

## Monetary Theory According to Imam Al Maqrizi

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### Abstract

*One of Al Maqrizi's important contributions is his understanding of the importance of stabilizing currency values. He observed that fluctuations in currency values could lead to economic instability and depress economic growth. Therefore, he expressed his strong view of the need to maintain currency stability through proper regulation. The approach used in this study is a juridical normative approach. This approach examines the problem of rules relating to the monetary concept of Imam Al-Maqrizi. In this study, the data collection method that researchers used was the documentation method, namely finding data about things or variables in the form of books, newspapers, journals, and so on. The technique used is content analysis or content review. The results of the research show that Al-Maqrizi's thinking about monetary is that the currency used by mankind is better in the form of gold and silver. According to Al-Maqrizi, there are two types of inflation, namely natural inflation and inflation caused by human error. According to Maqrizi, the way to prevent inflation is to manage monetary policy appropriately. In addition, Al Maqrizi also suggested that currency exchange be carried out in a balanced manner. Exchange of currency for gold or silver should be done below its true value to avoid causing price distortions and inflation. Maintaining the stability of currency exchange rates and maintaining balanced currency exchange is expected to help reduce inflation in Indonesia.*

**Keyword:** *monetary, inflation, and currency*

### 1. INTRODUCTION

The background of the research on the monetary concept of Al Maqrizi's thoughts involves an understanding of the financial policies and economic systems that developed during the reign of the Mamluk Dynasty in Egypt and Syria in the 15th century. Al Maqrizi, born in 1364 AD and died in 1442 AD, was a famous Egyptian historian, geographer, and economist. Al Maqrizi's thoughts on the monetary concept are reflected in his most famous work, "Kitab al-Suluk li-ma'rifat duwal al-muluk" (Guidebook for Understanding the Conditions of the Kings' Countries). In this work, Al Maqrizi studied various aspects of the economy, including currency, trade, and financial policy.

One of Al Maqrizi's important contributions was his understanding of the importance of currency stabilization. He observed that currency fluctuations could

cause economic instability and suppress economic growth. Therefore, he strongly argued for maintaining currency stability through proper regulation. Al Maqrizi also highlighted the importance of sustainable and transparent monetary policy. He argued that the government should play an active role in managing monetary policy and monitoring the circulation of money. Al Maqrizi emphasized the need to evaluate the supply of money entering and leaving the economy to ensure financial stability. In addition, Al Maqrizi observed the relationship between inflation and excessive money circulation. He warned about the dangers of excessive printing of money and emphasized the importance of maintaining a balance between the supply and demand of money in the economy.

Research on the monetary concept of Al Maqrizi's thoughts is important because it provides insight into the history of economic thought and monetary concepts in the Middle East at that time. His thoughts provide the foundation for the development of financial policies and monetary systems that are relevant to the current economic and financial situation. In the modern context, research on the monetary concept of Al Maqrizi's thoughts can inspire the formulation of effective financial policies and manage monetary policies wisely. In an ever-evolving global world, understanding this historical thought can help implement a sustainable approach and maintain financial stability in the long term.

## **2. RESEARCH METHOD**

Library research is the research methodology employed in this topic or literature review, which includes systematic identification and analysis of documents containing information related to the study problem. The approach method in this study utilizes a qualitative method, essentially a research strategy that produces descriptive data, namely data obtained in non-numerical form, meaning that the data produced has a format in the form of words, symbols, and images (Moleong, 2006).

This study's methodology is a normative juridical approach. This approach examines the problem of rules related to the monetary concept of Imam Al-Maqrizi. In this study, the data collection method used by the researcher is the documentation method, namely looking for data on things or variables in the form of books,

newspapers, journals, and so on. The technique used is content analysis or content study. Moleong (2006) According to the statement, a content study is a research approach that uses a series of steps to extract reliable findings from a book or document. The Critic analysis technique is a thorough analysis or analysis of existing data to provide an assessment accompanied by consideration. Primarily related to the monetary concept based on the thoughts of Imam Al-Maqrizi.

