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## THE RADIANT SIDE OF THE DARK AGES: ABU YUSUF'S ECONOMIC THOUGHT

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### ABSTRACT

*The general tendency in the Western literature is to assume that economic thought started with Aristotle and no contribution whatsoever was made to science in the world up until Thomas Aquinas. The aim of this article is to question the validity of this assumption. Could the argument really be true that in the period in question there was total inactivity and no scientific development was made? Could a long period of approximately 1600 years be described as a huge void? These are the type of questions that the present paper aims to answer. The period called the Dark Ages in the West is in fact the one in which the East lived its golden age. Many a scholars emerged in this period, producing invaluable works. In addition, these scholars taught great numbers of students and thus enabled the transmission of scientific thought to the West. In this period that included the foundation and development of the Islamic State, innumerable practices in many fields such as law, finance and organization of social life were based on the Holy Qur'an and the Sunnah. A disciple of Abu Hanifah, one of the major scholars of the Hanifah sect, Abu Yusuf adhered to the Holy Qur'an and the Sunnah in his role as Qadi'l-qadat (grand qadi) and was a scholar who regarded very highly the principle of justice while his invaluable book Kitab al-Kharaj, which harboured policy propositions that went beyond its time, set significant examples of the ideal of Islamic state and practices. Abu Yusuf is a prominent scholar by virtue of his views and practices and being the first practitioner of countless policy propositions that gained acceptance in the modern world. Thus, this article deals with the ideas of Abu Yusuf and their repercussions in the modern world.*

**Keywords:** Abu Yusuf, Great Gap, Kitab al-Kharaj, Islamic Economics.

## KARANLIK ÇAĞ'IN AYDINLIK TARAFI: EBU YUSUF'UN İKTİSADİ GÖRÜŞLERİ

### ÖZET

*Batı literatüründe genel kabul gören yargı iktisadi düşüncenin Aristoteles ile başladığı ve Aquinalı Thomas'a kadar dünyada bilime katkı sağlayan hiçbir gelişmenin yaşanmadığı yönündedir. Bu çalışmanın amacı bu yargının doğruluğunu sorgulamaktır. Gerçekten de sözü edilen bu yıllarda tamamen durgunluğun hakim olduğu, herhangi bir bilimsel gelişmenin yaşanmadığı tezi doğru olabilir mi? Yaklaşık 1600 yıl gibi bir zaman dilimi koca bir boşluk olarak nitelendirilebilir mi? Çalışmanın amacı bu sorulara yanıt bulmaktır. Batı dünyasında karanlık çağ olarak adlandırılan bu dönem esasen Doğunun altın çağını yaşadığı dönemdir. Pek çok bilim adamı bu dönemde yetişmiş, kıymetli eserler meydana getirmişlerdir. Dahası bu bilim adamları çok sayıda yabancı öğrenciye dersler vererek bilimin Batıya aktarılmasını sağlamıştır. İslam Devletinin kuruluş ve gelişme dönemlerini kapsayan bu zaman diliminde hukuk, maliye, iktisat, sosyal hayatın düzenlenmesi gibi pek çok alanda uygulanan politikalar temellerini Kuran ve sünnetten almaktadır. Kuran ve sünnete bağlı kalarak İslam devletinde kadılık görevinde bulunan, adalet ilkesine büyük önem veren ve Hanefi mezhebinin önemli alimi Ebu Hanefi'nin öğrencisi olan Ebu Yusuf tam da bu dönemde yaşamış ve zamanının çok ötesinde politika önerileri içeren Kitabül-Harac adlı çok kıymetli eseri islami devlet anlayışının ve uygulamalarının önemli bir örneğini teşkil etmektedir. Ebu Yusuf görüş ve uygulamalarıyla, modern dünyada kabul gören pek çok politika önerisinin ilk uygulayıcısı olması nedeniyle özellikle dikkat çeken bir bilim adamıdır. Bu çalışmada Ebu Yusuf'un görüşleri ve modern dünyadaki yansımaları ele alınmıştır.*

**Anahtar Kelimeler:** Ebu Yusuf, Büyük Boşluk, Kitab-ül Haraç, İslam İktisadı.

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## INTRODUCTION

The literature of economic thought generally begins with Aristotle (BCE 384-322) and passes on to St. Thomas Aquinas (1225-74). Schumpeter stated that there were no contributions made in this period by ignoring the part played by medieval Islamic authors and calls this period the “Great Missing Link” (“Great Gap”) (Ghazanfar, 2015; 28).

