

Al-Maqrizi Views on Economic Inflation

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One of the important problems facing the world economy until now is the problem of inflation. In simple terms, inflation means an increase in the price of goods from its usual state. In fact, long before the economic thinking of experts such as Friedman, Fisher, Keynes, and other world economists regarding inflation and other monetary matters, the Islamic world had earlier figures who were concerned in this field. Taqiuddin Abul Abbas Al-Husaini from Maqarizah, Cairo. Or better known as Al-Maqrizi. Maqrizi said in several parts of his book that inflation is generally divided into two, namely Natural Inflation and Human Error Inflation. This paper will try to compare some of his thoughts –particularly the problem of inflation- with conventional positivistic opinions and concepts in similar fields.

Keywords: Inflation; Monetary; Al-Maqrizi

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INTRODUCTION

one of the contemporary economic problems that economics itself is unable to interpret clearly and precisely, as well as provide appropriate solutions to prevent negative impacts, is the problem of currency inflation. Even this inability has been recognized by Western economic experts themselves. Professor Moris Elih said that the biggest problem faced by the Western market economy that has not been resolved until now is economic upheavals and changes in the value of the original price of currencies. Facts prove that the injustice felt by society comes from changes and differences in form income arising from changes in the value of the original price of the currency.

Furthermore, the disasters that investors in the money market and capital market are most afraid of are the two extreme conditions in monetary policy, namely inflation and deflation. Observers define inflation as a decline in the value of a currency because there is too much money in circulation so that the prices of goods and services rise. In economics, inflation can also be defined as a persistent and continuous increase in the general price level. Zero or very low inflation is called price stability. In some usages, inflation is used to mean an increase in the money supply, which is sometimes seen as the cause of rising prices. Some economists (from Austria) still use this meaning, and not an increase in prices.

Various studies and research on Al-Maqrizi's economic thinking that have been carried out by various parties are generally more concerned with historical aspects and his ideas and thoughts about monetary policy in general. Meanwhile, in this study the authors try to further analyze Taqiyuddin Al-Maqrizi's economic thinking, especially regarding inside-out, left-right issues of inflation. The purpose of this study is to find out and compare the concept and theory of inflation of a Muslim economist – in this case Al-Maqrizi's economic thought - with conventional positivistic concepts held by Western economists on similar matters. This simple research paper is a literature study or literature study using secondary data that has been published, consisting of: reference books, articles and other scientific works. Scientific writing in the form of this paper also tries to use the comparative method.

THEORY

Definition and Types of Inflation

Inflation is an economic condition

characterized by rapid price increases that have an impact on decreasing purchasing power. Inflation is often accompanied by a decrease in the level of savings and/or investment due to increased public consumption and only a small amount of long-term savings. Inflation can be classified in several ways. Method First, inflation can be classified according to magnitude. [Budiono \(1985\)](#) classifies inflation into four: (1) Mild inflation (inflation below 10% per year), (2) Moderate inflation (between 10%-30%), (3) Heavy inflation (between 30%-100%), and (4) Hyperinflation (above 100% per year).

Samuelson and Nordhaus in [Djohanputro \(2006\)](#) categorize inflation into three. First, low inflation, or also called single-digit inflation, namely inflation below 10%. This inflation is still considered normal. Within this inflation range, people still believe in money and still want to hold money. Second, galloping inflation or double digit even triple digit inflation, which is defined as between 20%-200% per year. Inflation like this occurs because of weak government, war, revolution, or other events that cause goods to be unavailable, while money is abundant so people don't believe in money. Third, hyper inflation, namely inflation above 200% per year. Under these circumstances, people don't believe in money. It is better to spend money and save in kind than to save money. Why? Because most goods, such as gold, land, buildings, experience an equivalent price increase (even higher) than inflation.

The second way of classifying inflation is based on the source of inflation. In this way, inflation can be classified into two different types of inflation ([Manurung, 2004](#)), namely: (a) Inflation due to cost-push inflation, and (b) Inflation due to increased demand (demand-pull inflation). In the case of cost-driven inflation, rising wages force industry to increase prices to cover wage costs in new contracts resulting in a cyclical pattern of higher wages and prices called the wage price spiral. In terms of inflation due to increased demand, the high demand for credit stimulates gross national product growth which in turn pulls prices further up. Some experts believe that demand-pull inflation can be controlled through a combination of central bank policies and Ministry of Finance policies, for example tight money policy by the central bank and expense control by the government. Cost-push inflation is thought to be better controlled through rate increases economic growth rather than via monetary or fiscal policy.

