

# Ibn Khaldun's theory of development: Does it help explain the low performance of the present-day Muslim world?<sup>☆</sup>

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## Abstract

The first part of this paper presents Ibn Khaldun's multidisciplinary and dynamic theory of development. This theory argues that the development or decline of an economy or society does not depend on any one factor, but rather on the interaction of moral, social, economic, political and historical factors over a long period of time. One of these factors acts as the trigger mechanism and, if the others respond in the same direction, development or decline gains momentum through a chain reaction until it becomes difficult to distinguish the cause from the effect. Part II of this paper applies this theory to Muslim countries to explain their low performance.

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## 1. Introduction

The development and decline of economies and societies has been of interest to scholars throughout history because of their desire to know the causes of these phenomena and to enable their society to continue the rise or to at least bring the decline to an end. The rise of Development Economics in modern times is, therefore, not something unique. The difference, however, is that development economists until recently took into account primarily the economic variables that

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affected development. They considered the major institutional, psychological, social, historical and political forces in a given society to be exogenous and did not, therefore, analyze the impact of these on the endogenous economic variables that they take into account. It was generally assumed that a positive change in the economic variables would be sufficient to lead to development.

However, other scholars have been oriented towards a multidisciplinary approach which considers economic development to be a part of overall human development. Positive change in one or a few economic variables may not necessarily make a significant difference in development unless this is also accompanied by a positive development-oriented change in other sectors of the society. Accordingly, overall human development is also not considered by them to be indicated by merely a rise in real per capita income, literacy and life expectancy at birth, as is assumed to be the case in the UNDP's Human Development Index.<sup>1</sup> They take into account all or most of the relevant, socio-economic and political variables that affect human well-being and the rise and fall of societies. A number of scholars, including Ibn Khaldun (1332–1406) and Gibbon (1737–1794) (1960) in the past, and Spengler (1926, 1928), Schweitzer (1949), Sorokin (1951), Toynbee (1935, 1957), Myrdal (1968, 1979), North and Thomas (1973), Kennedy (1987) and some others in modern times have discussed the rise and fall of civilizations within this multidisciplinary framework. This paper is intended to show the contribution made to the discussion by Ibn Khaldun more than 600 years ago to explain the causes of Muslim decline which had been under way during his lifetime. Even though a substantial part of what Ibn Khaldun wrote has become a part of conventional wisdom by now, it is still relevant because most of the Muslim world, and not just the area he was concerned with at that time, has been unable until now to get rid of what he considered to be the primary cause of the decline.

Ibn Khaldun, whose family had been forced by political upheavals in Spain to migrate to Tunis, was born in 1332 in Tunis, where he received thorough education from reputed scholars. At a very young age, the Black Death of the 1340s claimed the life of his parents as well as a large number of relatives, friends of the family, teachers and others in his society. Consequently, he had to undergo a great deal of suffering. However, even Tunis, like other neighbouring countries, was not spared by political upheavals. These forced him to move from place to place until 1382 when he finally settled down in Egypt and spent the rest of his life there before his death in 1406 at the age of 74.

The Muslim civilization was in the process of decline during his lifetime. The Abbasid Caliphate (750–1258) had come to an end around three quarters of a century before his birth, after the pillage, burning and near destruction of Baghdad and its surrounding areas by the Mongols. A number of other historical events, including the Crusades (1095–1396), Mongol invasions (1258–1355) and the Black Death (1340s) had also weakened most of the central Muslim lands. In addition, the Circassian Mamluks (1382–1517), during whose period Ibn Khaldun spent nearly a third of his life, were corrupt and inefficient and followed policies that could not but accelerate the decline.

## 2. Part I: Ibn Khaldoun's theory of development

Under these circumstances, it would be strange if a man of Ibn Khaldun's moral and mental calibre would not be in search of an effective strategy to bring about a reversal of the tide (Talbi, 1986, p. 808). As a man of extraordinary intellectual capabilities (Toynbee, 1935, vol. 3, pp. 321–322), he was well aware that the reversal could not be dreamed of without first drawing

<sup>1</sup> For details of this Index, see the United Nation's Development Program (UNDP) (1990, pp. 1–16).

lessons from history and determining the factors that had led the Muslim civilization to bloom out of humble beginnings and to decline thereafter. He, therefore, constructed a model that could help explain the rise and fall of civilizations or the development and decline of economies, both of which are interdependent phenomena in his model.

The model that he developed is powerful enough to enable us to answer some of the most crucial questions that Development Economics needs to answer—questions about why the Muslim world rose rapidly and continued to rise for several centuries, and why it declined thereafter to the extent that it lost its *élan vital*, and did not only become largely colonized but is also unable to respond successfully to the challenges that it is now faced with?

A number of scholars<sup>2</sup> have emphasized different internal as well as external factors that led to the decline of Muslims, particularly after the 12th century. Some of the most important of these are moral degeneration, loss of dynamism in Islam after the rise of dogmatism and rigidity; decline in intellectual and scientific activity; internal revolts and disunity along with continued external invasions and warfare which ravaged and weakened the country, created fiscal imbalances and insecurity of life and property, and reduced investments and growth; decline in agriculture, crafts and trade; exhaustion or loss of mines and precious metals; and natural disasters like plague and famine which led to a decline in the overall population and demand followed by the weakening of the economy.

While the adverse impact of all these internal as well as external factors cannot be denied, it is expected that a living and dynamic society would be able to discuss and analyze freely all these factors, and to develop and implement a proper strategy for effectively offsetting their adverse effects at least in the long-run, if not in the short-run. Why were the Muslims unable to do this? Was there something that prevented them from responding successfully to the internal as well as external challenges that they faced? What was that something? What Ibn Khaldun's theory does is to weave all these factors together, as an interrelated chain of events, into a philosophy of development to show how most of them were activated by what he considers to be the trigger mechanism in a manner that made it difficult for the society to stop the decline without coming to grips with the primary cause.

### 2.1. *Multidisciplinary and dynamic*

Ibn Khaldun tried to address all these questions in the *Muqaddimah* which literally means “introduction” and constitutes the first volume of a seven-volume history, briefly called *Kitab al-Ibar* or the “Book of Lessons [of History]”.<sup>3</sup> It is an attempt to explain the different events in

<sup>2</sup> Some of these include: Hitti (1958), Arsalan (1962), Issawi (1966, 1970), Lambton (1970), Saunders (Ed.) (1966), Inalcik (1970), Inalcik and Qarataert (1994), Musallam (1981), Imam (1977), Najjar (1989), Kuran (1997). Lewis (1962) gives the views of Lutfi Pasha, Kochu Bey, Hajji Khalifah, Huseyn Hazarfenn and Sari Mehmed Pasha on the causes of Ottoman decline.

<sup>3</sup> The full name of the book in Arabic (given in the List of References) may be freely translated as “The Book of Lessons and Record of Cause and Effect in the History of Arabs, Persians and Berbers and their Powerful Contemporaries”. Several different editions of the *Muqaddimah* are now available in Arabic. The one I have used in writing this paper in that published in Cairo by al-Maktabah al-Tijariyyah al-Kubra without any indication of the year of publication. It has the advantage of showing all vowel marks which makes the reading relatively easier. The *Muqaddimah* was translated into English in three volumes by Franz Rosenthal. Its first edition was published in 1958 and the second in 1967. Selections from the *Muqaddimah* by Issawi were published in 1950 under the title, *An Arab Philosophy of History: Selections from the Prolegomena of Ibn Khaldun of Tunis (1322–1406)*. Even though I have given the reference to Rosenthal's translation (R) wherever I have referred to Ibn Khaldun's *Muqaddimah* (M), the translations used in this paper are my own.

history through a cause and effect relationship and to derive scientifically the principles that lie behind the rise and fall of a ruling dynasty or state (*dawlah*) or civilization (*umran*). Even though he benefited in this venture from the contributions made by his predecessors and contemporaries in the Muslim world, the *Muqaddimah* is extremely rich in a great deal of his own original and penetrating analysis. His entire model is condensed to a substantial extent, even though not fully, in the following advice extended by him to the sovereign:

- The strength of the sovereign (*al-mulk*) does not materialize except through the implementation of the *Shariah* . . . .<sup>4</sup>
- The *Shariah* cannot be implemented except by the sovereign (*al-mulk*).
- The sovereign cannot gain strength except through the people (*al-rijal*).
- The people cannot be sustained except by wealth (*al-mal*).
- Wealth cannot be acquired except through development (*al-imarah*).
- Development cannot be attained except through justice (*al-adl*).
- Justice is the criterion (*al-mizan*) by which God will evaluate mankind.
- The sovereign is charged with the responsibility of actualizing justice (*Muqaddimah* (M): 39; Rosenthal's translation (R): vol. 1, 80).<sup>5</sup>

The entire *Muqaddimah* is an elaboration of this advice which consists of, in Ibn Khaldun's own words: "eight wise principles (*kalimat hikamiyyah*) of political wisdom, each one dovetailed with the other for mutual strength, in such a circular manner that the beginning or the end is indistinguishable" (M: 403; R: I. 82).