### **3. RESULTS AND DISCUSSION**

#### **Biography of Al-Maqrizi**

Taqiyuddin Abu Al-Abbas Ammad bin Ali bin Abdul Qadir Al-Husaini is the full name of al-Maqrizi. He was born in 766 H (1364–1365 AD) in the Cairo village of Barjuwam. His family was from the village of Maqarizah, which is in the city of Ba'labak. He is therefore frequently referred to as Al-Maqrizi. Due to his father's poor financial situation, Al-Maqrizi's maternal grandfather, Hanafi Ibn Sa'igh, a follower of the Hanafi school of thought, was responsible for his education during his early and teenage years.

The Hanafi school of thinking was the foundation upon which the young Al-Maqrizi was raised. Following his grandfather's passing in 786 H (1384 AD), Al-Maqrizi adopted the Syafi'i philosophy. He tended to adhere to the Zahiri school of thought even in his thoughts (Karim, 2004). Al-Maqrizi was a figure who loved knowledge very much. Since childhood, he has been fond of conducting scientific travel. He learned a variety of subjects from the eminent academics of the day, including history, hadith, and fiqh. Ibn Khaldun, a renowned scholar and pioneer of the social sciences, including economics, was one of the individuals who had a significant impact on his thought (Karim, 2004). When Abu Al-Iqtishad moved to Cairo and served as the head judge (Qadi Al-Qudah) of the Maliki School under Sultan Burquq (784–801 H), he first came into contact with Ibn Khaldun.

When he was 22 years old, Al-Maqrizi began to be involved in various government tasks of the Mamluk Dynasty. In 788 H (1386 AD), Al-Maqrizi began his career as an employee at Diwan Al-Insya, a kind of state secretariat. Later, he was appointed as deputy Qadi at the office of the judge agum of the Syafi'i school, preacher

at the Jami 'Amr Mosque and Madarasah Al-Sultan Hasan, Imam of the Jami Al-Hakim mosque, and teacher of hadith at Madarasah Al-Muayyadah. (Karim, 2004). In 791 H (1389 AD), Sultan Barquq appointed Al-Maqrizi as mujtahid in Cairo. He held the position for two years. During this period, Al-Maqrizi began to come into contact with various market, trade, and *mudharabah* problems, so his attention focused on the prevailing prices, the origin of money, and the rules of weights.

In 811 H (1408 AD), Al-Maqrizi was the administrator of waqf in Qalanisiyah, while working at the an-Nuri hospital, Damascus. In the same year, he became a hadith teacher at Madarasah Asyrafiiyah and Madarasah Iqbaliyyah. Then, Sultan Al-Malik Al-Nashir Fajr bin Barquq (1399-1412) offered him the position of representative of the Mamluk Dynasty government in Damascus. However, this offer was rejected by Al-Maqrizi. (Karim, 2004). In 834 AH (1430 AD), he and his family performed the Hajj 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 Hijiriyah. Al-Maqrizi died in Cairo on 27 Ramadhan 845 H or 9 February 1442 AD.

### **The Works of Al-Maqrizi**

During his life, Al-Maqrizi was productive in writing various fields of science, especially Islamic history. More than a hundred written works have been produced, both in the form of small and large books. His small books have a unique urgency and describe various kinds of science that are not limited to historical writing. Al-Sayyal groups these small books into four categories. First, books that discuss several general Islamic historical events, such as the book *Al-Niza' wal Al-Takhashum fi ma baina Bani Umayyah wa Bani Hashim*. Second, books that have not been discussed by other historians, such as the book *Al-Ilmambin Akhbar man bi Ardh Al-Habasyah min muluk Al-Islam*. Third, books that describe short biographies of kings, such as the book *Tarajim Muluk Al-Gharab* and the book *Al-Dzahab Al-Masbuk bi Dzikr Man Hajja min Al-Khulafa wa Al-Muluk*. Fourth, books that study several aspects of pure science or the history of several social and economic aspects in the Islamic world in general,

and in Egypt in particular, such as the book of shudzur Al-'Uqud fi Dzikr Al-Nuqud, the book Al-Akyal wa Al-Auzan Al-Syar'iyah, the book of Risala fi Al-Nuqud Islamiyag and the book Ighatsah Al-Ummah bi Kasyf AL-Ghummah (Karim, 2004).

