

Money and Inflation in Al-Maqrizi's Islamic Economic Theory

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Abstrak

Pemikiran terhadap uang dan inflasi merupakan fenomena yang jarang diamati para cendekiawan muslim. Al-Maqrizi mengemukakan beberapa pemikiran tentang uang dan inflasi, adapun tujuan dari penelitian ini mengetahui teori uang dan inflasi menurut Al-Maqrizi dan cara untuk mengatasi inflasi. Metode penelitian yang digunakan yaitu metode penelitian kualitatif dengan pendekatan pemikiran atau studi tokoh. Adapun analisis data yang digunakan yaitu *content analysis*. Hasil penelitian menunjukkan bahwa mata uang dapat diterima sebagai standar nilai hanya terdiri dari emas dan perak, Al-Maqrizi menggolongkan penyebab terjadinya inflasi kepada dua sebab yaitu: inflasi alamiah dan inflasi yang terjadi karena kesalahan manusia (korupsi dan administrasi yang buruk, pajak yang berlebihan, dan peningkatan sirkulasi mata uang fulus). Solusi yang ditawarkan Al-Maqrizi untuk mengatasi inflasi ialah dengan mengatasi semua penyebab inflasi seperti korupsi, pajak yang berlebihan, dan sirkulasi mata uang fulus. Serta menjadikan mata uang dinar dan dirham menjadi satu satunya mata uang yang layak untuk dijadikan alat transaksi.

Kata Kunci: Uang, Inflasi, Al-Maqrizi Theory

Abstract

Money related thoughts and inflation are things that Muslim scholars rarely observe. Al-Maqrizi proposed numerous ideas on money and inflation, and the goal of this research is to discover Al-Maqrizi's theory of money and inflation, as well as ways to cope with inflation. A qualitative research method using a conceptual approach or character study was applied. Content analysis was performed to analyze the data. The study's findings indicate that currency based solely on gold and silver can be accepted as a standard of worth. According to Al-Maqrizi, there are two types of inflation: natural inflation and inflation caused by human error (corruption and bad management, high taxation, and a rise in money circulation).

Keywords: Money, Inflation, Al-Maqrizi

Introduction

Humans have utilized numerous methods to exchange products since ancient times in order to suit their wants. Humans exchange requirements through bargaining in a primitive civilisation. However, this barter requires a twofold coincidence of wants from the persons involved. The more numerous and intricate human demands are, the more difficult it is to barter, making human-to-human exchanges tough. That is why humans have always considered the necessity for a

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means of transaction that is acceptable to all parties. Money is a type of medium of exchange.

As a historian, Al-Maqrizi advanced various ideas on money by researching the history of the world's currencies. Currency, according to Al-Maqrizi, plays a vital part in human life since it allows people to meet their daily necessities and facilitate their daily activities.

Thinking about money is a phenomenon that Muslim scholars rarely observe. Apart from Al-Maqrizi, according to Islahi's analysis, Al-Ghazali, Ibn Taimiyah, Ibn Qayyim al-Jauziyah, and Ibn Khaldun are among the few Muslim intellectuals who have an interest in money. As a result, we might say that Al-Maqrizi was the last medieval Muslim thinker to notice this dilemma.

Inflation is an economic issue that is constantly worth debating, particularly in terms of its wide impact on the aggregate macroeconomy, such as economic growth, external balances, competitiveness, interest rates, and even income distribution. Inflation also influences the mobilization of funds via formal financial institutions. Because zero percent inflation is difficult to accomplish, it is not the primary goal of government policy. The most important thing is to manage inflation at a modest level.

Inflationary pressures will stifle economic growth. Costs are always growing, making productive activity unprofitable. High and continual price increases have a negative impact not only on economic activity, but also on individual and community prosperity, tending to diminish the level of affluence.

