

The Inflation Theory in the Perspective of Al-Maqrīzī's Thought and it's Implications in the Modern Economic World

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Abstract

This study aims to determine the theory of inflation according to al-Maqrīzī and ways to overcome it and determine the differences in inflation theory according to al-Maqrīzī with modern economics. Data collection techniques are used by collecting his works both personally and jointly and are traced by other people's work on figures as secondary data. Analysis of the data used is content analysis. This research shows that inflation is a natural phenomenon that afflicts the lives of people throughout the world from the past until now. Inflation will occur when prices generally increase and continue. The way to deal with inflation is to overcome it by eliminating the causes of inflation such as corruption, excessive taxation, and the creation of excessive currency. He emphasized the use of dinars and dirhams in dealing with inflation. Al-Maqrīzī thought is not inferior to those of Western economists from the 19th Century and 20th Century.

Keywords

Inflation; Al-Maqrīzī's thought; modern economic



I. Introduction

Inflation is an interesting economic phenomenon to be discussed relating to its broad impact on agreed macroeconomic, such as economic growth, external balance, competitiveness, interest rates, and even income distribution. Inflation also affects the mobilization of funds through formal financial institutions. A zero percent credit rate is the main objective of government policy because it is difficult to achieve. The most important thing is a fixed level of importance. The relationship between inflation and economic growth is one of the debatable issue and the most important macroeconomic discussions among macro economists, policy-makers and monetary authorities in all countries (Wollie, 2018).

Inflation can be interpreted as a process of rising prices that apply in an increase. All countries in the world always face competition. However, the rate of price increase varies from country to country, and also varies from one period to another. Therefore, the level of freedom that occurs in a country is one measure to determine the poor economic problems involving a country. Sometimes the level is low, reaching below 2 or 3 percent. A moderate response rate of 4-10 percent. Very serious inflation can reach several tens or a few percent in reach.

High levels of inflation will not promote economic development. Costs that continue to rise cause productive activities to be very unprofitable. The increase in prices that is high and continuous not only has a negative effect on economic activity, but also on the prosperity of individuals and society which tends to reduce the level of prosperity of a large group of people.

II. Review of Literature

2.1 The Biography of Al-Maqrizi

The full name of Al-Maqrizi is Ahmad ibn Ali ibn Abdul Qadir ibn Muhammad ibn Ibrahim ibn Muhammad ibn Tamim Alhusaini, also known as Taqiyuddin. He was born in Barjuwan Village, Cairo in 766 H (1366 AD). His family came from Maqarizah, a village located in the city of Ba'labak. Therefore he tends to be known as al-Maqrizi.

The weak economic condition of his father caused al-Maqrizi's childhood education and adherence under the responsibility of his maternal grandfather, Hanafi ibnu Sa'igh, and an adherent of the mazhab Hanafi. Al-Maqrizi grew up based on this mazhab. After his grandfather passed away in 786 H (1384 AD), al-Maqrizi turned to the mazhab Shafi'i. Even in the development of his thinking, he seemed inclined to adhere to the mazhab Zhahiri.

The marriage of al-Maqrizi no one knows about it. However, he has a daughter in his care. Al-Maqrizi's son died in the 6th year of a disease outbreak, namely in 808 H. This outbreak spread in Cairo and all cities in Egypt. This is the background of Al-maqrizi writing his book entitled "Ighatsatul Ummahbi Kasyfil Ghummah". This work is the first book written by al-Maqrizi in his time, which spawned brilliant ideas and ideas about the economics of one of his teachers, namely Ibn Khaldun.

During his life, al-Maqrizi interacted with many religious experts or religious leaders so that it affected his actions, so Assakhawi considered al-Maqrizi to be a noble person, with good morals and noble relationships, someone who offered, and had aspirations. High mind, he is also a person who likes to discuss, long sholattahajjud and wiridnya.

Al-Maqrizi is someone who loves science. Since childhood, he likes to do scientific rihlah. He studied various disciplines, such as nahu, interpretation, calculation, fiqh, hadith and history, from the great scholars who lived in his time. He has a lot of teachers, most of whom are teachers who memorize the Qur'an and the hadith. The total number of all al-Maqrizi teachers whether in Cairo or in other cities is 600 teachers.