However, research in this field clearly reveals that Islamic thought was born and flourished and influenced the Western by means of the works of Islamic scholars in the very period that Schumpeter called the “Great Gap”. Between the 7<sup>th</sup> and 14<sup>th</sup> century, before the Scholastic thinkers, Islamic thinkers in both the East and the West came up with sophisticated ideas on many economic topics and institutions that affected the Scholastics thinkers (Savaş, 2007; 131). Considering the fact that they were the link that connected the Greek, pre-Islamic and Christian thought and the contributions they made, it becomes simply more important not to ignore medieval Islamic authors (Husseini, 2015; 160).

The effect of Islamic thought on the Western thought was brought about in various ways. To begin with, at the end of the 11<sup>th</sup> century and early 12<sup>th</sup> century some Western thinkers such as Constantine the African and Adelard of Bath travelled to Islamic countries and learnt Arabic, studied and passed on what they learnt to their own countries. In this period there existed educational institutions teaching philosophy, medicine, mathematics and cosmography. Many scholars teaching at the universities at Napoli, Padua, Salerno, Toulouse, Salamanca, Oxford, Montpellier and Paris were raised at Islamic education institutions (Savaş, 2007; 134).

250 years before the Scholastic thought was born with the influence of Ancient Greeks, Islamic economic thought had flourished and been practiced in the three fourths of the known world in that period. Long before the scholastics, Islamic thinkers created their own opinions about such issues as fiscal policy, monetary policy, monetary institutions, loan and loan instruments, price formation and pricing policies, market and market regulations, exchange, interest, government budgets, taxes to promote or prevent wealth accumulation, the state treasury, open budget and state budget balancing methods, supply and demand, time and demand deposits, first bank types, partnerships and monopoly issues (Savaş, 2007; 133-134). The areas in which Muslim authors included economic issues can be found in their comments on theoretical debates or in the religious views and fatwas of Islamic jurists. The Muslim authors of this period developed a comprehensive understanding of economy, economic actors and institutions. Since medieval Islamic society enjoyed some of the institutions and intellectual tools of the modern times, medieval Islamic scholars had previously the opportunity to discuss some of the economic issues that would be handled in Western Europe much later (Husseini, 2015; 163-165).

The emphasis on administrators’ economic responsibilities has been one of the vital issues foregrounded since the early days of Islam (Siddiqi, 1998; 223). Serving in the office of the Qadi and Qadi'l-qudat under the reign of the Abbasid Caliph Harun al-Rashid, Abu Yusuf set forth essential ideas about the characteristics of administrators, economy and finance in his age. *Kitab al-Kharaj*, his most important work in which his views can be collectively found, provides answers to questions posed by the Caliph. The basic economic topics in *Kitab al-Kharaj* are as follows: taxation, agriculture and animal husbandry, water resources and revitalization of waste lands. While the book deals in general with issues of public finance, it also focuses extensively on state administration, political and social considerations (Kallek, 2018; 71-74). Abu Yusuf is the first scholar of Islamic law that penned a pamphlet directly on economic policy. His *Kitab al-Kharaj* paved the way for future scholars (Siddiqi, 2017; 72).

Abu Yusuf requested the Caliph to leave aside Abbasid ve Omayyad sultans’ policy of following Byzantium and Persia as models and revert to the traditions of Rashidun Caliphate (four great caliphs). He based his views directly on either the Holy Qura’an and the Sunnah or the examples of Abu Bakr, Omar, Osman and Ali. As an exception, he also included other examples such as the Umayyad Caliph Omar bin Abdul Aziz. Since *Kitab al-Kharaj* was written upon the demand of the chief qadi, that is the Minister of Law, and the Caliph, it is not merely a book of Islamic law but an extraordinary work (Eskicioğlu, 1966; 12).