The strength of Ibn Khaldun's analysis lies in its multidisciplinary and dynamic character. It is multidisciplinary because it links all important socio-economic and political variables, including the sovereign or political authority (G), beliefs and rules of behaviour or the *Shariah* (S), people (N), wealth or stock of resources (W), development (g) and justice (j), in a circular and interdependent manner, each influencing the others and in turn being influenced by them (see the diagram on the next page).<sup>6</sup> Since the operation of this cycle takes place in his model through a chain reaction over a long period of three generations or almost 120 years, a dimension of dynamism gets introduced into the whole analysis and helps explain how political moral, institutional, social, economic, demographic and economic factors interact with each other over time to lead to the development and decline, or the rise and fall, of an economy or civilization. In a long-term analysis of this kind, there is no *ceteris paribus* clause because none of the variables is assumed to remain constant. One of the variables acts as the trigger mechanism.<sup>7</sup> If the other sectors react in the same direction as the trigger mechanism, the decay will gain momentum through an interrelated

<sup>4</sup> The term *Shariah* refers literally to the beliefs and institutions or rules of behaviour of any society, but has now become associated with those prescribed by Islam.

<sup>5</sup> The same advice is repeated on p. 287 (R: II. 105). Ibn Khaldun himself says that his book is a *tafsir* (elaboration) of this advice (40), which was given by Mobedhan, a Zoroastrian priest, to Bahram ibn Bahram and reported by al-Mas'udi in his *Muru' al-Dhahab*, 1988 (vol. 1, p. 253). Ibn Khaldun acknowledges this fact (p. 40), but also simultaneously clarifies that "We became aware of these principles with God's help and without the instruction of Aristotle or the teaching of Mobedhan" (p. 40).

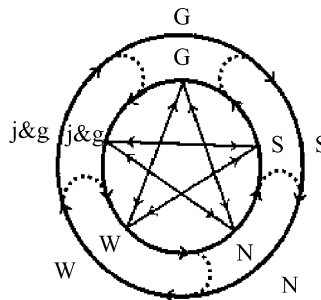
<sup>6</sup> For a more detailed picture of Ibn Khaldun's model, see Chapra (2000, pp. 145–172). See also Spengler (1964), Boulakia (1971) and Mirakhor (1987).

<sup>7</sup> The words used by Ibn Khaldun throughout the *Muqaddimah* are *mu'dhin* and *mufdi*; which mean "inviting" or "leading" towards something. However, I have used the expression "trigger mechanism" which is now used more commonly in English to convey the same meaning.

chain reaction such that it becomes difficult over time to identify the cause from the effect. If the other sectors do not react in the same direction, then the decay in one sector may not spread to the others and either the decaying sector may be reformed over time or the decline of the civilization may be much slower.

## 2.2. The role of the human being (N)

The centre of Ibn Khaldun's analysis is the human being (Rosenthal, 1967, p. 19) because the rise and fall of civilizations is closely dependent on the well-being or misery of the people. This is, in turn, dependent not just on economic variables but also on the closely interrelated role of moral, institutional, psychological, political, social and demographic factors through a process of circular causation extending over a long period of history (M: 39 and 287; R: I. 80 and II. 105). This emphasis on the human being is in keeping with the Qur'anic teaching which states that: "God does not change the condition of a people until they change their own inner-selves" (13:11) and that "Corruption has appeared everywhere because of what *people* have done" (30:41, italics added). These two verses along with many others emphasize the role of human beings themselves in their rise and fall. This is why all the messengers of God (including Abraham, Moses, Jesus and Muhammad) came to this world to reform human beings and the institutions that affect their behaviour.



## 2.3. The role of development (g) and justice (j)

If human beings are the centre of analysis, then development and justice become the most crucial links in the chain of causation. Development is essential because unless there is a perceptible improvement in the well-being of the people, they will not be motivated to do their best (M: 287; R: II. 109). Moreover, in the absence of development, the inflow of scholars, artisans, labour and capital that need to take place from other societies to boost development further may not take place (M: 362-3; R: II. 271-6). This may make it difficult to sustain development and may lead ultimately to a decline (M: 359; R: II. 270).

Development in Ibn Khaldun's model does not refer to merely economic growth (M: 39 and 347-49; R: I. 39 and II. 243-49). It encompasses all-round human development such that each variable enriches the others (G, S, N, W, j and g) and is in turn enriched by them, contributing thereby to the true well-being or happiness of people and ensuring not only the survival but also the rise of the civilization. Economic development cannot be brought about by economic forces alone in isolation of non-economic sectors of the society. It needs moral, social, political and

demographic support. If this support does not become available, economic development may not get triggered, and if it does, it may not be sustainable.

Development is, however, not possible without justice. However, justice, like development, is also not conceived by him in a narrow economic sense but rather in the more comprehensive sense of justice in all spheres of human life. He clearly states that “Do not think that injustice consists in only taking money or property from its owner without compensation or cause, even though this is what is commonly understood. Injustice is more comprehensive than this. Anyone who confiscates the property of someone or forces him to work for him, or presses an unjustified claim against him, or imposes on him a duty not required by the *Shariah*, has committed injustice. Collection of unjustified taxes is also injustice; transgression on another’s property or taking it away by force or theft constitutes injustice; denying other people their rights is also injustice” (M: 288; R: II. 106-7). “One of the greatest injustices and the most destructive of development is the unjustified imposition of tasks on people and subjecting them to forced labour” (M: 289; R: II. 108-9). Justice is considered so crucial by Ibn Khaldun for development that he has a whole section entitled “injustice triggers the destruction of civilization” (M: 286-90; R: II. 103-111). This is the reason why j and g have been juxtaposed in the above diagram. “The extent to which property rights are infringed determines the extent to which the incentive to earn and acquire it goes”. “If the incentive is gone, they refrain from earning” (M: 286, R: II. 103). This adversely affects their efficiency, innovativeness, entrepreneurship, drive and other qualities, ultimately leading to the society’s disintegration and decline.

Justice in this comprehensive sense cannot be fully realized without *asabiyyah*, which has been varyingly translated as “social solidarity”, “group feeling” or “social cohesion”. It “provides protection, makes possible mutual defence as well as the settlement of claims and performance of all agreed activities” (M: 139; R: I. 284). It helps create the mutual trust and cooperation, without which it is not possible to promote division of labour and specialization, which are necessary for the accelerated development of any economy (M: 41-43; R: I. 89-92). The crucial role that trust plays in development is now being rightly emphasized by economists (Arrow, 1973; Etzioni, 1988; Fukuyama, 1995; Hollingsworth and Boyer, 1998) and has become a part of “conventional wisdom” or “embeddedness”. Ibn Khaldun has used the word, “*asabiyyah*” for what is, to a great extent, currently referred to as “social capital” or “social infrastructure” (see Dasgupta and Serageldin, 2000). However, some scholars have raised objections against the use of the word “capital” for something that is abstract and cannot be possessed like physical capital by individuals (see, for example, Arrow, 2000; Solow, 2000; Bowles and Gintis, 2002). Therefore, Ibn Khaldun’s use of the expression *asabiyyah* or “social solidarity” seems to be a better alternative.

#### 2.4. The role of institutions (S) and the state (G)

Justice, however, necessitates certain rules of behaviour called institutions in Institutional Economics and moral values in religious worldviews. They are the standards by which people (N) interact with, and fulfill their obligations towards, each other (M: 157-58; R: I. 319-21). All societies have such rules based on their own worldview. The primary basis of these rules in a Muslim society is the *Shariah* (S). “Divine Laws command the doing of good and prohibit the doing of what is evil and destructive” (M: 304; R: II. 142). They are, therefore, according to Ibn Khaldun, “for the good of human beings and serve their interests” (M: 143; R: I. 292). Their Divine origin carries the potential of helping promote their willing acceptance and compliance and of serving as a powerful cement for holding a large group together (M: 151-52; R: I. 305-8 and



319-22). This can help curb socially harmful behaviour, ensure justice (j), and enhance solidarity and mutual trust among the people, thereby promoting development (g).

The *Shariah* (S) cannot, however, play a meaningful role unless it is implemented fairly and impartially (M: 39 and 43; R: I. 80 and 91-92). The *Shariah* can only give rules of behaviour, it cannot itself enforce them. It is the responsibility of the political authority (G) to ensure compliance through incentives and deterrents (M: 127-28; R: I. 262-63). The Prophet clearly recognized this by saying: “God restrains through the sultan (sovereign) what he cannot restrain through the Qur’an” (al-Bayhaqi, 1990, from Anas ibn Malik, vol. 5, p. 267, no. 6612). For Ibn Khaldun, political authority has the same relationship to a civilization as form has to matter (M: 371 and 376; R: II. 291 and 300). “It is not possible to conceive of political authority without civilization and of civilization without political authority” (M: 376; R: II. 300). However, Ibn Khaldun clearly emphasizes that “good rulership is equivalent to gentleness” (M: 188; R: I. 383). “If the ruler is tyrannical and harsh in punishments . . . the people become fearful and depressed and seek to protect themselves by means of lies, ruses and deception. This becomes their character trait. Their perceptions and character become corrupted . . . They may conspire to kill him” (M: 188-2; R: I. 383).

While Ibn Khaldun emphasizes the role of the state in development, he does not, in step with other classical Muslim scholars, support a totalitarian role for the state. He stands for what has now become characterized as “good governance”. Recognition of private property and respect for individual freedom within the constraints of moral values is a part of Islamic teachings and has always been prevalent in Muslim thinking. The job of the state in the writings of almost all classical Muslim scholars, including Ibn Khaldun, is, in addition to defense and maintenance of law and order, to ensure justice, fulfillment of contracts, removal of grievances, fulfillment of needs and compliance with the rules of behaviour.<sup>8</sup> In other words, the state must do things that help people carry on their lawful businesses more effectively and prevent them from committing excesses and injustices against each other.