2.2 Inflation Theory

According to Rahardja and Manurung inflation is a symptom of rising prices of goods that are general and continuous. Meanwhile, according to Sukirno, that inflation is an increase in the price of goods and services, which occurs because demand is greater than the supply of goods in the market. In other words, too much money chases too little.

In Wikipedia, inflation is defined as a process of increasing prices in general and continuously. In other words, inflation is also a process of continuously decreasing the value of a currency. An increase in the price of one or two items alone cannot be called inflation unless the increase is widespread or results in an increase in other goods. Inflation can be considered a monetary phenomenon due to a decrease in the value of the monetary calculation unit of a commodity. Meanwhile modern economists define it as an overall increase in the amount of money that must be paid for goods / commodities. An increase in inflation is called deflation, which is a tendency for a general and continuous decline in prices. When an economy is going through a persistent inflation, Gross Domestic Product (GDP) increases, this does not actually reflect the true growth in an economy. Hence, the rate of inflation must be subtracted from the GDP to get the real growth percentage, called the real GDP (A. Ademuyiwa, 2019).

2.3 Classical Theory vs Keynes's Theory

According to Classical theory, monetary policy has no effect on the real sector. Meanwhile, according to Keynes's theory, the monetary sector and the real sector are interrelated through interest rates. Based on the development of theory and empirical experience, it was concluded that in the long run the theory that was appropriate to be used was Classical theory, whereas in the short term Keynes's theory was 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. Policies that only rely on economic growth are policies that limit the circulation of assets among the rich people (Martinelli, 2019).

2.4 Modern Classical Theory vs Keynes's Theory

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

2.5 Quantity Theory vs Keynes's Theory

Keynes's theory uses the interest rate as an intermediate target, whereas quantity theory uses the money supply. The use of intermediate targets, both in the form of interest rates and 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 goal, the monetary authority can be more free and more flexible in using all available data and information to reach the target, because inflation is influenced not only by one factor.

2.6 Rational Expectations Theory

Rational expectations theory states that the expectation factor has an important role, because it influences the behavior and reaction of economic actors to a policy. Monetary policy can only affect output in the short run, because after public expectations play a role, output will return to normal. It is this community's expectation that is the key to success that must be controlled. By implementing the inflation target in monetary policy, it is expected to become an anchor for public expectations.

2.7 Modern Monetary Theory

In subsequent developments, modern monetary theory incorporates aspects of credibility stemming from the time inconsistency problem. This means that inconsistencies in monetary policy can occur, if the monetary authority is forced to sacrifice long-term targets (inflation) in order to achieve other targets in the short term. For this to not happen, inflation control must be the sole target or at least be the main target. Setting inflation as the main target means avoiding policy inconsistencies.

III. Discussion

3.1 The Implications According to Al-Maqrīzī

In his book *Ighatsatul Ummah bi Kasyfil Ghummah al-Maqrīzī*, tells of various disasters that occurred in Egypt at the time of the Egyptian kings and these disasters which

caused prices to rise which is commonly called inflation. He said that in fact the disaster had occurred since the time of the Prophet Adam as until now. He tells of the disasters that occurred in Egypt by simply summarizing them.

The beginning of inflation in Egypt was at the time of the 17th king of the Egyptian kings before the flood disaster that occurred at the time of Noah as named Afrusy bin Manawasy. Al-Maqrīzī mentions in his book:

و كان سبب الغلاء ارتفاع الأمطار, و قلة ماء النيل, فعقامت أرحام البهائم

[and is the cause of inflation due to the uptake of rain (drought), and at least the Nile, the infertile animals].

The cause of inflation during Mustansir's kingdom was drought, which resulted in at least Nile water which was the lifeblood of Egypt, and livestock could not give birth due to infertility. Because of this disaster supplies were scarce, which caused prices to generally increase.

Furthermore, inflation occurred at the time of Pharaoh bin Mas'ur. The 19th king of the Egyptian king before the catastrophe of Noah as, al-Maqrīzī mentions in his book:

"و سببه أن الظلم و الهرج كثيرا حتى لم ينكرهما أحد فأجذبت الأرض, و فسدت الزروع, و جاء بعقب ذلك الطوفان

[And the reason is that tyranny and chaos occur or there is a lot of slander, so no one is able to oppose it, then the earth is barren and crops are damaged, it is caused by floods].