When Abu Yusuf offered policy propositions he had certain objectives in mind: growth, freedom, productivity and justice. These ideals, which were generally in line with Islamic economic thought, also resided in Abu Yusuf’s system of thought (Siddiqi, 2014; 212). Abu Yusuf borrowed certain principles from the Holy Qura’an and established his thoughts on these principles. The principles of justice, kindness, wisdom, chastity and ingenuity were of utmost importance. These principles were the main reference points not only in the field of economy but also politics, social order and administration (Bal, 2014; 5). The concept of social justice is the foundation of all moral rules and regulations in the Islamic state. All the economic rules in the Holy Qura’an are absolutely related to the concept of social justice. The backbone of social justice was found in the Holy Qura’an and therefore economic justice was placed on a high pedestal (Savaş, 2007; 133).

### Abu Yusuf’s Ideas on Economy

One of the first figures that wrote on economy since the outset of Islam was Abu Yusuf, who studied Islamic law especially under the guidance of Abu Hanifah in Koofa and Medina. The works of Abu Yusuf were written before the 9<sup>th</sup> century when the Greek legacy was discovered in Syria (Ghazanfar, 2015; 228-229). Abu Yusuf’s views especially on

principles of taxation are reminiscent of the approaches of modern economics to taxation. However, one point to bear in mind is that the period in question was much too early and there was scarcity of resources available. In terms of illuminating the practices, *Kitab al-Kharaj* remained as the most important reference; therefore it was widely consulted in all matters.

Abu Yusuf's book appeared approximately 1000 years before the pioneering work of classical economics, *The Wealth of Nations* by Adam Smith, while Aquinas, the representative of Medieval Latin economic thought, emerged 500 years after *Kitab al-Kharaj*. What is more, the works of Aristotle and other Greek philosophers had not yet been translated into Arabic in Abu Yusuf's time and Arab scholastics then were not familiar with this literature (Siddiqi and Ghazanfar, 2015; 284). Abu Yusuf's *Kitab al-Kharaj*, which was penned much earlier than cornerstone works that were important in terms of the development of Western economics, provides significant arguments in terms of questioning the validity of the Missing Link thesis.

### **Economic Welfare and Modern Understanding of Welfare**

The function of welfare in the Islamic state was highlighted in countless hadiths by Mohammed. Statements of the early Caliphs and the orders they gave to their governors reveal that the early years of the Islamic state paid considerable attention to welfare. Abu Yusuf's *Kitab al-Kharaj* explains welfare in the Islamic state clearly (Çapra 1988; 151). According to Abu Yusuf, if properly executed, the principle of justice, which he dwells upon in length, could automatically lead to economic and social welfare (Kallek, 2018; 78).

At the same time Abu Yusuf also deliberated on a range of practices that were employed in the regulation of economic life. These are (Bal, 2014; 13):

a-İhya

b-Intensification of public investments

c-Levying taxes on producers that do not exceed their ability to pay

d-Appropriation of overabundant produce

e- Preventing unearned gain by derailing the free functioning of the market through officially fixed price

f- Preventing the depreciation of the money

*İhya*: According to Abu Yusuf, it is a must that unexploited state soil and unowned wastelands should be rented or given as *ikta* (granting of the rights and privileges of ownership, operation or exploitation of immovable property) or managed as *bayt al-mal* (treasury of the Islamic state). The state administrator who pays regard to public interest can dispose of property by considering these alternatives. In this way, the use of resources will grow, production and income will rise, and this will in turn contribute to the boosting of economic welfare (Kallek, 2018; 80).

### **The Importance of Public Investments**

It is observed that Abu Yusuf had an insight ahead of his time about the relationship between public investments and economic welfare in terms of boosting public investments. Abu Yusuf, referring to the importance of public investments, said, "you may spend profusely and without delay in areas where public good is concerned" (Yeşilyurt, 2015; 115). According to Abu Yusuf, the basic function of the state is to increase its citizens' welfare levels, enable them to live freely and protect them from oppression (Ergün, 2017; 128). Abu Yusuf's model is that of a welfare state. It encapsulates a comprehensive viewpoint in which citizens are given opportunities so as to increase their social and economic welfare, lead an honourable and free life and have maximal means to protect themselves from cruelty. The state, on the other hand, has the responsibility to support society's moral values and finally people's spiritual development, which is the means to their salvation (Siddiqi and Ghazanfar, 2015; 300) Abu Yusuf recommends that administrators should passionately deal with public works; construct roads, bridges, irrigation canals, improve navigation and provide all the support that agriculture is in need of (Siddiqi, 1998; 223).