Literature Review

Taqiyuddin Abu-Abbas Ahmad bin Abdul Qadir Al-Huasani is the full name of al-Maqrizi. He was born in the Cairo village of Barjuan in 766 AH (1364 - 1365). The family is from Maqarizah, a locality in the town of Ba'labak. As a result, he is often referred to as Al-Maqrizi (Chamid, 2010). Al-Maqrizi was involved in different government responsibilities for the Mamluk empire at the age of 22. In 788 H (1386 AD), Al-Maqrizi began working as an employee in Diwan Al-Insya, a type of state secretariat. In 791 AH (1389 AD), Sultan Barquq appointed Al-Maqrizi as muhtasib in Cairo. He held this role for two years. At this point, Al-Maqrizi began dealing with numerous market and trade concerns, therefore his attention was concentrated on current pricing.

Al-Maqrizi returned to his hometown of Barjuan, Cairo, five years later. He was also involved in teaching and writing, particularly Islamic history, until he rose to prominence as a great historian in the ninth century Hijra. Al-Maqrizi died in Cairo on the 27th of Ramadan 845 H, which corresponded to the 9th of February 1442 AD (Chamid, 2010). Al-Maqrizi was a prolific writer in several disciplines of Islamic history at the time. His small works have a distinct urgency and reflect a wide range of information that is not restricted to historical texts. Al-Syayal classified the short books into four groups. First, a book about generic historical events. Second, a book that provides a synopsis of the history of numerous areas of the Islamic world that have not before been studied by historians. Third, a book chronicling the kings' brief history. Fourth, books such as Syudzur Al-Uqud fi Dzikr Al-Nuqud, Kitab Al-Akyal wa Al-Auzan Al-Syari'yyah, Risale fi Al-Nuqud Islamiyah, and Igatsah Al-Ummah bi Kasyf Al-Ghummah describe aspects of pure science or the history of several social and economic aspects in the Islamic world in general and Egypt in particular.

The study of Al-Maqrizi's economic thinking may be traced back to research by Mujiatun Ridawati, who explained Al Maqrizi's opinions on the notion or basic theory of inflation according to Al Maqrizi and how to manage or control inflation according to Al Maqrizi. Dede Hamidin's research titled "Theory of Money and Inflation in the Analysis of Al-Maqrizi Thought" further explains that it has been demonstrated that Al-Maqrizi's economic thinking on inflation is more complete than the conceptions presented by Western economists. One explanation is that both natural and man-made inflation, which can take the form of cost push or demand pull inflation, can occur. Al-Maqrizi proved to be alert and understanding, particularly in monetary problems (Karim, 2004).

Another study on Al Maqrizi's economic thinking is in Aidil Novia's research entitled "Study of Price Intervention by the Government in Al-Maqrizi's Thought", in his article Price Intervention by the Government in Al Maqrizi's Thought. In his writings he explained that according to Al Maqrizi the government must play a role in regulating the economy, including intervening in prices. As well as explaining that according to Al Maqrizi to keep the economy running we have to use policies indirectly, namely with the right tax policies, in order to solve price problems

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compared to direct policies such as ceiling prices and floor prices or even monopoly (Novia).

Methods

A qualitative research method using a conceptual approach or character study was applied. The data collection technique utilized is to gather the works of the persons involved, both individually and collectively, on the issue under investigation as primary data and to trace the works of other people on the figures involved or on the topics under study as secondary data. Content analysis was performed to analyze the data, which is a research approach that employs a set of procedures to generate accurate conclusions from a book or document.

Discussion

Al-Maqrizi represents the second phase of Islamic economic thinking. This is a time in which many new intellectual activity in the Islamic world are beginning to slow. Al-Maqrizi's personal background, which was not Sufi or philosopher and was dominated by his work as a Muslim historian, substantially affected his economic thinking approach. He constantly approaches every situation with flashbacks, attempting to paint a picture of what it is about a country's economic phenomenon by focusing his emphasis on various factors that influence a government's rise and fall.

Al-Maqrizi is an Islamic economist who does research on money and inflation (Karim, 2001). During his lifetime, Al-Maqrizi was recognized as a fierce critic of the Burji Mamluk government's monetary policies, which he saw as a cause of calamity that ruined the country's economy and Egyptian society. The actions of the Burji Mamluk rulers, who deviated from religious and moral precepts, had resulted in a serious economic crisis driven by inflationary tendencies, which had been aggravated by an outbreak of contagious diseases that had been raging in Egypt for some time.