Ibn Khaldun considers it undesirable for the state to get directly involved in economic activity (M: 281; R: II. 93). Doing so will not only hurt the people (N) by reducing their opportunities and profits (now termed as crowding out of the private sector) but also reduce the state’s tax revenue (M: 281-83; R: II. 93-96). Thus, the state is visualized by Ibn Khaldun as neither a *laissez faire* state nor a totalitarian state. It is rather a state which ensures the prevalence of the *Shariah* (S) and serves as an instrument for accelerating human development and well-being.<sup>9</sup> The slant towards nationalization came in the thinking of some Muslim writers under the influence of socialism,

<sup>8</sup> The functions of the state are discussed by him in a number of places in the *Muqaddimah*. He states in one place, for example, that: the ruler “must defend and protect the subjects, whom God has entrusted to him, from their enemies. He must enforce restraining laws and prevent them from committing aggression against each other’s person and property. He must ensure the safety of roads. He must enable them to serve their interests. He must supervise whatever affects their livelihood and mutual dealings, including food stuffs and weights and measures, to prevent cheating. He must look after the mint to protect the currency used by people from forgery . . . A noble wiseman has said that ‘moving mountains from their places is easier for me than winning the hearts of people’” (M: 235; R: II. 3).

<sup>9</sup> Ibn Khaldun classifies political authority into three kinds. The first is the “natural or normal” (*tabi’i*) authority which enables everyone to satisfy self-interest (*al-ghard*) and sensual pleasures (*al-shahwah*); the second is the rational political authority (*siyasah aqliyyah*), which enables everyone to serve this-worldly self-interest and to prevent harm in accordance with certain rationally derived principles; and the third is the morally-based political authority (*siyasah diniyyah* or *khilafah*) which enables everyone to realize well-being in this world as well as the Hereafter in accordance with the teachings of the *Shariah* (M: 190-1; R: I. 387-88). If one were to use modern terminology for these three different forms of governments, one could perhaps call them the secular *laissez faire* or passive state, the secular welfare state, and the Islamic welfare state or *khilafah*. (For the Islamic welfare state, see Chapra (1992), Chapters 1, 3 and 5.)

and was exploited by ambitious generals and politicians in several Muslim countries to serve their own vested interest. Socialism, however, brought nothing but misery to nearly all those Muslim countries where it was imposed through military coups (Desfosses and Levesque, 1975).

### 2.5. *The role of wealth (W)*

Wealth (W) provides the resources that are needed for ensuring justice (j) and development (g), the effective performance of its role by the government (G), and the well-being of *all* people (N). Wealth does not depend on the stars (M: 366; R: II. 282), or the existence of gold and silver mines (Desfosses and Levesque, 1975). It depends rather on economic activities (M: 360 and 366; R: II. 271 and 282), the largeness of the market (M: 403; R: II. 351), incentives and facilities provided by the state (M: 305; R: II. 143-4) and tools (M: 359 and 360; R: II. 270-72), which in turn depend on saving or the “surplus left after satisfying the needs of the people” (M: 360; R: II. 272). The greater the activity, the greater will be the income. Higher income will contribute to larger savings and greater investment in tools (M: 360; R: II. 271-2) which will in turn contribute to greater development (g) and wealth (W) (M: 360; R: II. 271-2). He emphasized the role of investment further by saying: “And know that wealth does not grow when hoarded and amassed in safes. It rather grows and expands when it is spent for the well-being of the people, for giving them their rights, and for removing their hardships” (M: 306; R: II. 146). This makes “the people better off, strengthens the state, makes the times prosperous, and enhances the prestige [of the state]” (M: 306; R: II. 146). Factors that act as catalysts are low rates of taxes (M: 279-81; R: II. 89-91), security of life and property (M: 286; R: II. 103), and a healthy physical environment amply provided with trees and water and other essential amenities of life (M: 347-9; R: II. 243-8).

Wealth also depends on division of labour and specialization, the greater the specialization the higher will be the growth of wealth. “Individual human beings cannot by themselves satisfy all their needs. They must cooperate for this purpose in their civilization. The needs that can be satisfied by the cooperation of a group exceed many times what they can produce individually. . . . [The surplus] is spent to provide the goods of luxury and to satisfy the needs of inhabitants of other cities. They import other goods in exchange for these. They will then have more wealth . . . Greater prosperity enables them to have luxury and the things that go with it, such as elegant houses, clothes and utensils, and the use of servants and carriages . . . Consequently, industry and crafts thrive” (M: 360-61; R: II. 271-72). Human beings do not allow their labour to be used free (M: 402; R: II. 351). Therefore, division of labour will take place only when exchange is possible (M: 380; R: II. 311). This requires well-regulated markets which enable people to exchange and fulfill their needs (M: 360-2, R: II. 271-76).

A rise in incomes and wealth contributes to a rise in tax revenues and enables the government to spend more on the people’s well-being. This leads to an expansion in economic opportunities (M: 362; R: II. 275) and greater development, which, in turn, induces a natural rise in population and also the immigration of skilled and unskilled labour and scholars from other places (M: 362-3; R: II. 271-6), thus further strengthening the human and intellectual capital of that society. Such a rise in population boosts the demand for goods and services, and thereby promotes industries (*al-sanai*), raises incomes, promotes sciences and education (M: 359 and 399-403; R: II. 270 and 346-52), and further accelerates development (M: 363 and 403; R: II. 277 and 351-52). In the beginning, prices tend to decline with the rise in development and production. However, if demand keeps on rising and the supply is unable to keep pace with it, scarcities develop, leading to a rise in the prices of goods and services. The prices of necessities tend to rise faster than those of luxuries, and prices in urban areas rise faster than those in rural areas. The cost of labour also



risers and so do taxes. These lead to a further rise in prices, which creates hardship for people and leads to a reversal in the flow of population. Development declines and along with it prosperity and civilization (M: 168 and 363-5; R: I. 339-42 and II: 276-85).

The decline in income leads to a decline in tax revenues which are no longer sufficient to cover state spending. The state tends to impose more and more taxes and also tries to gain excessive control over all sources of power and wealth. The incentive to work and earn is adversely affected among the farmers and the merchants, who provide most of the tax receipts. Hence, when incomes decline, so do the tax revenues. The state is in turn unable to spend on development and well-being. Development declines, the recession deepens further, the forces of decay are accelerated and lead to the end of the ruling dynasty (M: 168 and 279-82; R: I. 339-42 and II. 89-92).

If one were to express Ibn Khaldun's analysis in the form of a functional relationship, one could state that:

$$G = f(S, N, W, j \text{ and } g)$$

This equation does not capture the dynamics of Ibn Khaldun's model, but does reflect its interdisciplinary character by taking into account *all* of the major variables discussed by him. In this equation, G or the political authority has been shown as a dependent variable because one of the main concerns of Ibn Khaldun was to explain the rise and fall of dynasties, states or civilizations. According to him the strength or weakness of the dynasty depends on the strength or weakness of the political authority which it embodies. The survival of the political authority (G) depends ultimately on the well-being of the people (N) which it (G) must try to ensure by providing a proper environment for actualizing development (g) as well as justice (j) through the implementation of the *Shariah* (S). If the political authority (G) is corrupt and incompetent and not accountable before the people, it will not perform its functions conscientiously. Consequently, the resources at its disposal will not get effectively utilized and the services that need to be provided to facilitate development will not become available. Development as well as well-being will then suffer. Unless there is development (g), the resources needed to enable the society as well as the government to meet the challenges that they face and to actualize their socio-economic goals will not expand.

## 2.6. The role of the trigger mechanism

However, while a normal cause and effect relationship is not necessarily reversible, the circular and interdependent causation in human societies emphasized by Ibn Khaldun generally tends to be so. This is indicated in the diagram by means of arrows and dots. Any one of the independent variables and, in particular, development (g), which is the main theme of this paper, may be treated as a dependent variable with the others being considered independent. This implies that the trigger mechanism for the decline of a society may not necessarily be the same in all societies. In Muslim societies, with which Ibn Khaldun was concerned, the trigger mechanism was the failure of the political authority (G) which, unfortunately, continues in most Muslim countries until the present time (as will be seen in Part II of this paper), and has led to the misuse of public resources and their non-availability for the realization of justice, development and general well-being.

Therefore, while all factors play an important role in the development and decline of a society, the trigger mechanism has a crucial role. The trigger mechanism in other societies may be any of the other variables in Ibn Khaldun's model. It could, for example, be the disintegration of the family, which was not a problem in Ibn Khaldun's time and which he did not, therefore, mention in his analysis. It is, however, an integral part of N and is now having a greater manifestation in the

Western world even though all societies are affected by it in varying degrees. Such disintegration, if it continues unchecked, may first lead to a lack of proper upbringing of children and then to a decline in the quality of human beings (N), who constitute the bedrock of any civilization. It may not, then, be possible for that society to sustain its economic, scientific, technological and military supremacy. The trigger mechanism could also be the weakness of the economy resulting from a faulty economic system based on unhelpful values and institutions (S), as happened in the Soviet Union. It could also be the absence of justice, educational and health facilities, and access to venture capital, which may lead to the inefficient performance of human resources (N) and thereby to sluggish development, as the case is in many developing countries, of which the Muslim world is an integral part.