According to Abu Yusuf, though increase in production is a must for the improvement of welfare of the country it is not sufficient on its own. With the increase in production, it is an imperative that transportation and exchange of goods be facilitated. To this end, major waterways must always be kept available for transport. The areas with land routes should not be impeded by opening of these areas into agriculture by means of *ihya* and *ikta* (Kallek, 2018; 81). Emphasizing the state's responsibility to provide public works, Abu Yusuf, states that economic development, fair distribution of resources and revenues are highly critical. The use of unused state soils and unclaimed wastelands by state officials and their relatives through the policies of *ikta* and *ihya* should not lead to an abuse of power for gaining advantages (Ergün, 2017; 125). Abu Yusuf's views on the roles that the state adopts in economy are reminiscent of those by Friedrich von Wieser, one of the representatives of the Austrian School of economics. Wieser claims that the state ought to take in charge some vital socio-

economic duties and the protection of the weak is also the responsibility of the state. He contends that the state must secure conditions conducive to full competition and control the market to this end in order to prevent unearned profits. Wieser further puts forward that the state must invest in social works such as transportation and irrigation canals which have low exchange value but high social use (Savaş, 2007; 546- 547). Abu Yusuf often advises the Caliph to launch projects that would contribute to people's welfare, suggesting the construction of new canals, renovating and revitalizing old ones, build levees in order to prevent floods, rehabilitation of flooded areas and taking every precaution possible to improve farmers' welfare (Siddiqi and Ghazanfar, 2015; 295).

Taking into consideration the dynamics of his time, Abu Yusuf suggests that social overhead capital investments should target the soil. He supports practices aiming to increase agricultural production since the dominant production factor is labour. Thus, he claimed, the productiveness of the soil would be improved, the amount of production would soar and finally social welfare would be higher. Abu Yusuf underlines his belief that public investments geared for the whole society should be undertaken only by the state and if a specific segment of society is to benefit from the investment then the beneficiaries should participate in the appropriate distribution of burden of such expenditure (Bal 2014; 20-21). The emphasis on the fair distribution of burden and liabilities for the betterment of the socio-economic structure demonstrates Abu Yusuf's intelligent and analytical viewpoint and his sense of mutual equality (Siddiqi and Ghazanfar, 2001; 33).

In some respects Abu Yusuf's views on public investment resemble those of Adam Smith's. Indeed Adam Smith too paid great deal of attention to public works activities that would serve the facilitation of trade. He stated that it is not mandatory to meet the expenses of these services through public revenues; instead it is possible to finance them through taxes (Smith, 2013; 805). Highlighting the importance of free trade on every occasion, Smith put forward that the obstacles to trade should be removed and the state should make necessary investments such as roads, bridges and harbours in areas where there is a vibrant commercial life.

### **Abu Yusuf's Ideas on Taxation**

During the early Abbasid dynasty farming was highly advanced. Since a considerable part of the population was employed in farming, agriculture taxes had a significant share in state revenues. Therefore, the Abbasids took plenty of precautions to develop agriculture (Azmi, 1995; 8). The Abbasid dynasty endeavoured to determine Islamic precepts about taxation; at this point Abu Yusuf wrote *Kitab al-Kharaj* upon request and it became a guidebook for the dynasty. The Abbasids launched cadastral surveys of *harac* (tribute) lands in some regions such as Khorasan and Syria in order to determine the amount of tax to be levied. They levied in-kind taxes instead of cash taxes per unit in some lands suitable for farming in Iraq (Duri, 1991; 86).

Abu Yusuf frequently mentions taxes collected from the public while dealing with the duties of the state towards the people. The state does have the right to collect taxes from the public. However, there is a close reciprocity between the state's right to collect taxes and the public's right to expect certain services from the state. It is right to levy taxes on produce from farming lands, therefore the soil has to be protected from floods and canals have to be constructed (Siddiqi and Ghazanfar, 2015; 299).

It is possible to sum up Abu Yusuf's principles of taxation based on the hadiths and practices of the Four Caliphs (Bal, 2014; 21):

- 1- Ability to pay must be the paramount criterion in taxation.
- 2- Tax laws must be determined by the central government; their provisions must be laid out clearly and precisely.
- 3- Members of the taxing organization must have outstanding moral values.
- 4- Tax collection must not be carried out in *iltizam* (tax farming) system.