Meanwhile, regarding Al-Maqrizi's works in the form of large books, Al-Sayyal divides them into three categories. Al-Mawa'izh wa Al-I'tibar bi Dzikr Al-Khithath wa Al-Atsar, the book Itti'azh Al-Hunafa bi Dizkr Al-Aimmah Al-Fathimiyyin Al-Muluk, and books that explore world history, like Al-Khabar 'an Al-Basyr, are the first two. Books that explain general Islamic history are the second and third. (Jamaluddin Al-Syayyal, 1967:11-12 quoted in the book by Adiwarmar Karim, 2004:382-383).

### **The Concept of Money According to Al-Maqrizi**

As a historian, Al-Maqrizi put forward several thoughts about money through a study of the history of currency used by mankind. His thoughts include the history and function of money, the implications of creating bad currency, and the purchasing power of money.

#### a) History and Function of Money

For Al-Maqrizi, currency plays a very important role in human life because, by using money, humans can fulfill their life needs and facilitate their life activities. Therefore, to prove the validity of his premise on this issue, he revealed the history of the use of currency by humans, from ancient times until his life under the rule of the Mamluk dynasty.

According to Al-Maqrizi, both before and after the arrival of Islam, currency was used by humans to determine various prices of goods and labor costs. To achieve this goal, the currency used only consisted of gold and silver. (Karim, 2004). In the history of its development, Al-Maqrizi explained that the Arab nation of Jahiliyah used gold dinars and silver dirhams as their currencies, each of which was adopted from Rome and Persia and had twice the weight during the Islamic era.

After Islam came, the Prophet Muhammad established various muamalah practices that used both currencies, even linking them to zakat on property. The use of these two currencies continued without any changes until the year 18 AH when

Caliph Umar bin Khattab added the words Islam to both currencies.

After the reign of Sultan Al-Kamil, the printing of these currencies continued until officials at the provincial level were affected by the large profits from this activity. Unilateral policies began to be implemented by increasing the volume of printing of fulus and setting a ratio of 24 fulus per dirham. As a result, the people suffered great losses because goods that used to be worth  $\frac{1}{2}$  dirham were now worth 1 dirham. This situation worsened when the activity of printing fulus expanded during the reign of Sultan Al-Adil Kitbugha and Sultan Al-Zahir Barquq which resulted in a decrease in the value of the currency and a scarcity of goods.

According to Al-Maqrizi, these various historical facts indicate that the currency that can be accepted as a standard of value, according to law, logic, and tradition, is only that which consists of gold and silver. Therefore, a currency that uses materials other than these two metals is not worthy of being called currency. Furthermore, he stated that the existence of money was still needed as a means of exchange for insignificant goods and for various daily household expenses. In other words, the use of money was only permitted in various small-scale transactions. Meanwhile, although emphasizing the urgency of reusing currency consisting of gold and silver, Al-Maqrizi realized that money was not the only factor that influenced price increases. According to him, the use of gold and silver currency did not immediately eliminate inflation in the economy because inflation could also occur due to natural factors and arbitrary actions by the ruler.

b) The Implications of Bad Currency Creation

Al-Maqrizi stated that the creation of poor-quality currency would eliminate good-quality currency. (Karim, 2004). This is clearly seen when he describes the monetary situation in 569 H. During the reign of Sultan Shahaluddin Al-Ayyubi, the printed currency had a very low quality compared to the currency that was already in circulation. In facing this reality, people would prefer to save good quality currency and melt it into jewelry and release poor quality currency into circulation. As a result, the old currency went out of circulation. According to Al-Maqrizi, this was also inseparable from the influence of changing rulers and dynasties, each of which implemented different policies in printing the shape and

value of dinars and dirhams. For example, the existing type of dirham was changed only to reflect the ruler at that time. In other cases, there were several additional changes to the composition of the metals that make up the dinar and dirham. Consequently, there is an imbalance in economic life when the supply of metal currency is insufficient to produce a number of currency units, likewise, when the price of gold or silver decreases.

c) **The Concept of Purchasing Power of Money**

According to Al-Maqrizi, currency printing must be accompanied by greater attention from the government to use the money in subsequent business. Neglect of this, so that there is an unbalanced increase in money printing with production activities can cause the real purchasing power of money to decline.