Ibn Khaldun did not, thus, commit the mistake of confining himself to economic variables alone to explain development and decline. He rather adopted a multidisciplinary and dynamic approach to show how the interrelated relationship of social, moral, economic, political, historical and demographic factors leads to the rise and fall of societies. This is what can also explain why some countries develop faster than others, what makes development sustainable, and when people realize true well-being. Fortunately, Development Economics has gradually started taking into account the roles of almost all these variables as well as their mutual interaction through circular causation.

Nevertheless, his concept of trigger mechanism has not become fully utilized. Without this concept even the stress on property rights by North and Thomas (1973), to explain the rise of the Western world does not take us very far. Property rights have been there in most societies, and particularly so in the Muslim World because of the Islamic stress on them. However, all societies do not necessarily develop. The reason is that property rights, like other institutions, carry no weight unless they are enforced. What is it that led to their enforcement in Western societies. It was perhaps the emergence of democracy which led to political accountability. This led to the enforcement of institutions, of which property rights are a crucial part. It is, therefore, political accountability resulting from democracy which acted as the trigger mechanism for the enforcement of property rights and justice. This led to development. North and Thomas perhaps realize this themselves to a certain extent when they state that innovation, economies of scale, education, capital accumulation, etc., are not causes of growth; they are growth (1973, p. 3). Using the same logic, one could argue that enforcement of property rights, is also an effect rather than a cause. Property rights were enshrined in Christian values but were not enforced. If it was not for democracy, property rights may not have been enforced.

Ibn Khaldun also did not commit the neoclassical economists' mistake of being concerned primarily with short-term static analysis by assuming other factors to be constant when changes are taking place in these factors in all human societies through a chain reaction even though these changes may be so small as to be imperceptible. Nevertheless, their influence on economic variables continues to be significant and cannot be ignored. Therefore, even though economists may adopt the *ceteris paribus* assumption for convenience and ease of analysis, multidisciplinary dynamics of the kind used by Ibn Khaldun also needs to be simultaneously utilized because of the help it can give in formulating socio-economic policies that help improve the overall long-run performance of an economy and raise the well-being of its people. Neoclassical Economics is unable to do this because, as North has rightly asked: "How can one prescribe policies when one doesn't understand how economies develop?" He, therefore, considers Neoclassical Economics to be "an inappropriate tool to analyze and prescribe policies that will induce development" (North, 1994, p. 359). Since Ibn Khaldun formulated a brilliant model for explaining the rise and fall of a society, Toynbee was right in declaring that in terms of "both breadth and profundity of vision

as well sheer intellectual power”, Ibn Khaldun, in his *Muqaddimah* to his *Universal History*, “conceived and formulated a philosophy of history which is undoubtedly the greatest work of its kind that has ever been created by any mind in any time or place” (Toynbee, 1935, vol. 3, pp. 321 and 322).

With some variations in the definitions and the content of each variable according to the change in environment and analytical framework, his model can still be very useful today. For example, “N” need not be taken as a solid aggregate but rather as the sum of different components, including men and women, scholars, political elite and the lay people; and families, social and economic groups, and society as a whole. Ibn Khaldun took some of these into account but not all. Moreover, the role of women is much greater now than in Ibn Khaldun’s times and it may not be possible to exploit their potential unless families, society and the government all join hands. Even without nationalization and central planning, the role of governments is much greater now and they are required to contribute more effectively to justice (j) and development (g). While it is necessary to take W into account, it is also necessary to take into account all economic variables like saving, investment, capital accumulation and technology, which Development Economics does but which Ibn Khaldun did only indirectly.

### 3. Part II: applying Ibn Khaldun’s model to Muslim countries

#### 3.1. *The contribution of Islam*

While applying Ibn Khaldun’s model to the present-day Muslim world, the first question that one is confronted with is about which of the variables included in his model (G, S, N, W, j and g) has triggered the Muslim decline and continues to be responsible for the inferior performance of most of these countries. As far as Islam (S) is concerned, it is itself a victim rather than the trigger mechanism. A number of Western scholars, including Toynbee (1935), Hitti (1958), Hodgson (1977), Baeck (1994) and Lewis (1995) have argued that Islam played a positive role in the development of Muslim societies in the past. It is only the factor of Islam which can help answer the question of why a Bedouin society, which was characterized by internecine feuds, paucity of resources, and a harsh climate, and which had hardly any of the requisites for growth, was able to develop so rapidly against all odds and stand firmly against the intellectually and materially far superior Byzantine and Sassanian empires. It started blooming in the 7th century while, according to North and Thomas, Western Europe “was mainly a vast wilderness” even in the 10th century (1973, p. 28). If it was not for Islam, there would not have been, in the words of Toynbee, that “extraordinary deployment of latent spiritual forces by which Islam transformed itself, and thereby transfigured its mission, in the course of six centuries” (1957, vol. 2, p. 30).

What Islam (S) did was to activate all the developmental factors in a positive discretion. It contributed to the moral and material uplift of individuals (N), who constitute the primary force behind the rise or fall of a society. It changed their outlook towards life by injecting a meaning and purpose into it. It provided development-friendly institutions or moral values (S) and also created a proper climate for their observance in a way that helped change the character of that society. It established a morally oriented political system where the *Khalifah* (caliph) was elected by the people, ruled in keeping with the decisions of the *Shura* (advisory council), and was accountable before the people. It thereby created a framework for what is now called “good governance” (G) to ensure justice, dignity, equality, self-respect and sharing of the benefits of development by all, particularly the poor and the downtrodden (j). It established rule of law and ensured

sanctity of life, individual honour, and property. It gave a higher and more respectable status to the farmer, craftsman and merchant as compared with what they enjoyed under the Mazdean or the then-prevailing Christian traditions.

The prevalence of justice and security of life and property strengthened the motivation for honesty, integrity, hard work, accumulation of capital, entrepreneurship and technological progress. It created a vast common market with free movement of goods, capital and labour, and low rates of tariffs in an area which had been previously vitiated by tribal feuds, continued wars between the Byzantine and Sassanian empires, waylaying of caravans, and extortionate taxes. Consequently, there was a revolutionary rise in agricultural and manufacturing output as well as long distance trade.<sup>10</sup>

“This was the classic age of Islam, when a new, rich and original civilization, born of the confluence of many races and traditions, came to maturity” (Lewis, 1960, p. 20). The institutional requirements for development emphasized by North and Thomas (1973, pp. 2–3) and North (1990, pp. 3–10) were satisfied. Schatzmiller acknowledges this by stating that “all the factors which enabled Europe to succeed were available to Islam much earlier” (1994, p. 405). As a result of this, there was all-round economic development (g) embracing agriculture, crafts and trade. This led to a substantial rise in the incomes of all people (N) as well as the state (G).

There was great public support for education and research. This led to not only improvements in human skills and technological and intellectual development but also provided a favourable climate for what Hitti calls a “momentous intellectual awakening” in which scholars of all fields of learning and faiths participated without discrimination (Hitti, 1958, p. 306; Saunders, 1966, p. 24; Lewis, 1960, p. 20). This enabled the Muslim civilization, to achieve and maintain supremacy in nearly all fields of science and technology for almost four centuries from the middle of the 8th to the middle of the 12th century. Even after the loss of the top place, substantial contributions continued to be made for at least two more centuries (see Sarton, 1927, particularly vol. 1 and Book 1 of vol. 2).

The position of women (N) also improved significantly. The Qur’an prescribed for them rights equal to those of men (2:228) and enjoined men to fulfil their obligations towards them graciously (2:237). No wonder, Umar, the second Caliph (d. 644), felt prompted to say that: “During the pre-Islamic period (*al-Jahiliyyah*), we did not consider women to be anything. However, after the coming of Islam, when God himself expressed His concern for them, we realized that they also had rights over us” (Al-Bukhari, 1987, vol. 7, 281:735). During the Prophet’s days, they played an important role in all different activities, including the war effort (Abu Shuqqah, 1990, vol. 3, pp. 132–233; see also Roded, 1994, p. 35). They “were accorded property rights not equalled in the West until modern times” (Lewis, 1995, p. 72).

They are well represented in the biographical literature devoted to the Prophets’ companions; about 1200 female companions are included in it, roughly 10–15% of the total entries (Roded, 1994, p. 19). After reading the biographies of thousands of women in 40 bibliographical collections dating from the 9th century, Ruth Roded, lecturer at the Hebrew University of Jerusalem, did not find any evidence to support the view that Muslim women were “marginal, secluded and restricted” (Roded, 1994, pp. viii and ix). While studying charitable endowments (*awqaf*) in Ottoman Aleppo, she was “astounded to discover that 41% of the endowments were founded by women and that women’s endowments differed little from those of men” (Roded, 1994, p. vii). Women also acted as farmers, merchants, artisans and landlords (Faroghi, 1994, pp. 599 and 605) and “courts were

<sup>10</sup> For some details on these revolutions, see Watson (1981, 1983) and Sarton (1927).

active in safeguarding women's rights in conformity with the *Shariah*" (Schatzmler, 1994, p. 362).