Hundreds of years after Abu Yusuf's work, Adam Smith, the founder of Classical Economy, based taxation on the principles of fairness, certainty, convenience and efficiency. Smith puts forward that citizens must contribute to the state in proportion to their economic power in order for the state to meet its expenses. The amount of tax each individual must pay ought to be certain but not arbitrary. Taxes must be collected at a time convenient for each taxpayer. In addition, the expenses of collecting taxes should be low (Smith, 2013; 927-929). Smith's principles appear to be resembling those proposed by Abu Yusuf.

Abu Yusuf insisted that tax rates should be determined by the central government and local administrators and tax collectors should have no authority to increase or decrease taxes. Local administrators should not be given the authority to levy taxes, to demand extra produce or cash for tax and, in addition, they should be forbidden to seize people's food or produce (Abu Yusuf, 1973; 182-183).

Time, venue and method of payment and centralization of decision-making processes in tax management are among the issues that Abu Yusuf dwells on (Siddiqi, 1998; 223). Abu Yusuf expressly states the importance of considering people's

capacity to pay taxes, warning about the negative consequences in the event that taxpayers are faced with sums of money that are beyond their ability to pay. Abu Yusuf did not only dwell on the principle of ability to pay in theory; he also practiced it diligently for years. This practice implemented by Abu Yusuf is still one of the burning issues of fiscal policies in our day.

After Abu Yusuf, the principle of the ability to pay was discussed also by Ibn Khaldun, who stressed the need to retain tax levels at the optimum level. In his *Muqaddimah* Ibn Khaldun tackled the issue of taxes in detail, reaching conclusions compatible with the practices foreseen in supply-side economic policies. Ibn Khaldun paid utmost attention to the need that taxes should be in step with the taxpayers' ability to pay, believing that taxes that are beyond taxpayers' ability would decrease the turnover in taxes.

The first figure in economics literature that springs to Western scholars' mind in terms of the concept of the ability to pay is Arthur Laffer. One of the leading representatives of supply-side economists, Arthur Laffer established that if deduction rates were decreased production would soar and this would boost tax revenues and graphed his assertion in the Laffer Curve (Kallek, 2015; 84). The Laffer Curve is based on the assumption that if individuals' post tax income increases they will work harder and invest more as long as their post tax income increases. If this assumption were valid, tax revenues would naturally increase when tax rates are lowered (Savaş 2007; 960). Supply-side economists refer to the Laffer Curve to support their claim that decreasing marginal tax rates would boost economic growth and tax revenues. This curve demonstrates the theoretical relation between tax rate and tax revenue. Though graphical display belongs to Laffer, the idea that there would be a decline in sciences, arts and economic activities if the state levies higher taxes on citizens was first introduced by the 13<sup>th</sup> century Muslim thinker Ibn Khaldun (Skousen, 2011; 501-502). However, an analysis of *Kitab al-Kharaj* reveals that Abu Yusuf had dealt with the issue of taxes and tax collection and presented detailed views on fiscal policy practices much earlier than Ibn Khaldun in the 8<sup>th</sup> century.

**Table 1: Tax rates proposed by Abu Yusuf (income /produce rates)**

Type of farming land	Previous rates	The rates increased by Al-Mahdi	Rates proposed by Abu Yusuf
Rain irrigated produce	%50	%60	%40
Irrigated produce	%33	%33	%10
Fruit orchards, vineyards	Fixed amount	Fixed amount	%33
Irrigated produce (labor intensive)	%25	%25	-
Summer crops	-	-	%25

**Source:** Siddiqi, M. N. Ghazanfar, S. M. (2015). ‘‘ Erken Dönem Orta Çağ İslam İktisat Düşüncesi, Ebu Yusuf’un (731-798) Kamu Maliyesine İlişkin İktisadi Fikirleri. *Orta Çağ İslam İktisat Düşüncesi Batı İktisadındaki Büyük Kayıp Halka'nın Telifisi*’’, ( ed. Shaikh M. Ghazanfar), Klasik Yayınları, İstanbul

Abu Yusuf proposes lower tax rates for the first and second categories in the table. However, in the third category he suggests a change that is almost like a reform and comes up with a tax rate of 33% instead of a fixed amount. According to the table Abu Yusuf does not support the idea of fixed taxes. He contends that fixed taxes impede the realization of social justice. If taxes are levied based on the amount of produce rather fixed amounts the state will not suffer revenue losses and the producer will not be harmed. And thus, a fair taxation system will contribute to the establishment of social welfare.