### **Inflation Theory**

Al-Maqrizi asserted that inflation is a natural occurrence that has affected everyone's life from ancient times to the present by providing numerous evidence on the famine that once struck Egypt. He claims that the reason inflation happens is because prices often rise and stay rising. Due to the current shortage of supply, consumers must pay more for the same quantity of goods and services because they are so necessary. Al-Maqrizi delves deeper into the issue of inflation in the description that follows. He divides inflation into two categories according to its causes: inflation brought on by human error and inflation brought on by natural circumstances.

a. **Natural Inflation**

This kind of inflation, as its name implies, is brought on by a number of unavoidable natural causes. Al-Maqrizi claims that many foodstuffs and other agricultural goods undergo a sharp drop and become scarce following a natural disaster. On the other hand, demand for a variety of items rises due to their extremely important role in life. Prices rise well above people's means of subsistence. The price increases of numerous other goods and services are significantly impacted by this. Economic transactions become clogged or may halt completely as a result, which eventually leads to starvation, disease epidemics, and human deaths.

The worsening situation forced the people to pressure the government to immediately pay attention to their situation. The government spent a lot of money to deal with the crisis, but the government did not receive enough supplies, which caused the state treasury to drastically fall. Put another way, the government's budget imbalance led to political, economic, and social instability in the nation, which ultimately led to the government's downfall.

Furthermore, he stated that even though a disaster had passed, price increases continued. This is an implication of previous natural disasters that caused economic activity, especially in the production sector, to stall. The demand for important items, like rice seeds, rose dramatically while the supply remained flat or even scarce when things returned to normal. The price of these commodities thus rose, and this was followed by price rises for a number of other goods and services, such as worker wages and salaries. (Amalia, 2005).

b. Inflation Due to Human Error

Al-Maqrizi added that human error might contribute to inflation in addition to natural causes. He has determined that this inflation is caused by three factors, both separately and in combination. The three factors are increased money circulation, high taxation, and corruption and bad management.

### **Corruption and Bad Administration**

According to Al-Maqrizi, appointing government officials based on bribery rather than talent would put unreliable individuals in prestigious and significant roles in the legislative, judicial, and executive branches. In order to obtain the desired post and meet their daily requirements as officials, they were prepared to pawn all of their belongings as payment. Government representatives were consequently no longer immune to the meddling and manipulation of palace associates. In addition to being expelled at any time, they might also have their money seized or even put to death. The morale and effectiveness of both military and civil administration were significantly impacted by this condition. When these officials were in charge, they started abusing their position to further their own agendas in order to pay their debts and enjoy the



comforts of life. They attempted to use every excuse to amass as much wealth as they could. They were compelled to abandon their homes and jobs because of the officials' widespread injustice, which has made the situation of the people even more worrisome. As a result, there was a sharp drop in the population and employment, as well as in the output, which significantly affected the drop in state income and tax revenues. (Amalia, 2005).

### **Excessive taxes**

State spending has skyrocketed, according to Al-Maqrizi, as a result of corrupt politicians controlling a government. In exchange, they impose a tax structure that oppresses the populace by raising the rates of existing taxes and enacting new ones. The main group in society, farmers, are significantly impacted by this. By raising land rent, landowners who desire perpetual pleasure will transfer the tax burden to farmers. Officials and landowners put increasing pressure on farmers because they are drawn to the extremely good tax results.

Various taxes for dam maintenance and related projects are becoming more frequent. As a result, the expenses associated with land cultivation, seeding, harvesting, and other related activities rise. To put it another way, the higher expenses needed to produce the rice harvest under these circumstances are beyond the means of farmers. Since the majority of rice seeds are owned by officials who are extremely greedy, it is nearly impossible to stop the price increases, particularly for rice seeds. Farmers become less motivated to work and produce as a result. They prefer to leave their homes and jobs rather than always living in suffering and then becoming nomads in the interior areas. Thus, there is a decrease in the workforce and an increase in idle land which will greatly affect the level of rice production and other agricultural products and ultimately cause food shortages and increase prices. (Karim, 2006).