The third inflation grouping based on the origin of inflation, can be divided into two. First, domestic inflation, namely inflation originating from within the

country. For example, demand increases for goods, then there is demand-pull inflation originating from within the country. The second is foreign/imported inflation, namely inflation originating from abroad. For example, there is a continuous increase in demand for exports, so there is demand-pull inflation originating from abroad.

The fourth way of classifying inflation is based on people's expectations, which can be categorized into two: (a) expected inflation, namely the amount of inflation that is expected or expected to occur, and (b) unexpected inflation, namely inflation that is not expected to occur.

Impact of Inflation

Inflation has an impact on the economy. According to Samuelson and Nordhaus, inflation has an impact on several things: redistribution and distortion.

1. Redistribution of income and wealth. One of them is redistribution from creditors to debtors.
2. Price distortion. According to Samuelson and Nordhaus, low inflation makes buyers and sellers aware of inflation and can distinguish the difference in inflation between goods that are mutually substitutes (eg meat and eggs). So, when meat inflation is higher, people switch to eggs.
3. Distortion of the use of money. Everyone is changing the way money is used. Because inflation means the real value of money decreases, people tend to minimize the amount of money they hold.
4. Tax distortion. The higher the inflation, the higher the tax burden in real terms.

In addition to the distribution of inflation mentioned above, there is also what is known as the type of inflation inertia, or inflation expectations. Inflation inertia is the tendency that every year (or every period) people believe inflation will occur. Residents of developed countries, for example, believe that inflation is estimated at 3% per year. Newly industrialized countries such as South Korea and Singapore are estimated to have an inflation rate of 2%. While developing countries have an inflation rate of around 7%. Inertial inflation is also called expected inflation. Beyond that, actually there is unexpected inflation. This type of inflation can be negative or positive. Unexpected inflation happens when there is a surprise.

Theory Evolution

Inflation as the main target and the independence of the central bank as inflation control is the basis of the inflation target. The concept of an inflation target is a product of the evolution of monetary

theory and the accumulation of empirical experience. Monetary theories that contribute to the maturation of this concept include classical theory to modern theory.

a. Classical Theory vs Keynesian Theory

According to the classical theory, monetary policy has no effect on the real sector. Meanwhile, according to Keynesian theory, the monetary sector and the real sector are interrelated through interest rates. Based on the development of theory and empirical experience, it is concluded that in the long term the theory that is suitable to be used is Classical theory, while in the short term Keynesian theory is more appropriate. Monetary policy only has a permanent effect on the general price level (inflation). In other words, reforming the economic sector can be done by controlling inflation.

b. Modern Classical Theory vs Keynesian Theory

One adherent of modern classical theory, Milton Friedman, argues that rule policy is better than discretion. This opinion is contrary to Keynesian theory. Then, to determine the top selection rule versus discretion, the inflation target offers a framework that systematically combines the two, which is called constrained discretion. Because basically, in the practice of monetary policy there are no pure rules or pure discretion.

c. Quantity Theory vs Keynesian Theory

Keynesian theory uses the interest rate as an intermediate target, while the quantity theory uses the money supply. The use of intermediate targets, whether in the form of interest rates or the quantity of money, will cause self-limitation of information. In order to avoid this polemic, the inflation target policy determines inflation as the final target. Thus the inflation target uses the relevant transmission mechanism, not necessarily the interest rate or the quantity of money. By taking inflation as the final target, the monetary authority can be freer and more flexible in using all available data and information to achieve the target, because inflation is not only influenced by one factor.

d. Rational Expectations Theory

The theory of rational expectations states that the expectation factor plays an important role, because it influences the behavior and reactions of economic actors towards a policy. Monetary policy can only affect output in the short term, because after people's expectations play a role, output will return to normal. It

is this public expectation that is the key to success that must be controlled. By implementing the inflation target in monetary policy, it is hoped that it will become an anchor for public expectations.