Abu Yusuf claims that taxes levied on lands based on fixed amounts run counter to the principle of justice. Such a practice will harm both social welfare and public interest in the long run (Siddiqi and Ghazanfar, 2001; 21). Abu Yusuf states that justice can be established through a system in which taxes are levied proportionate to the produce obtained instead of a fixed amount (Ergün, 2017; 127). This calls to mind Wieser's views on progressive taxes. Though Wieser suggests that progressive taxes cannot be appealed to in order to abolish social injustice, he claims that progressive taxes could be justified based on the principle of diminishing marginal utility (Savaş, 2007; 546, 547).

Stressing the necessity of determining taxes in the central government, Abu Yusuf opposes *iltizam* (tax farming) in the mechanism of tax collection. Instead, he indicates that tax collection ought to be performed by honest, dependable and experienced officials rather than by means of *iltizam* (Ergün, 2017; 127). Abu Yusuf believes that if contracts were signed with intermediaries to collect taxes, this would lead to abuse of power and a decline in agricultural activities and crops, and finally a decrease in state revenues. On the whole, it would lead to damage in the socio-economic welfare of the country (Siddiqi and Ghazanfar, 2015; 291).

In Abu Yusuf's economic viewpoint, protecting producers from subjection to injustice has a significant place. He states that the producers should have no obstacles and their produce and riches should in no way be seized so that social welfare

could be improved. Likewise, he warns that when the producers' plus produce after the tax is confiscated or a tax is levied going beyond their ability to pay the producers will produce less or give up tilling altogether (Abu Yusuf, 1973; 175-176). Officials responsible for tax collection have to demand nothing other than the exact amount. Their professional conduct should be monitored and those violating the rules should be penalized. The officials who are proved to have embezzled money must be dismissed never to be employed again (Siddiqi and Ghazanfar, 2015; 292). The state has to collect the taxes immediately after the harvest lest the produce is damaged or harmed. While grain is being allotted, the farmers' rights have to be taken into consideration and measurements have to be made with adequate tools that are free of error (Abu Yusuf, 1973; 180). Abu Yusuf was meticulous in terms of the producers' ability to pay in taxation; he was likewise sensitive in not subjecting the producer to injustice. The concept of justice, which Islam puts excessive emphasis on, was a reference point in both legal regulations and economic life.

Ricardo, who divides land into arable and barren land, introduced the term differential rent into economics literature. Those who cultivate barren land obtain less income compared to the labour and material they use. The superiority of arable land over barren land is never lost; however, this superiority ceases to be an advantage to the consumer or producer and becomes an advantage for the landowner (Ricardo, 2013; 50). Arable lands are cultivated with fewer expenses compared to others and price of produce occurs at a level to meet the production expenses of the marginal land, thus a rent emerges to the advantage over the others (Kallek, 2018; 85). Von Thunen extended the rent theory by stating that the rent does not emerge out of the difference of fertility of land only but also out of location (Savaş, 2007; 394). Abu Yusuf dwelt on the issues of difference of land in terms of fertility and the emerging rent though his account is not verbatim.

## Commerce And The Free Market

Refers to sacred books, which preach that people's livelihood will be provided by God, and states that there exist religions that discredit economic activities or pursuit of profit. However, he says this attitude is not valid for Islam. According to Rodinson the Holy Qura'an justifies commercial activities while criticizing dishonest conduct and decreeing that commercial activities be suspended during certain religious services (Rodinson, 1966; 24). The fact that Islam is conceptually open to commercial activities paved the way to a glorious civilization in the Middle Ages (Çizakça and Akyol, 2012; 15). It appears that Abu Yusuf refers copiously to the principles of Islam that support commercial activities in his own economic treatise. Abu Yusuf often expresses the fact that the state and its officials ought to undertake their relevant duties fully to support and encourage commerce.