### **Increased circulation of Fulus Currency**

As explained, initially, money that had an intrinsic value much smaller than its nominal value was printed as a means of transaction to meet insignificant daily needs. Therefore, only a small amount of this currency was in circulation.

The government printed a lot of money when officials' poor behavior caused a

budget deficit by using public funds for a variety of private and collective objectives.

Al-Maqrizi claims that when the government's desire to make significant profits from printing money that did not require expensive production costs went unchecked, this practice spread. They enforced the currency's use by issuing an edict as rulers.

Money became the predominant currency as a result of a significant growth in the community's money holdings and circulation. (Karim, 2006).

Al-Maqrizi added that the emergence of alternative currencies was impacted by this government strategy. The government stopped printing silver money in addition to the substantial gains it made from doing so. As a result of the authorities' lifestyle, several dirhams that belonged to the community were really melted down and turned into jewelry. The dirham money consequently became rare and vanished from use. Even though it was owned by a small number of people, the dinar money was still in use. Due to this circumstance, the standard of value for the majority of commodities and services is fulus. Al-Maqrizi claims that the large-scale fulus printing policy had a significant impact on the sharp drop in the currency's value. Money lost value as a result, and prices skyrocketed, leading to a food shortage (Karim, 2006)

### **Indonesian Inflation According to Al-Maqrizi**

Since 2016, Indonesia has experienced relatively high inflation. According to the Central Statistics Agency (BPS), the average inflation rate in Indonesia in 2016 was 4.3 percent. This figure continued to increase in 2017 to 4.5 percent. The main cause of inflation in Indonesia is the increase in the price of basic necessities, such as food, oil, and gas. This increase is due to the increase in the price of raw materials, the increase in labor wages, and the high economic growth. In addition, inflation is also influenced by external factors such as the increase in world oil prices and unfavorable monetary policies. This inflation causes the rupiah exchange rate against the US dollar to depreciate, causing the price of imported goods to fall and become more expensive. To overcome inflation in Indonesia, the government has issued various economic policies. One of the policies taken is to raise the Bank Indonesia benchmark interest rate, which aims to attract funds from the market and reduce the demand for money. In addition, the government has also issued various fiscal policies, such as controlling subsidies and increasing spending on infrastructure. This policy is expected to help

stabilize prices and increase people's purchasing power. Despite the various policies, inflation in Indonesia continues to increase. In 2018, Indonesia's inflation rate reached 4.9 percent, the highest since 2013. This fact shows that there are still many things that need to be done to overcome inflation in Indonesia. According to Maqrizi, the way to prevent inflation is to manage monetary policy properly. The right monetary policy can help maintain currency stability and keep the increase in the money supply balanced with increased production. In addition, Al Maqrizi also suggested that currency exchange be carried out in a balanced manner. Currency exchange for gold or silver should be carried out below its actual value to avoid causing price distortion and inflation. Maintaining currency exchange rate stability and maintaining currency exchange that is carried out in a balanced manner is expected to help reduce inflation in Indonesia. This inflation needs to be done so that the Indonesian economy can run stably and prosperously.

#### **4. CONCLUSION**

According to Al-Maqrizi, both before and after the arrival of Islam, currency was used by mankind to determine various prices of goods and labor costs. To achieve this goal, the currency used consisted only of gold and silver. Al-Maqrizi stated that the creation of poor-quality currency would eliminate good-quality currency. According to Al-Maqrizi, the printing of currency must be accompanied by greater attention from the government to use the money in subsequent business. Moreover, there are two types of inflation, namely 1) natural inflation caused by various natural factors that cannot be avoided by mankind. The second type of inflation is due to human error due to poor administrative corruption, excessive taxes, and increased circulation of money currency.

According to Maqrizi, the way to prevent inflation is to manage monetary policy properly. The right monetary policy can help maintain currency stability and keep the increase in the money supply balanced with increased production. In addition, Al Maqrizi also suggested that currency exchange be carried out in a balanced manner. Currency exchange for gold or silver must be done below its true value to avoid causing price distortion and inflation. Maintaining the stability of the exchange rate and

maintaining a balanced currency exchange is expected to help reduce inflation in Indonesia. This inflation needs to be done so that the Indonesian economy can run stably and prosperously.

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