### 3.2. The trigger mechanism of Muslim decline

If Islam played a catalytic role in Muslim development in the earlier centuries by bringing about the orientation of all factors included in Ibn Khaldun's model in the positive direction, then there arises the question of what is it that triggered the decline later on? As indicated earlier, the trigger mechanism of Muslim decline was, according to Ibn Khaldun, political illegitimacy, which started when Mu'awiyah, the fifth Caliph, initiated hereditary succession by appointing his son, Yazid, to the Caliphate in 679. This was in clear violation of Islamic teachings with respect to statecraft. Democracy is not only in harmony with Islam but also a part of its mandatory ethical values (Al-Qur'an, 3:159 and 42:38). Just like democracy, there is no Church in Islam to create a conflict between the Church and the state. However, moral values are eternal in Islam while they can be relative in a secular democracy. Nevertheless, even though it is theoretically possible for a secular democracy to violate or ignore the moral code of the society, this does not normally happen. If there is a deviation, it would essentially reflect a change in the society's values, which does not happen suddenly, but rather gradually over a long period of time. The legal blessing given to gambling, drinking, homosexuality, lesbianism, prostitution and the cohabitation of unmarried couples in some secular democracies may be instances of change in values. In an Islamic democracy, these would remain illegal as long as the state claims to be Islamic.

After the introduction of hereditary succession, Islamic teachings with respect to statecraft gradually became less and less reflected in the political institutions of the Muslim world. Nevertheless, Political authority (G) did not deteriorate into despotism immediately after the abolition of the Caliphate. Since the *Shariah* (S) continued to be a source of inspiration for the people (N), the government was under constraint to ensure not only law and order but also justice and socio-economic uplift. The judicial system operated effectively and honestly, security of life and property was ensured, rules of behaviour were generally observed, and social and contractual obligations continued to be fulfilled.

Unfortunately, the governments became more and more absolute and arbitrary with the passage of time. The trend was "towards greater, not lesser, personal authority for the sovereign and his agents" (Lewis, 1995, p. 144). Accountability of the rulers and the political elite, equality before law, and freedom of expression began to decline in clear violation of the *Shariah*. Even though lip service continued to be paid to Islam, state resources began to be misused for the luxury of the royal court and taxes rose gradually beyond the ability of the people to bear.<sup>11</sup> Justice (j) and development (g) accordingly became the worst victims, and solidarity, which previously prevailed between the people (N) and the government (G), deteriorated. The people suffered, and their incentive to work, produce and innovate was adversely affected. The position of women also declined gradually as a result of the overall decline within the framework of circular causation.

<sup>11</sup> After discussing the transformation of *khilafah* into royal authority or kingship in a whole chapter (M: 202-08; R: I. 414-28), Ibn Khaldun concludes: you have seen how the form of government got transformed into kingship. Nevertheless, there remained [in the beginning] the meaning of *khilafah* which required observance of religious teachings and adherence to the path of truth . . . . Then the characteristic traits of *khilafah* disappeared and only its name remained. The form of government became kingship pure and simple. Acquisition of power reached its extreme limit and force came to be used for serving self-interest through the arbitrary gratification of desires and pleasures (M: 208; R: I. 427).

They are now illiterate, secluded, and generally deprived of the rights that Islam has given them. Any society where nearly half of the population becomes marginalized and is unable to play its potential role in keeping with its talents is bound to have stunted growth. Hodgson is perhaps right in saying that the “civilization of Islam as it has existed is far from a clear expression of the Islamic faith” (Hodgson, 1977, vol. 1, p. 71).

The non-implementation of Islamic values in the highly crucial political field, always remained a source of contention between the rulers and the *sufis* and religious scholars (*ulama*). The more conscientious of them, who also happened to be the most vocal, began to be persecuted. Consequently, they started avoiding the royal courts and became confined to their monasteries (*khanqahs*) or religious schools (*madrasahs*). This had a far-reaching adverse impact on Muslim society. The *sufis* and the *ulama* lost touch with the realities of a rapidly changing environment and *fiqh* (Islamic jurisprudence) could not, accordingly, develop with the needs of the time. It became nearly stagnant. This deprived Islam of the dynamism which it reflected in the earlier centuries. The seclusion of the *ulama* also deprived the rulers of the restraint that existed previously on their arbitrariness. Sycophants, who did not and could not make any worthwhile contribution to the society, began surrounding the rulers and scooped all the benefits by telling them what they wished to hear.

A crucial question that arises here is, why did the *sufis* and the *ulama* not struggle for political reform and supremacy of human rights, as enshrined in the Islamic value system, instead of getting themselves secluded in their monasteries and religious schools. They did. There were a number of revolts, starting with the Prophet’s own grandsons against Yazid, the first to succeed on the basis of heredity. However, all these revolts were suppressed ruthlessly. This is because such revolts were generally localized. The slow means of communication and transport at that time did not make it possible to organize a widespread revolt.

When the procedure for peaceful succession of rulers through the consensus of the community got removed, succession generally took place through court conspiracies, internecine wars of succession, and military coups, which drained the resources of Muslims, sapped their creative energies, and led to their overall decline. Transfer of power even among members of the same family was not always without bloodshed and the army seems to have played a decisive role in such acquisition and transfer. Succession wars almost always heightened insecurity, which in turn adversely affected production and trade, particularly when taxes already paid to the previous regime had to be repaid to the new regime to help it solve its financial problems. Sanctity of individual life, honour and property, which Islam had guaranteed, became violated.

The influence of Islam reversed the decline during a number of periods when honest and far-sighted rulers took over the helm of affairs. Even though they were not elected by the people, they pursued the right policies which enabled Muslim countries to develop rapidly. However, all these intermittent periods of movement in the positive direction helped reduce only the pace of decline. They could not reverse the long-run declining trend. The corrupt and incompetent rulers who succeeded them could not be removed as they can be in a democratic environment. The virus of political illegitimacy gradually infected all other aspects of the society and the economy (S, N, W, j and g) through circular causation. The Muslim world started losing the momentum of development that had been triggered by Islam to the extent that it could not successfully address the external shocks that it encountered. It could not, therefore, prevent its colonization by the European countries. Kramer has, hence, rightly pointed out, in step with Ibn Khaldun, that “the causes of the decline were to be sought mainly within the body politic” (Kramer et al., 1993, p. 197).



### 3.3. *Is Islam an impediment to growth?*

Some scholars have argued that even though Islam may have promoted development in the past, the Muslim world is poor and underdeveloped today as a result of certain Islamic institutions that were “designed to serve laudable economic objectives”, but had the unintended effect of serving as “obstacles to economic development” (Kuran, 2004, pp. 71–72). Noland has, however, concluded in a recent unpublished study that “in general this is not borne out by econometric analysis either at the cross-country or within-country level” and that “Islam does not appear to be a drag on growth or an anchor on development as alleged. If anything, the opposite appears to be true” (pp. 26–27).

Nevertheless, it should be worthwhile looking at the three Islamic intuitions which, have, according to Kuran, proved to be inimical to growth. These are:

- (1) Islam’s egalitarian inheritance system, which did not allow primogeniture to take root in Muslim societies.
- (2) Absence of the concepts of limited liability and juridical or legal personality in Islam.
- (3) The Islamic institution of *waqf* (philanthropic trust) (Kuran, 2004, pp. 71–72).

The first two of these are claimed to have hindered accumulation of capital and the formation of corporations, both of which are essential for accelerated development. The third institution is alleged to have blocked vast resources into projects which became dysfunctional over time (Kuran, 2004).

### 3.4. *Absence of primogeniture*

There is no doubt that Islam does stand for an egalitarian inheritance system in which there can be absolutely no room for primogeniture. However, Kuran has not substantiated his contention that primogeniture contributed to the development of large enterprises in the West. Primogeniture served primarily the needs of feudalism by ensuring that the fief did not get broken up among the many sons of the vassal or tenant and that only one person remained responsible for providing the required military and other services to the lord (Rheinstein and Glendon, 1994, p. 641). Feudalism, however, enabled the lords “to extract a rent by extra-economic coercion” as a result of which the peasant labourers had “no *economic* incentive to work diligently and efficiently for the lords”. This “limited the agricultural economy’s capacity to improve” (Brenner, 1987, pp. 309 and 311, italics in the original). Consequently, feudalism got buried in Western Europe by 1500, “when capitalism as it is known today was not yet born and the industrial revolution was fully two-and-a-half centuries into the future” (North and Thomas, 1973, p. 102). The demise of feudalism weakened primogeniture except among ruling families. In America, it was swept away during the course of the American Revolution while in Europe, it collapsed during the French Revolution. The Napoleonic Code took care to prevent its reestablishment (Rheinstein and Glendon, 1994, p. 642). If primogeniture had been a useful institution, it would not have been swept away in both Europe and America.

The onset of economic development in Europe depended rather on “the transformation of the feudal property relations into capitalistic property relations” (Brenner, 1987, p. 133; Dobb, 1946; Hilton, 1969). Hardly any scholar, therefore, mentions primogeniture among the causes of the industrial revolution. The causes that are emphasized include the enforcement of property rights by democratic governments and the boost that the spread of education, research and technology

provided to development (see North, 1990, pp. 130–140; Checkland, 1987). A. Toynbee, uncle of the great historian A.J. Toynbee, has placed great stress on the inventions that helped provide the technology needed for the revolution in agriculture, manufacturing and transport (Toynbee, 1961). In the agricultural sector, the steam plough helped bring about the consolidation of small farms into large ones and also made possible the tillage of inferior soils through the enclosure system. In the manufacturing sector, the spinning jenny, steam engine and power loom facilitated the establishment of large factories. In the transport sector, the coming of the railroad in 1830 brought about a substantial expansion in the market as well as trade (Toynbee, 1961, pp. 58–66). “The new class of great capitalist employers made enormous fortunes” (Toynbee, 1961, p. 65). It was this fortune, along with the technology, and not primogeniture, that made the establishment of large businesses possible, and thereby, created a need for the corporation.