In the early economic practices of the Islamic state it is seen that free competition was encouraged and laws against monopoly and market intervention was prevalent (Tuma, 2000; 15). Making some observations about the functioning of the market and price formation, Abu Yusuf dwells on regulations aiming at protecting the taxpayer and states by referring to divine law that Allah approves of the prices chastising those who disadvantage the producers by manipulating the floor price. It is seen that by doing so Abu Yusuf aspires to alleviating the pressure of the administrators against taxpayers (Kallek, 2018; 91). During the age of the Prophet intervening the market gained currency when the prices increased; however, the Prophet did not approve of the idea of fixing the prices and opted for promoting the free market instead. This tradition envisages the need and discretion to think twice before interfering with the functioning of the market (Islahi, 2017; 98).

*"If the grain is much cheaper than the normal, the grain will not suffice for the Sultan to meet his needs, he will be discontent since the grain will neither enable him to sustain the army nor will he be able to protect his borders. However, these are the kind of things he cannot give up on. If the grain is unreasonably too high, then the Sultan will not be content about the amount of grain which taxpayers demand to be left to themselves. In fact, inexpensiveness and costliness are in the hands of Allah. They are never stable. It is the same thing with money. In many cases their value goes up and down. There is no agreed limit to inexpensiveness and costliness that can be taken as a standard. They are simply divine manifestations; no one can predict what will happen. Inexpensiveness is never born out of abundance of grain and goods and, likewise, costliness does not spring from their scarcity. They are all Allah's judgement and predestination. Sometimes grain is expensive although it is abundant and sometimes it is inexpensive although it is scarce"* (Abu Yusuf, 1973; 92-93).

By referring to the function of Allah's will in prices Abu Yusuf draws attention to the fundamental and natural laws of economics and highlights the risks that could emerge in the event of outside intervention to these natural laws (Abu Yusuf, 1973; 93). Natural laws in Islamic thought are "laws that are determined by Allah's will" and societies that abide by these laws develop and prosper while those who oppose them degenerate (Savaş, 2007; 133). Abu Yusuf could be claimed to have foreseen the detrimental outcomes of interfering with the prices much earlier than Adam Smith. However, he failed to develop this idea in depth. And it would be unrealistic to expect him to explicate the cause-effect relationships concerning the formation of prices in the market with today's economic reasoning. As a result, it can be argued that Abu Yusuf lived at a much earlier period and suggested policies within the framework of the conditions of the time in which he lived.

Abu Yusuf opposes monopolist structures, black market and stockpiling that hamper the effective functioning of the market. Referring to stockpiling in one of his hadiths, Prophet Mohammed says, "Whoever stockpiles with the aim of increasing the prices against the Muslims is a sinner", which sums up the Islamic world's viewpoint of monopoly and

stockpiling. Abu Yusuf extended his Master Abu Hanifah's approach, which forbade the stockpiling of foodstuff, by forbidding such engagement with all sorts of goods (Çapra, 1993; 60).

It is clearly seen that in the early years of Islam, the state had a limited role in determining market structure and price formation. This role is limited to eliminating deteriorated factors such as fixing prices and the interaction between supply and demand through the invisible agency of competition and Allah's will. Nevertheless, state intervention was kept at a minimum when it was believed to be necessary and implemented through the agency of the market itself. Likewise, the function of the state in production was minimal and comprised of preventing decline in production levels or regaining the previous levels after the decline (Tuma, 2000; 18).

### International Commerce and Commercial Instruments

In Abu Yusuf's period the currency was based on bimetalism based on gold and silver. Though standard official coins were available in the market there were dirhams of different kind and weight in circulation. The state prepared exchange lists to regulate the functioning of the market and tax collectors were ordered to follow these lists. These lists served as standards in the exchange of silver coins with each other and dinar coins. Apparently Abu Yusuf wanted to stop tax collectors from swindling taxpayers by means of arbitrary transactions and manipulating exchange rates (Kallek, 2018; 94-95). Likewise, the use of exchange lists aimed at preventing taxpayers from losing money.

It is known that Muslim merchants took a close interest in international commerce. Since commerce played a major role in economic life various tools were employed that regulated economic activities. Policy, one of these instruments, has been widely used in the Muslim world since the 8<sup>th</sup> century. In the Middle Ages a deed of partnership similar to Commenda, which played an important role in the financing of Mediterranean commerce in Europe, was widely used from the 8<sup>th</sup> century onwards in the Muslim world (Güran, 2012; 90). These developments in domestic and international trade brought about arrangements pertaining to this field. Abu Yusuf's fundamental philosophy on foreign trade is shaped by the idea of securing abundance of goods in the domestic market and establishing security.