Al-Maqrizi, armed with sufficient expertise as a muhtasib (market supervisor), explored the subject of inflation and the role of money in it. A fascinating conversation at the time since it linked two materials that were rarely used by Muslim and Western philosophers (Amalia, 2005) .

The Concept of Money

Al-Maqrizi, as a historian, expressed how money was thought by examining the history of the currency used by humans. His ideas span the history and function of money, the consequences of printing counterfeit money, and the purchasing power of money.

1. The History and Function of Money

Currency is very vital in human life, according to Al-Maqrizi. Because humans can meet their basic necessities and speed up their daily activities by employing money. through show the soundness of his thesis on this topic, he reveals the history of mankind's usage of currency from ancient times through the reigns of the mamluk empires. According to Al-Maqrizi, cash was used by mankind before and after the arrival of Islam to decide various values for items and labor expenditures. To achieve this purpose, only gold and silver are utilized as currency (Huda dan Haikal, 2010).

Al-Maqrizi explained in the history of its development that the uneducated Arabs utilized gold dinars and silver dirhams as currency. Following the arrival of Islam, the Prophet created several muamalah rituals that utilized both currencies. The use of this currency remained unchanged until 18 H (Chamid, 2010).

After successfully establishing political and security stability, caliph Abdul Malik bin Marwan implemented monetary reforms by randomizing Islamic dinars and dirhams in 76 H. These two currencies were used indefinitely until the reign of Al-Mu'tashim, the last caliph of the Abbasid dynasty.

According to Al-Maqrizi, anarchy began to emerge when the mamluks' influence grew stronger among the court, including the policy of printing mixed dirhams. During the tenure of Sultan Muhammad Al-Kamil's Ayyubid dynasty, the printing of fulus, or copper currency, began. With a ratio of 48 fulus to one dirham, it is meant as a means of exchange for large items (Chamid, 2010).

During Sultan Al-Kamil's reign, the printing of these currencies continued until provincial officials were affected by significant earnings from this business. By increasing the ratio of 24 money per dirham, one-sided policies began to be applied. As a result, consumers incurred significant losses because commodities that used to cost 12 dirham were reduced to 1 dirham. The situation deteriorated

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when money printing activities increased under the reign of Sultan Al-Adil Kitaugha Sultan Al-Zahir Barquq, resulting in currency devaluation and a shortage of goods. According to law, logic, and tradition, only gold and silver can be regarded as a standard of value, according to Al-Maqrizi (Chamid, 2010).

2. Implications of Bad Currency Creation

According to Al-Maqrizi, the development of a low-quality money will undermine a high-quality currency. During Salahuddin Al-Ayubi's reign, the currency that was created was of poor quality in comparison to the currency that was already in circulation. When confronted with this reality, people will prefer to hold good quality currency and melt it down to make jewelry rather than releasing bad quality currency into circulation. As a result, the previous currency was no longer in use.

According to Al-Maqrizi, this was also influenced by changes in rulers and dynasties, each of which pursued distinct policies in terms of printing the shape and value of dinars and dirhams. As a result, when the supply of metal, the material for currency, is insufficient to generate a certain number of units of currency, there is an imbalance in economic life. Similarly, when the price of gold or silver falls. (Amalia, 2005).

3. The Concept of Purchasing Money

Currency printing, according to Al-Maqrizi, must be accompanied by increased government attention in order for the currency to be used in subsequent business. Al-Maqrizi cautioned traders not to be fooled by a rise in nominal profit. He believes individuals will recognize this as they spend higher sums of money on a range of expenses. In other words, while a trader may appear to make higher profits as a producer, as a consumer, he will make no profit at all (Amalia, 2005).

According to the author's understanding of Al-Maqrizi's opinion, currency can be acknowledged as a standard of value consisting only of gold and silver, and currency other than gold and silver is not worthy of being termed currency. In the moment, we know that the money in circulation is not made of gold and silver. On the one hand, what Al-Maqrizi said is correct because the standard value of gold and silver is relatively stable, but because the amount of gold and silver is physically limited, it is not arbitrary in printing, which means that it

costs to look for gold and silver in the formation of money. Then, gold and silver can be utilized to make valuable jewelry. What if gold and silver run out? The government will no longer be able to print money.