However, even if it is assumed that primogeniture did play a role in the development of Europe and America, there is no reason to assume that it is indispensable for the development of all countries. Japan and East Asian tigers have developed without primogeniture having played any role in their development. Some of the factors that played a crucial role in their development were good governance, land reforms, social equality and cultural values (see Chapra, 1992, pp. 173–181). Of these, land reforms had an effect which was the opposite of primogeniture. They reduced the average family holding in Japan to about 2.5 acres of arable land (Jansen, 1973–1974, p. 88). Even in 1985, the average farm size amounted to 1.2 acres in Japan, with only 4% of all farms operating on land of more than 3 hectares (7.41 acres) (Australian Bureau of Agricultural and Research Economics, 1988). According to Sachs, “land reforms in these countries were more extensive than in any other case in modern history” (1987, p. 301). These reforms destroyed the power base of the feudal lords and virtually eliminated farm tenancy, which was widespread before the reforms, and had the far-reaching effect of substantially reducing income and wealth inequalities. The higher income of small farmers plus the cultural values of simple living enabled them to save more. The high rate of saving kept inflation and interest rates at a relatively lower level and enabled rural as well as urban development without unduly large monetary and credit expansion and external borrowing (for details, see Chapra, 1992, pp. 173–181).

### 3.5. *Juridical entity and limited liability*

Kuran is certainly right in asserting that a legal entity with limited liability of shareholders is indispensable for large-scale investment. However, the seeds of both these concepts existed in the classical discussions of Islamic jurisprudence. The closest approximation to the corporate legal entity was the *bayt al-mal* (public treasury), mosque property, and *waqfs* (Al-Khafif, 1962, pp. 22–27; Udovitch, 1970, p. 99; Abdullah, n.d., pp. 235–239). Even the concept of limited liability existed in the *mudarabah* (commenda) form of business organization (Chapra, 1985, pp. 255–256; Usmani, 1998, pp. 221–228), and has been extended without any difficulty to the corporation in modern times (Abdullah, n.d., p. 239).

It is unrealistic to expect that everything necessary for development would be specified in the Qur’an or the *Sunnah* (the Prophetic traditions). One of the most important and well-known principles of Islamic jurisprudence is that whatever is not specifically prohibited is allowed. Since very few things have been specifically prohibited, there is a great potential for the evolution of institutions needed for promoting development. This did take place in Muslim societies, as Kuran has himself acknowledged by stating that: “the distinguishing economic features of classical Islamic civilization evolved over the next three centuries” (2004, p. 72). Such evolution took place in accordance with need. This was in keeping with the natural evolutionary process in

the development of institutions in human societies. There is hardly any society where all the institutions needed for development in the future evolved together in the very initial phase of development. This raises the question of why the need for corporate form did not arise earlier in Muslim societies.

The answer to this question needs to be found not in Islamic teachings but rather in political illegitimacy as a result of which the property rights enshrined in Islamic teachings did not get effectively enforced. North has rightly argued that insecure property rights “result in using technologies that employ little fixed capital and do not entail long-term agreements. Firms will typically be small” (North, 1990, p. 65). This is what happened in the Muslim world. If property rights had been secure, the momentum of development that had become built up from the 8th to the 14th centuries would perhaps have continued, creating the need for replacing small firms by large business organizations.

There is no reason to assume that the increased need for finance that this would have created may not have led to the development of the corporation, the seeds for which, as indicated earlier, were already present in Islamic jurisprudence. In the 20th century when development started once again in the Muslim world, the need arose for large business establishments and the jurists had no difficulty in approving the corporate form of business organization. If there was anything in Islam against it, there would not have been such great unanimity in its acceptance. Lal has rightly observed that “it is not Islamic institutions themselves that have hindered development but dysfunctional etatism and dirigisme which, when reversed in the Muslim parts of Southeast Asia, have developed Promethean intensive growth” (1998, p. 66).

Even in medieval England, the earliest corporations were boroughs, guilds, churches and charities (Hessen, 1987, p. 675). This is similar to what happened in Islam. These earlier corporations in medieval England did not, however, become the forerunners of today’s corporations until they became fully private, which happened at the end of the 17th century (Hessen, 1987, p. 678), long after the death of feudalism and the weakening of primogeniture. Nevertheless, it was not until the 19th century that the limited liability principle got established in both the U.S. and the U.K. (Oesterle, 1994, pp. 590–591).

The agricultural and scientific revolution that took place in early Islam could not get transformed into the industrial revolution because of a number of factors, the most important of which was political illegitimacy. Insecure property rights resulting from this forced people to hide their wealth to avoid its becoming subject to unjust taxation and outright confiscation. Firms remained small. It was not possible for large business enterprises to develop in such an environment. If this had not been the case, the absence of primogeniture should have in fact had the effect of leading to the establishment of corporations by motivating people to put together their capital as shares to form bigger and viable business enterprises.

### 3.6. *Waqf (philanthropic trust)*

As far as the institution of *waqf* is concerned, it developed in the Muslim world during the early days of Islam, long before it did in the West, and made a significant contribution to the development of Muslim societies. As Kuran has himself acknowledged, the *waqfs* supplied a vast array of social services (Kuran, 2004, p. 754). These included education, health, science laboratories, the construction and maintenance of mosques, orphanages, lodging for students, teachers and travellers, bridges, wells, roads and hospitals (see, for example, Makdisi, 1981, pp. 35–74; Hodgson, 1977, vol. 2, p. 124; Kahf, 2004; Ahmed, 2004). This happened when the *waqfs* were properly regulated and supervised (Inalcik, 1970, p. 307). However, when effective

regulation and supervision did not continue and led to corruption, loss of the original deeds, lack of proper maintenance, and misuse and misappropriation of *waqf* properties (Ahmed, 2004, pp. 42–44), they became dysfunctional as Kuran has rightly pointed out. The tax system also played a significant role in hindering the further development of the *waqf* system. Islam cannot be blamed for what happened. However, the *waqf* institution is once again getting an impetus in the Muslim world because of the recognition of property rights and the renewed private initiative along with government support, regulation and supervision (Ahmed, 2004, pp. 42–44). It is hoped that it will once again start playing the same crucial role in the development of social and physical infrastructure through private philanthropy as it did in the past.

The gist of this whole analysis is that it is not Islam which has led to the relative poverty and underdevelopment of Muslim societies. It is rather the violation of property rights and the decline in official support for education, research and development of technology, that were prevalent in the earlier centuries of Islam and that democratic governments have ensured in the West. It is this that made large-scale business possible in the West and, thereby created the need for the corporation. Illegitimate governments, not accountable before the people, are generally not under pressure to enforce property rights and serve the interests of the people. Development, therefore, suffers. Hardly anyone would agree with Kuran's contention that "such [authoritarian] governments were all governed at least until the nineteenth century, and in some cases until more recently, by Islamic law" (Kuran, 2004, p. 83).

#### 4. The present position

##### 4.1. Absence of democracy

Six hundred years have passed since Ibn Khaldun wrote. The overall Muslim decline has continued persistently relative to major industrial countries even though it has not been a straight line phenomenon and some Muslim countries have done better than others. The primary reason for this overall decline is that political illegitimacy, which had triggered the decline, has continued until today in most Muslim countries. The Muslim world, which is much larger and diversified now than what it was in Ibn Khaldun's times, has not been able until now to establish a procedure for the orderly transfer of the reins of power to the most upright and competent in the eyes of the people as desired by the Qur'an (49:13), the efficient and equitable use of public resources in accordance with the *Shariah*, and the free and fearless criticism of government policies. Only 13, or a little less than 23%, of the 57 member countries of the Organization of the Islamic Conference (OIC) had democracy in 2002,<sup>12</sup> while 44, or 77%, did not. Of these 44 countries, 31 have pseudo-democracy, 5 have absolute monarchy, 3 have dictatorship and 5 are in transition (based on data given in "The Index of [www.Electionworld.org](http://www.Electionworld.org)").

However, even the Muslim countries that do have democracy, have it only in a formal sense: they hold elections and the democratic structures provide an alternance of power. Powerful vested interests, nevertheless, succeed in getting elected and re-elected. The poor and disadvantaged are in most cases not free to vote as they wish and are poorly represented in the echelons of power (see Besley and Burgess, 2003, p. 17). Democracy has, thus, not been able to take hold in a real

<sup>12</sup> Democracy is defined by the Index of Election world as a country in which democratic structures provide an alternance of power. Pseudo-democracy is defined as a country having democratic structures but without a real chance for an alternance of power.

sense. While effective democratic processes have gone a long way in ensuring good governance and effective use of public resources for development in the Western world, the Muslim world has lagged behind because of the near absence of accountability of the rulers and of good governance which democracy brings.<sup>13</sup>

#### 4.2. *Low economic performance*

The absence of democracy has led to a number of evils. One of these is lack of freedom of the press. Only 4 Muslim countries<sup>14</sup> are free, 14 are partly free and 39 are not free (based on data given in “Freedom of the Press 2004”, [www.freedomhouse.org](http://www.freedomhouse.org)).<sup>15</sup> The inability to criticize the government in the news media or other forums like the parliament (*shura*) contributes to poor governance, lack of transparency and unhealthy policies. It also promotes corruption and misuse of public resources for the private benefit of the rich and the powerful. Empirical studies have led to a consensus in economic literature that corruption and poor governance have substantial adverse effects on development (Kaufmann et al., 1999; Knack and Keefer, 1995; Mauro, 1995, 2004).

