



**IBN KHALDUN AND ADAM SMITH: COMPARATIVE STUDIES ON
ECONOMIC THOUGHT, TAX IMPOSITION AND NATIONAL WEALTH
RELATIONSHIP**

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ABSTRACT

Ibn-Khaldun is an old forgotten “fathers of economy”, his thought in economy is aligned with the sharia’ compliance and were given respect by worldwide due to his new founding and depth understanding in world economies. However, on the other hand, Adam Smith, the infamous Scottish pioneer in political economic which also called as the “fathers of economy” by the western scholars, bringing almost identical concept as Ibn-Khaldun in economic thought. This paper will study the legibility of Ibn Khaldun, where, he claimed that the tax rate of nation affect their tax revenue and as well as their national wealth. By collecting all data on gross assets, liabilities and gross domestic product and others variables from 6 countries worldwide with 10 years of time frame, we have discovered that the Ibn khaldun theory proven to be correct that shows the result of tax imposition to be the most influence variable to the national wealth.

Keywords: National Wealth, Tax Rate, Gross Assets, Liabilities, Gross Domestic Product.

1.0 INTRODUCTION

1.0 Introduction

Ibn Khaldun, or his full name Abū Zayd ‘Abdu r-Raḥmān bin Muḥammad bin Khaldūn Al-Ḥaḍrami was actually an historiographer and historian, which later widely perceived in the Arab world in the 14th century as a great social scientists, which are still relatively unknown to the West for his academic contributions, especially his Magnum Opus, The Muqaddimah which have greatly contribute towards the development of modern economic thought. Magnum Opus is a word derived from Latin, which meaning “great work” or “masterpiece”. The Muqaddimah is also known as “The Introduction” or “Prolegomena” is Ibn Khaldun’s masterpiece is the first work which deal with the philosophy of history or the social sciences of sociology, economics, cultural history, historiography, and demography. This relative ambiguity still exists despite the fact that Western scholars have analyzed the economics of Ibn Khaldun for half of centuries. Ali and Thompsons(2009) addressed this issue in the context of the academic tendencies of the West to overlook the work and credits of Muslim scholars in mapping the history of economic thought.

While previous studies have examined the contribution of Ibn Khaldun in larger framework of the history of economic thought (Essid, 2007) or strictly elaborating on those contributions (Boulakia, 2001), this paper strive to further understand and examine the contribution of Ibn Khaldun to the economic thought as they compared with those of Adam Smith, Wealth of Nations especially the theory of division of labor. Wealth of Nations or its full name An Inquiry into the Nature and Causes of the Wealth of Nations is Adam Smith masterpiece which offer broad topics on economic such as the productivity, free markets, and the division of labour .Weiss (2005) touched on this topic in a journal titled “Ibn Khaldun on Economic Transformation”, finding the similarities between the Khaldun and Smith thought about the benefits to society of cooperation and specialization in production.