In subsequent developments, modern monetary theory includes aspects of credibility that originate from problemtime inconsistency. This means that inconsistencies in monetary policy can occur if the monetary authority is forced to sacrifice long-term goals (inflation) in order to achieve other short-term goals. To prevent this from happening, inflation control must be the sole target, or at least the main target. Setting inflation as the main target means avoiding policy inconsistencies.

Several studies have been conducted on the topic of Al-Maqrizi's economic thinking in relation to conventional monetary theory, for example, can be seen in the studies of [Siregar et al., \(2020\)](#), [Suar et al., \(2020\)](#), and [Alwa & Wahyudi \(2022\)](#). In addition, studies related to the phenomenon of inflation according to Al-Maqrizi's thoughts can also be found in a study conducted by [Zainal \(2020\)](#).

METHODOLOGY

The method in this study uses library research, which is a method by collecting data by understanding and studying theories from various literature related to research, namely related to Al-Maqrizi's thoughts, especially related to the theory of inflation. There are four stages of literature study in research, namely preparing the necessary equipment, preparing a work bibliography, organizing time and reading or recording research materials ([Adlini et al. 2022](#)).

ANALYSIS

Al-Maqrizi's Concept of Inflation

Taqiyuddin Abu Al-Abbas Ahmad bin Abdul Qadir Al-Husaini was born in Barjuwan, Cairo, in 766 H ([Karim, 2004](#)). His family comes from Maqarizah, a village located in the town of Ba'labak. Therefore, he is more widely known as Al-Maqrizi. The condition of the family that was completely affluent made little Al-Maqrizi have to undergo education under the care of his grandfather, Hanafi ibn Sa'igh, a follower of the Hanafi school of thought. Young Al-Maqrizi also grew up based on this school of education. After his grandfather died in 786 AH (1384 AD), Al-Maqrizi turned to the Shafi'i school. Even in the development of his thought, he became inclined towards the Dzahir school.

Al-Maqrizi is a figure who really loves knowledge. Since childhood, he was fond of intellectual journeys. He studied various disciplines: fiqh, hadith, and history, from the great scholars who lived in his time. Among the well-known figures who greatly influenced his thinking was Ibn Khaldun, a great scholar and initiator of the social sciences, including economics. His interaction with Ibn Khaldun began when Abu Al-Iqtishad settled in Cairo and assumed the position of chief justice (Qadi Al-Qudat) of the Maliki school during the reign of Sultan Barquq (784-801 H).

At the age of 22, Al-Maqrizi began to be involved in various governmental tasks for the Mamluk dynasty. In 788 H, Al-Maqrizi started his work as an employee at Diwan Al-Insya, a kind of state secretary. Then he was appointed deputy qadi at the office of the supreme judge of the Shafi'i school of thought, preacher at the Jami 'Amr Mosque and Sultan Hasan Madrasah, Imam of Jami Al-Hakim Mosque, and hadith teacher at Al-Muayyadah Madrasah. In 791 AH, Sultan Barquq appointed Al-Maqrizi as muhtasib, a kind of market supervisor, in Cairo. This position is held for two years. At this time, Al-Maqrizi began to have a lot of contact with various market, trade, and mudharabah issues, so that his attention focused on prevailing prices, the origins of money, and the rules scales.

In 811, Al-Maqrizi was appointed as the administrative executor of waqf in Qalanisiyah, while working at the an-Nuri hospital, Damascus. In the same year, he became a hadith teacher at Asyrafyiyah Madrasah and Iqbaliyyah Madrasah. Then, Sultan Al-Malik Nashir Faraj bin Barquq (1399-1412 AD) offered him the position of representative of the Mamluk dynasty in Damascus. However, this offer was rejected. Nearly 10 years living in Damascus, Al-Maqrizi returned to Cairo. Since then, he resigned as a government employee and spent his time studying science. In 834 H, together with his family, he performed the pilgrimage and lived in Mecca for some time to study and teach hadith and write history. Five years later, Al-Maqrizi returned to his hometown, Barjuwan, Cairo. Here he also actively taught and wrote, especially Islamic history, until he became famous as a great historian in the 9th century Hijriyah. Al-Maqrizi died in the capital city of Egypt on the 27th of Ramadan 845 H or to coincide with the 9th of February 1442 AD.