The “Corruption Perceptions Index” for the year 2002 prepared by the Berlin-based Transparency International includes 133 countries and ranges from 10 (least corrupt) to zero (most corrupt).<sup>16</sup> A score of 5 on this index indicates a borderline country ([www.transparencyinternationalcorruptionperceptionindex](http://www.transparencyinternationalcorruptionperceptionindex)). Only five Muslim countries are above this borderline with scores ranging from 5.2 to 6.3. Twenty-seven countries fall below this borderline. No data are available for the rest. The likelihood, however, is that most of these other countries for which no data are available may also lie below the borderline. This is so in spite of the fact that the Qur’an emphatically prohibits wrongful acquisition of wealth and the taking of bribes (2:188 and 4:29).

Corruption, combined with lack of freedom of expression, tends to corrupt the courts as well, in which case, there is little likelihood that the power elite will get punished. When the wrongdoers do not get punished, the vice tends to spread until it becomes locked-in through the operation of path dependence and self-reinforcing mechanisms. It then becomes difficult to root out the evil. If only the poor get punished, then there is a rise in discontent and a decline in solidarity between the government (G) and the people (N). This contributes to social and political instability, which is among the major factors that hurt economic development.

<sup>13</sup> There is a great deal of literature available now on the positive effect of democracy on good governance and of good governance on development (see, for example, Mulligan et al., 2004; Kaufmann and Kraay, 2002; Hall and Jones, 1999; Kaufmann et al., 1999). A few authors have, however, argued that democracy hinders economic growth, particularly, in less developed countries, because democratic governments are unable to implement vigorously policies which are necessary for accelerated development (Sirowy and Inkles, 1990; Johnson, 1964; MacIntyre, 1996). This line of thinking gained prominence during the heyday of the Soviet Union and of China’s great leap forward, but seems to have fewer followers now.

<sup>14</sup> Wherever the term Muslim countries is used in this paper, it refers to the 57 members of the Organization of the Islamic Conference (OIC), which is like the United Nations of Muslim Countries.

<sup>15</sup> The definition of free, partly free and not free is based on each country’s prevailing legal (0–30 points), political (0–40 points) and economic (0–30 points) environment affecting the press. The higher the restrictions, the higher the number of points the country gets. A country’s final score is based on the total of these three criteria. A score of 0–30 places the country in the free press group; 31–60 in the partly free group, and 61–100 in the not free group.

<sup>16</sup> Corruption is defined by the Transparency International “as the abuse of public office for private gain, and measures the degree to which corruption is perceived to exist among a country’s public officials and politicians”.

As a result of corruption, a substantial amount of the scarce public resources of these countries gets diverted to the building of palaces and the financing of luxury and conspicuous consumption of the power elite, making the governments unable to spend adequately on education, health, infrastructure construction and the provision of public services needed for accelerated development. Corruption also raises the transactions costs of the private sector. Savings, therefore, go abroad and domestic investment tends to decline. This is bound to affect growth as is confirmed by the inferior performance of most Muslim countries. Even though the total population of the 57 Muslim countries is 1331 million and constitutes a little over 21% of the world population of 6199 million,<sup>17</sup> their total PPP adjusted GNP is only \$3993 billion which is only 8.2% of the world PPP adjusted GNP of \$48,462 billion (World Bank, 2004, p. 253). Only four Muslim countries, all of whom happen to be oil-producing, are able to get into the high income category (HIC) and only six into the upper middle income (UMC) category. Eighteen fall into the low middle income category (LMC) and 29 fall into the low income category (LIC) (World Bank, 2004, p. 251).

Education, which received high priority in the early history of Islam and which was one of the causes of its rise, has not received the emphasis it needs in government budgets. Accordingly, the average adult illiteracy rate in these countries was 32% in 2002 (Islamic Development Bank, 2005, p. 13). This means that around 426 million people are illiterate and unable to contribute their full potential to development. All these countries together have only 600 universities whereas the US alone has 1975, or more than three times as many, when its population is less than one-fourth ([www.universitiesworldwide](http://www.universitiesworldwide)). Democracy, education and development reinforced each other in the Western world. Education promoted development and development led to a rise in the demand for education, which it was possible to satisfy because of state support for it as a result of the rise in its revenue. Education and development together helped reinforce democracy.

#### 4.3. *Human Development Index*

No wonder only 5 Muslim countries score high on the UNDP Human Development Index (HDI), while 31 and 21 get medium and low scores respectively (UNDP, 2003, pp. 237–240). However, the problem with HDI is that it incorporates only three variables: life expectancy at birth, literacy and GDP per capita adjusted for purchasing power parity. It thus reflects the restricted framework of Development Economics before it recognized the crucial role played in development by social, cultural and political institutions, which Ibn Khaldun emphasized in his model and which Development Economics has now belatedly come to recognize.

It is, therefore, necessary to prepare a more comprehensive index. This would lead to the inclusion of a number of other variables, including justice, family integrity, social harmony, mental peace, reward for merit and hard work, and minimization of crime, tension and anomie. Also important are democracy, freedom of expression, equitable distribution of income and wealth, and an honest and effective judiciary. Data may not be available about all of these. It is, nevertheless, important to construct as comprehensive an index as possible and to strive for the collection of data not available now. It may not be surprising if Muslim countries, which do not score high on the existing HDI, may perhaps turn out to be even more so on the scale of a more comprehensive index. The primary reason for this in Ibn Khaldun's model is political illegitimacy which has

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<sup>17</sup> There are Muslims in non-Muslim countries and non-Muslims in Muslim countries. This figure does not, therefore, indicate the total number of Muslims all over the world. The total number of Muslims is estimated to be somewhere between 1.3 and 1.8 billion.



gradually vitiated all the socio-economic and political institutions of these countries over the last several centuries through the operation of circular causation so that it is now difficult to distinguish the cause from the effect. There is, therefore, need for comprehensive reform. Paying attention to only economic or even political variables for promoting economic development in Muslim countries may not be enough.

## **5. The need for reform**

The question is: where to start? While all socio-economic and political factors need to be given attention, maximum stress needs to be given to the reform of human beings, who are the main locomotive behind the rise or fall of any civilization and whom Ibn Khaldun made the centre of his analysis. This is in keeping with the teachings of Islam as well as most major religions. They can help promote the development of their society only if their upbringing, character, ability and mental outlook are right.

It is, therefore, necessary to transform the individual into a better human being. Maximum attention needs to be given to his education and socio-economic uplift. Merely a rise in literacy and income may not be sufficient. It is also necessary to raise the individuals' moral calibre, which neoclassical economics generally tends to ignore, but which is absolutely indispensable, as Lawson has rightly acknowledged: "no political or economic order can long survive except on a moral base" (1995, p. 35). Raising the moral caliber will help create the qualities of honesty, integrity and conscientiousness which are necessary for promoting development. It may, however, be difficult to raise the moral calibre unless poverty is also addressed simultaneously and justice, dignity, equality and self-respect are ensured for every individual in society. These are all interrelated and it may be difficult to bring about a sustained improvement in one without an improvement in the others.

### *5.1. Need for political reform*

Reform and socio-economic uplift of human beings would, however, be relatively less difficult if the political system is also supportive. The political illegitimacy now prevailing in the Muslim world is a great stumbling block. Political reform, along with freedom of expression, honest judiciary and accountability of the power elite is, therefore, one of the dire needs of most Muslim countries. It would help reduce, with some time lag, corruption and mismanagement, and ensure the efficient use of public resources for education, health and rural as well as urban development, leading thereby to socio-economic uplift. It would also help in the introduction of land reforms, thereby not only enabling the peasant to get a just share of his existing output but also providing him with the resources that he needs to acquire training along with better seeds, tools and fertilizers to raise his future output. The Muslim world would then be able to generate the kind of agricultural surplus needed for investment in technological, industrial and infrastructure development—the surplus that the Muslim world was able to generate in the earlier centuries and which Japan, South Korea and Taiwan were able to generate in recent history. The land reforms introduced in these countries by the Occupation Authorities helped destroy the power base of the feudal lords (see Chapra, 1993, pp. 175–77).

The crucial question, however, is how to bring about political reform in countries where illegitimacy is well-entrenched, and where the governments use all forms of repression to curb any struggle for political reform. Armed struggle has, nevertheless, to be ruled out. Armed struggle has, rarely succeeded in Muslim countries in the past, and is even less likely to succeed now,

when the governments have more sophisticated means of suppressing it and of torturing and impoverishing those involved. Any effort to overthrow prevailing governments by resort to force and violence may lead to enormous losses in terms of life and property. It may also destabilize the societies, slow down development and reform, and accentuate the existing problems. The suffering of the poor and the underprivileged may be unbearably high.

### 5.2. *Can peaceful struggle be successful?*

The best strategy for political reform is peaceful and non-violent struggle, even though this may appear to be time-consuming. This brings to mind a number of questions. One of these is whether there is any hope of success through peaceful struggle. There are a number of factors that inspire one's confidence in the future. The international environment is now unfriendly towards illegitimate governments and these have been gradually falling.<sup>18</sup> The international environment is also against corruption and money laundering, making it difficult to hide ill-gained wealth. Moreover, domestic pressures for the introduction of democracy are also gaining momentum in practically all Muslim countries. The spread of education and the gradual improvement in the economic condition of the poor will help weaken the existing power structures which thrive on the illiteracy and poverty of the masses.