Abu Yusuf expresses his wish to prohibit the export of horses, weapons, slaved soldiers and military provisions. However, he does not mention any kind of prohibition regarding the export of goods and clothing in his writings. Abu Yusuf's main concern is to put limitations in the export of goods important in political and military terms that might be to the detriment of the Muslims in a possible war. However, he does not object to foreign merchants selling similar military provision in Muslim countries (Kallek, 201; :95).

## CONCLUSION

Contrary to what Schumpeter calls the "Great Missing Link" in his famous book *History of Economic Analysis*, many Muslim scholars living in the period Schumpeter refers to in fact produced countless significant works on economy, finance, philosophy, mathematics and medicine. In this period called the Dark Ages by Western Economics, there was indeed a Golden Age in the East. Many Muslim scholars taught at universities and countless Western students attended the lectures given by these scholars. Therefore, at exactly this period, there was a flow of knowledge from the East to the West: Views and ideas of Muslim scholars began to spread in the West thanks to translations of these works and Western students who disseminated what they learnt in the East. In the same period, works of Greek scholars had not been translated into Arabic. That is to say, claiming that the flow of knowledge reached Muslim scholars thanks to the translation of Greek works is not in tune with historical facts.

Of the countless Muslim scholars who contributed to science and philosophy in this period, Abu Yusuf has a unique place. Abu Yusuf's age coincides with the end of the Four Caliphs period and the transition of the Caliphate from the hands of Umayyad dynasty into the Abbasid dynasty. Abu Yusuf paid great attention to legal and economic issues especially in the period of the Prophet and the Four Caliphs, that is, the early years of the Islamic state. The fact that he was a pupil of Abu Hanifah, the leading figure of the Hanifah sect and he occupied the office of qadi'l qudat is the major reason that made him pay a great deal of attention to legal, economic and financial issues by fulfilling all the requirements of the Islamic religion. *Kitab al-Kharaj*, which he wrote in the period of the Abbasid Caliph Harun al-Rashid, contains many pieces of advice based on Islam's commandments and prohibitions on various issues. *Kitab al-Kharaj* contains advice on taxation, methods of tax collection, the characteristics of tax collectors and administrators, duties of the state, commerce, international commerce, market, and supply and demand. Basing his advice on the Holy Qura'an, the Sunnah and the practices in the Four Caliphs period, Abu Yusuf often warned the administrators not to treat people badly.

Abu Yusuf's observations, especially those on taxation, recall major principles of classical economics. In *Kitab al-Kharaj* his principles of justice, precision, ability to pay and moral righteousness of tax collectors are reminiscent of Adam Smith's principles of fairness, certainty, convenience and efficiency. Another point to be dwelt on is the fact that Abu Yusuf established these principles approximately 1000 years before Adam Smith. Nevertheless, it is known that Ricardo established

the theory of rent and Thunen, who improved it, expanded it into location rent in the economics literature. Like these rent theoreticians, Abu Yusuf too expressed the need to levy taxes on such rents ages ago. The most striking resemblance, however, is the principle of ability to pay. Introduced into the economics literature by Arthur Laffer, this term became established, turning into a frequent reference in supply-side economic practices. The principle of ability to pay is suggestive of Laffer and Ibn Khaldun. Ibn Khaldun explained this term much earlier than Laffer and dwelt on its importance. The Western world too acknowledges Ibn Khaldun. However, one point that is usually ignored is the fact that, much earlier than Ibn Khaldun, Abu Yusuf commented upon the principle of ability and warned the Caliph that if high taxes are levied that are beyond people's capacity, it will lead to unfavourable outcomes. Abu Yusuf proposed policies inspired by the Holy Qura'an, the Sunnah and the practices in the period of the Four Caliphs and put into practice things that are based on the principles of the Islamic state and justice conducive to increasing public welfare. It is observed that the concepts introduced by Abu Yusuf as policy propositions hundreds of years ago are available in today's economics and finance policies. The most striking evidence that the East lived its Golden Age at a time which is called the Dark Ages by the West is the existence of Muslim scholars. And Abu Yusuf is one of the leading figures among these scholars.

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