 C.E.), the grandson of Imam Husain, was one of the most eminent jurists of Medina, whom other eminent jurists like Abu Hanifa held in high esteem. Zaid permitted the sale of a commodity on credit at a price higher than its cash price. Muhammad Abu Zahra discussed a rationale of its permission at some length, which is worth quoting in view of the contemporary relevance of the issue:

Those who disallow the deferred price to be higher than the cash price argue that the difference is *riba* as it is an increase (in payment against time), and every increase against deferment (or payment) is *riba*. There is no difference between saying "Either you pay now or pay more in lieu of deferment," and selling at a higher (than cash) price because of deferred payment. The essence is the same and it is *riba* (Hosseini 2003: 40).

One who sells on credit does so out of necessity, he cannot be regarded as doing so willingly. He is therefore not covered by the Qur'anic verse "except when it is trade among you with mutual consent [IV: 29]."

Abu Hanifa

Abu Hanifa (80-150 AH/699-767 C.E.), (**Arabic: أبو حنيفة**) was the founder of the Sunni Hanafi school of Islamic jurisprudence.

Abu Hanifa's concern for the poor and the weak was well known, as was the human values in his juristic method (Hosseini 2003:36) A transaction which was becoming increasingly popular was *salam* or sale of commodity to be delivered in future against a price paid in cash at the time of contract. Abu Hanifa found confusion surrounding this type

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of contract often led to disputes. He tried to eliminate these disputes by specifying what must be known and stated clearly in the contract, such as the commodity, its kind, quality and quantity, and the date and place of delivery. He laid down a further condition that the commodity be available in the market during the period intervening between the contract and the date of delivery so that both parties knew that its delivery was possible.

Abu Yusuf

An emphasis on the economic responsibilities of the rulers has been a recurrent theme of Islamic economic thought since the earliest days. This was the focal point of Abu Yusuf (113-182 AH/731-798 C.E.) (Arabic: أبو يوسف), chief jurist for Abbasid Caliph Harun al-Rashid, for whom he wrote the *Book of Taxation (Kitab al-Kharaj)*.

This book outlined Abu Yusuf's ideas on taxation, public finance, and agricultural production. He discussed proportional tax on produce instead of fixed taxes on property as being superior as an incentive to bring more land into cultivation. He also advocated forgiving tax policies which favor the producer and a centralized tax administration to reduce corruption. Abu Yusuf favored the use of tax revenues for socioeconomic infrastructure, and included discussion of various types of taxes, including sales tax, death taxes, and import tariffs (Hosseini 2003: 34).

Abu Yusuf preferred the state taking a proportion of the agricultural produce from the cultivator rather than levy a fixed rent on agricultural land. This was more just and likely to yield a larger revenue by facilitating expansion of the area under cultivation. In discussing taxation, he laid down certain principles which anticipate those introduced many centuries later by the economists as "canons of taxation." He suggested salaried staff to act as tax collectors, who should be under strict supervision in order to prevent corrupt and oppressive practices.

The main strength of Abu Yusuf's thinking, however, lies in the area of public finance. Apart from the responsibilities of the Islamic state related to welfare of the people, he wrote detailed suggestions on how to meet long term development expenditures like those on building bridges and dams, and digging canals. They speak highly of his foresight, sagacity and

E-mail: Moustafa.alkafri@gmail.com دمشق ص ب 12341 سورية

concern for the well-being of the population (Hosseini 2003: 38).

Ibn Khaldun

Main articles: Ibn Khaldun and Muqaddimah


Statue of Ibn Khaldoun in Tunis

When civilization [population] increases, the available labor again increases. In turn, luxury again increases in correspondence with the increasing profit, and the customs and needs of luxury increase. Crafts are created to obtain luxury products. The value realized from them increases, and, as a result, profits are again multiplied in the town. Production there is thriving even more than before. And so it goes with the second and third increase. All the additional labor serves luxury and wealth, in contrast to the original labor that served the necessity of life (Weiss 1995: 30).

Ibn Khaldun on economic growth

Perhaps the most well known Islamic scholar who wrote about economics was Ibn Khaldun (732-808 AH/1332-1404 C.E.) of Tunisia. Joseph Schumpeter (1954: 136) mentions his sociology, others, including Hosseini (2003) consider him a father of modern economics. It is his insight into the laws governing human behavior and socio-economic phenomena like division of labor, growth and decline of population, and rise and fall of prices, which distinguished him from many other social thinkers. The focus of his attention was the various stages of growth and decline through which, according to his insight, every society must pass. This theory has been compared with John Hicks' theory of trade cycles (Weiss 1995: 29-30).

Ibn Khaldun's idea about the benefits of the division of labor relate to *asabiyya,* the greater the social cohesion, the more complex the successful division may be, the greater the economic growth. He noted that growth and development positively stimulate both supply and demand, and that the forces of supply and demand are what determine the prices of goods (Weiss 1995: 31). He also noted macroeconomic forces of population growth, human capital development, and technological developments effects on development. In fact, Ibn Khaldun thought that population growth was directly a function of wealth (Weiss 1995:33).

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A distinctive feature of Ibn Khaldun's approach to economic problems is his keenness to take into consideration the various geographical, ethnic, political, and sociological forces involved in the situation. He did not confine himself to the so-called economic factors alone. He would rather examine whatever forces he found relevant to the issue under study. It is in this context that one can appreciate his tendency to take a people's religious beliefs and traditions into account while discussing their economic behavior and social institutions. He was fully aware of the truth that production of wealth is not a result of individual labor and enterprise only. It owes itself as much to man's social and socio-political institutions, especially the state and its administration.

Conclusion

It is notable that in virtually all early cultures economic thinking converged onto several basic items: How to make agricultural production more efficient; and how to make markets, taxation policies, and other monetary instruments transparent and free from corruption, usury, and other practices that would otherwise destroy the well-being of ordinary law-abiding people on which strong and unified states were built.

It is worth remembering that the early economists and jurisprudence specialists, even though they strongly advocated the efficiency of productive sectors, were also much more sympathetic to the ordinary workers' plight than, say, the later mercantilists. During the mercantilist period, industrial and agricultural workers lived on the brink of poverty with very little protection in the law statutes of the time, but the ancient philosophers, jurists, and economists always had the interest of these working classes in mind.

These early thinkers were concerned that their teachings in jurisprudence or economics reached the highest administrative levels of the country: emperors, kings, caliphs, and so on, and that those rulers would take care of enforcing the “canons of law.”

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The report ended

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E-mail: Moustafa.alkafri@gmail.com دمشق ص ب 12341 سورية