Establishment of democratic governments, even if they are initially dominated by feudal lords, may tend to weaken the power structures over time because of the voting power of the electorate. The pressures on elected governments to fulfil their promises, may also help reduce corruption and military spending,<sup>19</sup> divert more resources to education, health and development, and also make possible the introduction of land reforms. The resulting improvement in the socio-economic condition of the rural poor, which is already taking place to some extent as a result of the remittances of expatriate labour, will give rise to a broader and healthier middle class willing and able to fight for its rights democratically.

Globalization is also acting as a check on despotic governments. Absence of freedom of expression domestically has become substantially offset by criticism in the international news media. The spread of news through radio and satellite television, fax machines, and the worldwide Web has frustrated the efforts of repressive governments to censor external criticism and to prevent its circulation among the people inside the repressed country. Therefore, even if governments are not accountable domestically, they have become accountable internationally for their corruption and human rights violations. Though this is not sufficient, it will tend to exercise a healthy influence on the future course of events.

Making democracy successful in these countries may not, however, be an easy task. This is because of the die-hard autocratic attitude of the present ruling elite, who will perhaps continue to use all means at their disposal to win elections. Their attitudes may not change easily and they may try to use a number of contrivances to avoid true accountability. There may not, hence, be a

<sup>18</sup> In 1974, only 39 countries – one in every four – were democratic worldwide. Today 115 countries – a little more than two in three – use open elections to choose their national leadership (the figure for 1974 is from the *World Bank, 1997*, p. 111, while the latest data are as of 14 January 2004 from [www.Electionworld.org](http://www.Electionworld.org)).

<sup>19</sup> Global military spending had fallen significantly from \$1.2 trillion in 1985 to \$809 billion in 1998. However, it rose to \$950 billion in 2003. This is unfortunate but is supposed to be primarily due to the US attack on Iraq. However, the rise may not continue because of the public criticism of the unproved assumptions on which the pre-emptive strike policy was based and the huge budgetary deficits it has caused (*World Military Spending, 2004, 16 June 2004, www.globalissues.org/geopolitics/armstrade/spending.asp #world military spending*).

significant difference between the behaviour of dictators and elected rulers in the initial phase. The real difference will, however, come gradually with the success of the struggle to get democracy buttressed by international monitoring of elections and a free press as well as a number of badly needed legal, political and judicial reforms. One of the most important of these reforms will have to be a restructuring of the election process, to remove, or at least minimize, the influence of money, power and manipulation in the choice of political leadership. Excessive campaign spending works in favour of the wealthy and the powerful and against the worthy middle class candidates. It also invites corruption by the post-election effort of successful candidates to recover the amount spent or to provide benefits to the financiers. Such reform may, however, meet great resistance and take time to be put in place successfully. Incompetent and corrupt political authority accentuates injustice, impoverishes the people, and retards development.

The historically inherited land holding and land tenure systems are also a great hindrance to democracy by being among the primary causes of inequities and underdevelopment and of several economic, social and political problems. Exploitation of the peasants renders them incapable of even feeding themselves and their families, leave alone generation of the surplus needed for investment in improved seeds, fertilizers and tools, and the establishment of micro industries in rural as well as urban areas to increase output and income. Such exploitation tends to weaken their moral fibre and induces them to lie and cheat. It hurts their pride and their incentive to work. Their low productivity and output further reduces their ability to save and invest. It also deprives them of the education and training that they need to raise their productivity and economic condition. The peasants, who constitute a preponderant majority of the population, are unable to vote freely to choose political representatives of their own choice. The feudal lords are also able to influence the armed forces and the government bureaucracy as well as the judiciary and the police through their sons and relatives, who occupy important positions in these institutions, and the use of their power and resources to suppress all opposition. The entire government machinery thus becomes their handmaid to serve their vested interest. The deprivation of the peasantry does not lead to higher savings on the part of the feudal lords, who either fritter away their income on luxury and conspicuous consumption or invest it abroad. This forces the country to resort to large doses of external borrowing which raises the debt-servicing burden and reduces the resources available for development.

### *5.3. Can the western world help?*

The West can play a catalytic role in the restoration of democracy in Muslim countries. It cannot, however, play this role by the use of force. Force has never worked and will never work. The use of force can only create hatred for the West and lead to a clash of civilizations which will be bad for all, but in particular for the Muslim world because it will slowdown not only its development but also the pace of badly needed socio-economic and political reforms. The best strategy for the West would be to help in the field of education and socio-economic uplift which it is capable of doing. It can also help in monitoring elections and promoting legal and institutional reform. This will help create a better climate not only for accelerated reform and development but also for mutual cooperation and globalization.

### *5.4. Can Islam play a catalytic role once again?*

A crucial question which arises here is whether the revival of Islam that is now taking place in the Muslim world can be of any help in reforming and developing Muslim societies. Can it help

them realize justice and socio-economic and political reform as it did in the classical period? The general consensus in the Muslim world seems to be in favour of a positive answer. This was also acknowledged by Ramsey Clark, US Attorney General in the Lyndon Johnson Administration, when he stated that Islam “is probably the most compelling spiritual and moral force on earth today” (Clark, 1997).

This may perhaps be because Islam is the only living reality in the Muslim world that has the charisma to attract the masses, unite them in spite of their great diversity, and motivate them to act righteously in spite of centuries of degeneration (see Etzioni, 2004). It has its own programme for comprehensive moral, social, economic and political reform which is more suitable for these countries than any programme that may be imported from abroad. Its strong stress on socio-economic justice, accountability of the political authority, rule of law, moral values and character building, combined with its strategy of using education and dialogue for bringing about change, should prove to be a great blessing for the Muslim world. It encourages simple living, which would help reduce conspicuous consumption and thereby weaken one of the major causes of corruption and low saving and investment. It can also help inculcate in the people a number of other desirable qualities like honesty and integrity, punctuality, conscientiousness, diligence, frugality, self-reliance and concern for the rights and well-being of others—qualities which are necessary to raise efficiency as well as equity. It places a strong stress on family and social solidarity, which are essential for even the survival of a society, leave alone its development.

Since Islamic revival has become a deeply rooted phenomenon in the Muslim world, any effort to undo Islam and transplant secularism in its place would necessitate the use of force. This would have tragic results in the Muslim world. It would accentuate social conflict and instigate violence, which may be difficult to bring under control. What may take its place is the prevailing materialist and hedonist philosophy, which would promote conspicuous consumption, sexual promiscuity and self-gratification. This will tend to further weaken the moral fibre, encourage living beyond means, reduce saving and investment, worsen imbalances, aggravate inequities, and weaken family and social solidarity. The consequence of this for development and socio-economic uplift should not be difficult for anyone to figure out (see also Richards, 2003; Etzioni, 2004).

The first ruthless effort to undo Islam by a Muslim government in a Muslim country took place in Turkey. This led to an excessive role in the government for the military, which exercised real authority in spite of an outward facade of democracy and removed duly elected governments four times over the last 40 years, 1960, 1971, 1981 and 1997. In spite of the ruthless use of force by the army to undo Islam it could not succeed and Islam is having a revival even in Turkey. “If ever there was a Kemalist wish for Islam to wither away, it has not done so and is unlikely to do so in the future when human rights are expected to flourish rather than diminish” (Mehmet, 1990, p. 125).

This does not, of course, mean that there is no need for reform in the present-day understanding of Islam. The Islamic stress on justice, brotherhood of mankind and tolerance seems to have in general become substantially diluted over the centuries in certain sectors of Muslim societies and so is its emphasis on character building. Instead, there is greater emphasis on appearances and trivialities. Some of the socio-economic and political institutions which Islam came to abolish have become a part of the Islamic panorama through lack of proper education, path dependence and self-reinforcing mechanisms. This is due largely to historical factors arising from centuries of degeneration and inequities followed by foreign occupation. It may not be possible to correct the situation without creating a proper understanding of Islam. This would demand a substantial change in the curricula of all educational institutions, including the *madrasahs*. Hofmann (1966, p. 86) has rightly emphasized: “I know of nothing better to propose than to urge the Muslim world

to become “fundamentalist” in the original sense of the word – to go back to the real foundations of our Islamic creed, and to analyze the factors which were instrumental for the Madina, Andalus and Abbasid experiments”.

### *5.5. Prospects for the future*

Prospects for the future seem to be bright because the reversal of the tide desired by Ibn Khaldun 600 years ago seems to be taking place now after the independence of most Muslim countries from foreign domination in the middle of the 20th century. Political illegitimacy, nevertheless, continues but is losing ground. Even the major industrial countries, with whose moral and material support it has thrived, seem to have now realized that the spread of democracy and the socio-economic uplift of the masses is also in their own long-run interest. The writing on the horizon clearly indicates a movement in the direction of democracy, along with land reforms, a free press, a strong and independent judiciary, and the growth of effective and impartial institutions for detecting and punishing corruption and inefficiency. This will ultimately promote the use of public resources for development and well-being of the people through the elimination of illiteracy, provision of better quality education, improvement of health facilities, construction of infrastructure beyond the showpiece highways and buildings, and the development of these countries. Female education is also spreading. This will enable women to not only assert for their rights more successfully but also to ensure proper upbringing of their children and to contribute richly to the development of their societies. Democracy will force political as well as religious parties to moderate their views to make themselves acceptable to broader sectors of the population, thus increasing tolerance and reducing extremist views. Moreover, the ongoing revival of Islam may make it possible to have material advance accompanied by moral uplift, justice and social harmony, which are important for providing the needed social and ethical capital for sustained development. In other words, a number of indicators point towards the reversal of Ibn Khaldun’s cycle of circular causation from the negative to the positive direction.

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