Al-Maqrizi lies in the second phase in the history of Islamic economic thought. A phase that is starting to show indications of a decline in the escalation of innovative intellectual activities in the Islamic world. The basis of Maqrizi's life, which is asufistic or a

philosopher and relatively dominated by his activities as a Muslim historian, has greatly influenced his style of thinking about economics. He always looks at every problem with a flashback and tries to portray what it is about a country's economic phenomena by focusing his attention on a number of things that influence the rise and fall of a government. This means that Maqrizi's economic thoughts tend to be positive. One thing that is rare and unique in the second phase is dominated by normative thinking.

Furthermore, Al-Maqrizi is an Islamic economic thinker who conducts special studies on money and inflation. Maqrizi's focus on these two aspects seems to have been motivated by the increasing number of deviations from Islamic values by the heads of the Umayyad government and so on.

Inflation Theory according to Al-Maqrizi

Man is a child of his time. This statement is exactly what happened to Al-Maqrizi. With the fact that there was a famine in Egypt, Al-Maqrizi stated that inflation is a natural phenomenon that has befallen people's lives throughout the world in the past, present, and in the future. Inflation, according to him, occurs when prices generally increase and take place continuously. At this time, the supply of goods and services is experiencing a shortage and consumers, because they really need it, must spend more money for the same amount of goods and services. Al-Maqrizi discusses the problem of inflation in more detail. He classifies inflation based on its causal factors into two things, namely: (a) Inflation caused by natural factors (Natural Inflation), and (b) Inflation due to human error (Human Error Inflation).

a. Natural Inflation

This inflation is caused by various natural factors that are difficult for humans to avoid. According to Al-Maqrizi, when a natural disaster occurs, various foodstuffs and other agricultural products experience crop failure, so that the supply of these goods experiences a drastic decrease and scarcity occurs. On the other hand, because of their very significant nature in life, the demand for these various goods has increased. Prices then soared, far exceeding people's purchasing power. This has implications for rising prices for various other goods and services. As a result, economic transactions experience bottlenecks, even stopping altogether, which in turn causes famine, disease outbreaks, and death among the people. This worsening situation forced the people to put pressure on the government to immediately pay attention to their situation.

Furthermore, he stated that even after a catastrophe has passed, the increase in prices continues. This is an implication of the previous natural disaster which resulted in stagnation of economic activity, especially in the production sector. When the situation was normal, supplies of significant goods, such as rice seeds, still did not increase, in fact they remained scarce. Meanwhile, demand for it increased sharply. As a result, the prices of these goods experienced an increase which was then followed by increases in the prices of various other types of goods and services, including the wages and salaries of workers.

b. Human Error Inflation

In addition to natural factors, Al-Maqrizi stated that inflation can occur due to human error. He analyzed, there are three main things that either individually or collectively become the cause of inflation. These three things are: (1) Corruption and Bad Administration, (2) Excessive Taxes, and (3) Increasing Fulus Currency Circulation. The following chapter will try to explain the relevance of Al-Maqrizi's concept of inflation with modern positivistic concepts, while looking for and comparing which concept is more comprehensive and appropriate, using a comparative analysis method.

Relevance to Modern Theory (Comparative Analysis)

Modern Western economists generally divide the causes of inflation into two parts, namely: (1) Cost push inflation, and (2) Demand pull inflation. While Maqrizi into two things that are more specific, namely: (1) Natural inflation, and (2) Human Error Inflation. It appears that Al-Maqrizi has a better understanding of what actually causes inflation, because both inflation caused by natural causes and inflation caused by human error, both of which can take the form of cost push and demand pull. When talking about the division of inflation in the form Natural Inflation, then if approached with conventional analytical tools, namely the Quantity Theory of Money put forward by Irving Fisher:

$$MV = PT = Y$$

M = money supply (money)

V = speed of circulation of money (velocity)

P = price level (price)

T = the amount of goods and services (sometimes also used the notation Q)

Y = level of national income (GDP)

Natural Inflation a la Maqrizi can be interpreted as:

1. Disruption to the amount of goods and services produced in an economy (T). For example T goes down while M and V stay the same, then the consequence is that P will go up,
2. Increase in people's purchasing power in real terms. For example, the value of exports is greater than imports, so that on a net basis there is an import of money which causes M to rise so that if V and T are constant then P will rise.