As a result, the state prints money in proportion to the country's ability. Currently, the Indonesian currency's standard value is based on the dollar, which has a volatile value that fluctuates with the ups and downs of the American economy. As a result, the standard value of the Indonesian currency declined as a result of the impact of the US economy. In comparison to money made of sturdy gold and silver, Indonesian money is easily damaged, burned, and damp.

The nominal and intrinsic values of Indonesian money are likewise incomparable; producing 100,000 notes will not require the expenditure of \$100,000 in capital. Because the production expenses are low, the government can readily print money. Of course, the more money that is printed, the more money that circulates in society; consequently, the huge circulation of money in society will have an impact on growing prices of products, causing the value of the currency to fall in comparison to the value of goods. In contrast to gold and silver, which have the same nominal and inherent value.

Inflation Theory

Inflation is defined as the total increase in the amount paid (monetary value) for goods and services (Hendra, 2007). Al-Maqrizi asserted that inflation was a natural phenomena that befell people's life by offering various facts about the Egyptian famine. Inflation, he claims, happens when prices typically rise and continue to rise. At the moment, the supply of goods and services is in short supply, forcing consumers to pay more money for the same quantity of goods and services. Al-Maqrizi delves deeper into the issue of inflation. He categorizes inflation based on the causes of two types of inflation: natural inflation and inflation caused by human error (Karim, 2001).

1. Natural Inflation

This inflation is driven by a variety of natural phenomena that humanity cannot control. According to Al-Maqrizi, when a natural disaster happens, numerous foodstuffs and other agricultural products suffer crop failure, resulting

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in a significant fall in availability and shortage. On the other hand, due of their importance in life, demand for some of these items has soared. Prices are rising significantly faster than people's purchasing ability. This has consequences for increased pricing for a variety of other goods and services. As a result, economic transactions are slowed or even halted, resulting in starvation, sickness, and death among the people.

The people were forced to put pressure on the government to pay attention to their condition as it deteriorated. To overcome this tragedy, the government spent a considerable amount of money, causing the state treasury to fall. Al-Maqrizi also claimed that price increases will continue even after the disaster has passed (Hendra, 2007).

Natural inflation, according to the author's study of the causes of inflation, is one of them. Because natural disasters cannot be avoided, various disasters such as tsunamis, floods, and landslides have occurred in Indonesia, resulting in food and agricultural products in those areas experiencing crop failure, resulting in a decrease in supply and scarcity of these goods. According to the demand theory, if an item is scarce and there are a large number of individuals who require it, the price will rise. This is one of the reasons for inflation. If, during Al-Maqrizi's tenure, the government issued a huge quantity of funds to deal with the calamity, the state treasury declined. For the time being, the state is beginning to develop alternate countermeasures for this tragedy by supplying reserve commodities such as Bulog rice warehouses, despite the fact that distribution is not as it should be.

2. Inflasi Karena Kesalahan Manusia

In addition to natural forces, Al-Maqrizi said that human error might cause inflation. He has identified three factors that contribute to the inflation, either separately or jointly. These three factors are corruption and poor administration, high taxation, and increased currency circulation.

3. Corruption and Bad Administration

According to Al-Maqrizi, appointing government officials based on bribery rather than talent will install persons with no credibility in key and respectable positions in the legislative, judicial, and executive branches. This condition has a significant impact on the administration's morale and efficiency since these

officials begin to abuse their power to attain personal objectives, whether to meet their financial needs or the necessities of existence. The official's actions heightened the people's fear, forcing them to leave their area and seek employment elsewhere. As a result, there has been a decline in population, labor, and output, which has implications for a decrease in tax revenues and state revenues (Chamid, 2010).

4. Pajak yang Berlebihan

According to Al-Maqrizi, state spending has increased due to the dominance of corrupt officials in a government. In exchange, they imposed a taxation system that oppressed the people by imposing new taxes and raising existing tax rates. This has a significant impact on the farmers, who are the largest group in society. Landowners who want to be in on the action will pass the tax burden on to farmers by raising the cost of renting land. Attracted by the high tax receipts, officials and landowners increased and intensified their pressure on peasants. The frequency with which various fees for dam repair and comparable operations are levied is increasing. As a result, the costs of cultivating land, sowing seeds, harvesting crops, and so on rise. In other words, the rice harvest produced under these conditions incurs higher costs, putting it out of reach of the farmers.