The cause of inflation at this time is the amount of tyranny and chaos or slander. There are so many people who sin that no one is able to oppose it. Because of that God inflicted disaster on them in the form of barren earth which caused damage to plants, and the coming flood disaster so that even the king of Fir'an was unable to overcome it until he died drunk.

Then the inflation that occurred at the time of Atrib bin Masrim, the 13th king of the Egyptian kings after the flood disaster during the time of the prophet Noah As. The cause:

"و كان سببه أن ماء النيل توقف جريه مدة و أربعين سنة, فأكل الناس البهائم حتى فنيت كلها

[and that is why the Nile stopped flowing for 40 years, so it completely ate away humans from animals]

Inflation at this time was the cessation of the Nile flowing for 40 years. So humans only eat animals until they are completely extinct. Until the king of Atrib was unable to walk because he was hungry. When things got worse and the Nile was held back for a long time, supplemented by the deaths of the inhabitants, then the king of Atrib wrote a letter to Lajju bin Sam bin Nuh As, and Lajju wrote a letter to his brother Arpakhosyaz bin Sam, but he did not reply, until Allah sent him. The prophet Hud, and Atrib wrote a letter to the prophet Hud, and then the prophet Hud replied: "Verily, I pray to you today, so wait for the Nile to flow. So on that very day Atrib gathered the people who were still living in Egypt, of which there were only a few of them left. Then they prayed to Allah Almighty in a loud voice and in the afternoon, on Friday Allah Almighty drained the Nile at that time, but they had no more seedlings to plant. So Allah revealed to the prophet Hud As who was sent at that time, and Hud wrote a letter to the king of Atrib to make a hole, immediately the king of Atrib obeyed the order and gathered his citizens to make the hole, which with the hole for 8 months would later grow seeds to be used as staple food, and since then Egypt has flourished and has fertile soil. From the various historical facts above, it seems that is the background of al-Maqrīzī's

thought which says that the cause of inflation is due to natural inflation and inflation that occurs due to human error.

3.2 Factors that Cause Inflation

By revealing various facts of the famine that had occurred in Egypt, al-Maqrīzī stated that the inflation event was a natural phenomenon that had befallen the lives of people throughout the world from ancient times to the present. According to him, it happens when prices generally increase and continue. At the moment the supply of goods and services is experiencing scarcity and because consumers really need it, then consumers must spend more money on the same goods and services.

To analyze the crisis and find out the reasons, al-Maqrīzī used the analysis of his teacher, Ibn Khaldun. Previously Ibn Khaldun had indeed sought a correlation between bad government and high wheat prices, to find out the causal relationship. He found, when public administration became poor and inefficient, among others, marked by the emergence of a taxation system that forced and oppressed farmers. Farmers do not have incentives and feel there is no benefit to farming. Taxation policy has become counter-productive for agriculture. As a result, the production and supply of wheat failed to race with the increase in the number of residents as a result of increasing prosperity at the time. Scarcity of supplies causes shortages in famine, causing price rises.

It turned out that in his lifetime, al-Maqrīzī encountered the same situation as that of Ibn Khaldun. In his book, Ighatsah, he borrowed his teacher's analysis by identifying that political administration was very weak and bad at the time. Government employees can occupy their positions because they give bribes. As a result, when taking office, the bribe person then applies an oppressive tax to cover the costs he has incurred to bribe. The drive to work and produce becomes the opposite and the production returns. The crisis was exacerbated by a decline in the value of the currency, due to excessive expenditure of copper (fulus) to cover the country's budget deficit. These factors coupled with famine lead to high degrees of inflation, suffering of the small people, and state poverty. In the following description, al-Maqrīzī discusses the problem of inflation in more detail. He classifies inflation based on its causal factors into two things, namely inflation caused by natural factors and inflation caused by human error.

IV. Conclusion

This study concludes that the inflation is a natural phenomenon that afflicts the lives of people throughout the world from the past until now. Inflation will occur when prices generally increase and continue. The way to deal with the inflation it offers is to eliminate all the causes of inflation such as corruption, excessive taxation, and excessive currency creation. He emphasized the use of dinars and dirhams in dealing with inflation.

In order to avoid the implication, it is necessary to avoid the causes of inflation, such as rampant corruption, excessive taxation and excessive creation of currency. The thoughts of Islamic figures about inflation, like al-Maqrīzī, need to be a serious study, whose thinking is not inferior to economists of the 19th and 20th centuries today.

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