Natural Inflation is analyzed by AD and AS Equations

Furthermore, if analyzed by an aggregative equation, where:

$$AD = C + I + G + (X-M)$$

Y = national income

C = consumption

I = investment

G = government spending

X-M = net exports

From the various equations that have been derived above, Natural Inflation will be distinguished based on its causes into two things. As a result of too much money coming in from abroad (generally in the form of cash or other unproductive assets such as luxury goods), where exports rise while imports tend to fall or stay the same, resulting in a very large net export value, it will result in increase in Aggregate Demand (AD increase) in the country. This happened during the reign of Caliph Umar bin Khattab r.a. At that time the caravans that sold their goods abroad, bought goods from abroad for less value than the value of the goods they sold (positive net exports). As a result, they brought the excess money home to Medina so that it then increased people's purchasing power (AD increased). The increase in Aggregate Demand is described in the figure as the AD curve shifting to the right (AD rising), which results in an increase in the price level in general (P rises).

What then did Umar do? He forbade residents of Medina to buy goods or commodities for about two days in a row. The result is clear, namely a decrease in demand for commodities in the market in general which will result in a decrease in Aggregative Demand (AD)

from the economy. After the ban ended, the price level returned to normal.

As a result of the decline in production levels (the US fell) due to famine, war, or economic embargoes. This also happened during the reign of Caliph Umar, namely during a famine which resulted in a scarcity of wheat. This can be described in the figure as the US curve shifting to the left (the US is falling), which then results in an increase in the price level.

What did Umar r.a. do? He issued an order to import wheat from Fustat (Egypt). This action directly causes Aggregative Supply (AS) in the economy to increase again (AS increases) because the supply of commodities in the market increases again, resulting in a decrease in the general price level (P decreases).

If you look at the equation $AS=AD$ and the equation $MV=PT$, it will be clear that corruption and bad government administration will cause a contraction in the Aggregative Supply curve (AS down). Basically, corruption will disrupt the price level (P increases) because producers have to increase the selling price of the commodities they produce to cover the 'stealth costs' they have incurred. The inclusion of these costs has an impact on COGS (Cost Of Goods Sold). This will result in COGS not reflecting the value of the actual resources used or used in the production process. Prices that occur are distorted by components that should not exist, which will further result in a high cost economy. In the end there will be inefficiency in the allocation of resources which will harm society as a whole.

Apart from being the cause of inefficiency in the allocation of resources and a high-cost economy, corruption and bad administration, if left unchecked, will cause a 'cancer' which is very harmful to the macro economy which will lead to a downward spiral or hyperinflation which is very dangerous and terrible.

If we look at the phenomenon of very high inflation (hyperinflation) in several regions of the world, it turns out that Al-Maqrizi had long ago developed a mature concept that could explain this event. Take for example the experience of the monetary and inflation crises that occurred in the Southeast Asian region around 1997-1998. For example, in Indonesia, after conducting an analysis, several economic experts concluded that some of the causes of the crisis were: a crisis of confidence in the government due to the practice of Corruption, Collusion, Nepotism (KKN), inconsistent policies implemented by the Indonesian government, the unhealthy influence of economic globalization, coupled with long dry spells and food insecurity in several areas such as: Jayawijaya (Irian Jaya),

Donggala (South Sulawesi), Grobogan, Boyolali, and other areas (Aritonang, 1999). This is in accordance with the concept expressed by Al-Maqrizi –both Natural Inflation and Human Error Inflation. Not to mention experience in other countries and regions experiencing economic crises which indicate the suitability of the concept offered by Maqrizi with the facts on the ground. It really is an observant, precise and precise observation.

CONCLUSION

After conducting more in-depth observations and investigations on this issue, several conclusions can be drawn. Evidently, Al-Maqrizi's economic thoughts on inflation are more comprehensive than the concepts offered by Western economists. One of the reasons is because of good inflation caused by *nature*/ natural or human-made inflation, both of which can take the form of cost push or demand pull inflation.

Al-Maqrizi turned out to be observant and knowledgeable, especially matters related to monetary (far ahead of Mr Monetary "Irving Fisher"). This is indicated by the concepts: Quantity of Money Fisher, Aggregative Demand and Supply Curve, Dead Weight Loss Concept, Bad Impact of Excessive Tax, to the analysis of Corruption which causes a country's High Cost Economy. After conducting this simple review and analysis, the author suggests the need for further and intense study of Maqrizi's economic thoughts, especially matters relating to monetary issues (currency and inflation).

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