It is nearly hard to observe a decline in these prices, especially for rice seeds, because the majority of rice seeds are owned by authorities who are greedy for riches. Farmers lose motivation to labor and produce as a result. As a result, there will be fewer workers and more idle land, which will have a significant impact on rice and other agricultural product production, leading to food shortages and price increases (Chamid, 2010).

5. Increasing Fulus Currency Circulation

Initially, money currency was printed as a transaction tool to suit numerous unimportant everyday demands, with an intrinsic value much lower than its nominal value. As a result, only a small quantity of this currency is in circulation.

The government is printing money in massive quantities. According to al-Maqrizi, these activities became out of hand as the government's desire to

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make enormous profits from printing currency with low manufacturing costs grew out of control. They issued edicts requiring the populace to use that currency as rulers. People's ownership of money is increasing, and its circulation has expanded dramatically, such that money has become the dominating currency.

According to al-Maqrizi, the government's strategy has ramifications for the existence of other currencies. Along with the enormous profits made by minting money, the government discontinued the production of silver as currency. In this environment, fulus is the standard of value for the majority of products and services. According to al-Maqrizi, the large-scale production of money had a significant impact on the currency's precipitous decrease in value. As a result, money no longer has value, and prices skyrocket, resulting in food shortages (Chamid, 2010).

According to the author's analysis of Al-Maqrizi's opinion, inflation can occur as a result of human error if it is associated with the inflation that occurred in Indonesia in 1998, which began in 1990, namely the existence of a government policy that was rather lenient or easy in the requirements for establishing a bank, so that many new banks were established at the time. In 1997, it was discovered that these banks were encountering difficulties, that several bank loans were coming due, and that the state's debt was beginning to mount. And because the state must pay a huge quantity of debt and interest, the value of the currency falls dramatically when the state creates a large number of money to fulfill these debts.

The rupiah, which had closed at Rp. 4,850/US dollar in 1997, fell fast to roughly Rp. 17,000/US dollar on January 22, 1998, as the value of this currency fell. The significant drop in the rupiah caused the money and capital markets to plummet as well. National banks are experiencing liquidity issues. Hundreds of businesses, ranging from tiny to large corporations, went bankrupt. More than 70% of companies listed on the stock exchange have insolvent or bankrupt notes.

With so much government printing money, causing the value of the money to fall, the inflation rate until August 1998 had reached 54.54 percent. The inflation that occurred caused a financial crisis. Then in the money market,

the interest rate for Bank Indonesia Certificates (SBI) was raised to 70.8 percent and for Money Market Securities (SBPU) to 60 percent in July 1998 (from 10.87 percent and 14.75 percent respectively at the start of the crisis), causing bank liquidity problems to escalate. Banking experienced a negative spread and was unable to carry out its function as a supplier of funds to the real sector. Thus one of the causes of inflation occurs is indeed due to human error, namely bad administration in a country. This greatly affects the occurrence of inflation as well as an increase in the circulation of money.

Conclusion

Several conclusions can be formed after watching and tracing this issue in greater depth, namely: Al-Maqrizi is an Islamic economic theorist who undertakes specific studies on money and inflation, and the notion of money according to Al-Maqrizi is that currency can be acknowledged as a standard. The value consists solely of gold and silver, and anything else is not fit to be termed a currency. Al-Maqrizi divides the causes of inflation into two types: natural inflation and inflation caused by human error (human error inflation). This sort of inflation is further subdivided into three components: corruption and poor administration, excessive taxation, and a growth in money circulation. According to the title of his book, *Ighatsah Al-Ummah bi Kasyfil Ghummah*, which means helping the ummah's problems by healing the causes of the crisis, Al-Maqrizi's solution to overcome inflation is to eliminate all causes of inflation, such as corruption, excessive taxes, and money circulation. Furthermore, dinars and dirhams are the only currencies that can be used as a transaction tool.

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