

DISKUSSIONSPAPIERE

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Economic Transition from Socialism to
Market-Friendly Regimes in Arab
Countries from the Perspective
of Ibn Khaldūn

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1. No "End of History"

A number of Arab countries has been exposed to structural adjustment programs under the guidance of the World Bank and the International Monetary Fund aiming at a transition from various kinds of Arab socialism and mixed economy regimes to a more "market-friendly" approach.¹ This is the end of a policy cycle that had started in the 1950s and 1960s in countries like Algeria, Tunisia, Syria and Egypt.²

Considering mounting social tension as a result of continuing population growth, urban agglomeration and unemployment, it would be naïve to expect an "end of history"³ as a result of turning to market regimes and a strengthening of parliamentary democracy. As Ibn Khaldūn (1332-1406) knew already, economic and social change is a never-ending evolving process. In the ongoing search for viable and sustainable future strategies and attempts at relinking the socio-economic process to one's historical origins it may be stimulating to consider early insights of this great scholar of the Arab world six hundred years ago.

2. Empirical Background and Conceptual Framework of Ibn Khaldūn's Social System Theory

Ibn Khaldūn is considered to be one of the important fore-runners of modern systems theory⁴. Born in Tunis into an influential clan of South Arabian origin with substantial influence

¹ World Bank (1991), pp. 128 f.

² Cf. Weiss (1964).

³ Fukuyama (1992).

⁴ Cf. Sorokin (1946), p. 301. von Bertalanffy (1968), p. 11.

over centuries in Islamic Spain and, after the fall of Sevilla in 1248, in Northwestern Africa, he was exposed to the turmoils of politics of his time. He gets his first position at the court of Tunis at age 20 (1352). Further stations of his life lead him to high political, administrative, diplomatic and judicial posts in the service of various rulers in the Maghreb, Spain and Egypt. From 1375 to 1378, tired of politics and the dangers of public life, he writes his History of the World (Kitab al-Ibar). Its famous Introduction (Muqaddimah) to his History is completed in 1377.

Ibn Khaldūn's stormy career supplies the empirical background of his attempt to condense historical experience into a system of scientific rules determining the rise and decline of social systems,⁵ and to explain the patterns of historical change (I, 11, 71).⁶ He aims at a new science of the genesis and decline of cultures ('ilm al-'umrān). This science - according to Ibn Khaldūn - should have its own subject, human society, and its own problems, the social transformations following each other (I, 7, 77). In modern terms he deals with evolutionary processes which recur cyclically during relatively normal phases. However, from time to time they undergo sharp ruptures leading to fundamental changes of the systems as he has witnessed them himself: the Black Death (Tunis 1348-1349), the invasion of the Mongols, and the political and economic rise of Europe.

The core concept of Ibn Khaldūn's social systems theory is 'aṣabiya, group feeling, social cohesion.⁷ According to Ibn

⁵ Cf. Fischel (1967), p. 15-19. Fischel (1952), pp. 30 f. Hitti (1949), p. 567-568. Huart (1915), p. 205. Ibn Khaldun, The Muqaddimah. Translated by Rosenthal (1967) (in the following cited as Ibn Khaldūn/F. Rosenthal), vol. I, pp. xxxiii f. Issawi (1950), pp. 14 f. von Wesendonck (1929), pp. 46 f.

⁶ Ibn Khaldūn/Franz Rosenthal (1967). In the following, the Roman and Arabic numbers refer to the volume and the page of Rosenthal's translation respectively.

⁷ Cf. E. Rosenthal (1932), p. 1-2. Schimmel (1951) (p. xviii, xix, p. 9, 37) translates "Zusammengehörigkeitsgefühl". F. Rosenthal (Ibn Khaldun/Rosenthal (1967)), (p. lxi, lxxviii f.) translates "group feeling". Monteil (1967-1968), vol. I, p. 255) writes: "Ce terme, dont Ibn Khaldūn a assuré la fortune, peut être traduit, selon le contexte, par "esprit tribal, ou de clan; esprit de corps;

Khaldūn, 'aṣabīya is the decisive motive force of the rise of a civilization. From a contemporary point of view this concept can be applied to economic development. Within this context 'aṣabīya can be conceived as development commitment of the political leadership in combination with the achievement motivation of the population. In fact, these have been the decisive forces of success or failure of developing strategies during the last three decades, and not conventional economic categories like capital, natural resources or (unskilled) labor. For Ibn Khaldūn 'aṣabīya is a comprehensive concept. It emerges spontaneously among relatives and tribes. It is a relationship between persons who give helpful group support to each other which implies close contact and unity. 'Aṣabīya can be extended to clients and allies based on mutual interest (I, 264, 270).

Social cohesion, group feeling and solidarity create the basis for cooperation. A political leader supported by a sufficiently effective 'aṣabīya may succeed in founding a new dynasty. Cooperation is essential in order to build efficient social organization which becomes more and more important as the state develops. The difference in the quality of 'aṣabīya determines the difference in size and quality of civilizations. After having reached its height, 'aṣabīya necessarily is weakened as a result of a web of psychological, social, economic and political factors. It is a process of degradation and corruption in which luxury plays a prominent role. The decline of the old civilization allows for the rise of a new competing one.

Ibn Khaldūn's insights are strikingly modern: three decades of economic development efforts in some 150 countries have made it clear that social cohesion based on a reliable socio-cultural consensus and the satisfaction of basic needs of the population are in fact the decisive factors of success. Other elements

tribalisme; consaguinité; liens du sang". Schoen (1976), p. 91 translates "Bewußtsein, zu einer Gemeinschaft zu gehören", "Clangeist". Mahdi (1957), p. 196 translates "communal ethos, community of sentiment, or social solidarity". See also Alafenish (1982), p. 122-123. Simon (1959), pp. 48 f. Tibi (1987), p. 128. Hourani (1962), pp. 41, 52, 78. Al-Azmeh (1991), p. 168-173. Höpp (1983), p. 54.

were development commitment of the ruling elites, a framework of suitable macro-economic conditions - both subject to a number of contemporary structural adjustment programs -, and the cultural disposition and qualification of the human factor linked with educational traditions, practice-oriented curricula and achievement-oriented values.

3. Ibn Khaldūn's Observations on Successful Economic Development

3.1 Group Feeling, Social Cohesion, Division of Labour, Specialization

Ibn Khaldūn's observations and considerations include an abundance of correct insights which basically continue to be valid for contemporary development policies. 'Aṣabīya, group feeling, social cohesion is Ibn Khaldun's major concern, since it allows for social organization which is necessary for division of labor. 400 years later, in 1776, Adam Smith published his "Inquiry into the Nature and the Causes of the Wealth of Nations". Its first chapter starts with an explication why division of labor enables workers to specialize and to increase their productivity as a source of increasing wealth of the nation.

Ibn Khaldūn argues almost exactly as Adam Smith: "The individual human being cannot by himself obtain all the necessities of life. All human beings must co-operate to that end in their civilization. But what is obtained by the co-operation of a group of human beings satisfies the need of a number many times greater than themselves. For instance, no one, by himself, can obtain the share of the wheat he needs for food. But when six or ten persons, including a smith and a carpenter to make the tools, and others who are in charge of the oxen, the ploughing of the soil, the harvesting of the ripe grain, and all the other agricultural activities, undertake to obtain their food and work toward that purpose either separately or collectively and thus obtain through their labor a certain amount of food, what amount will be food for a number of people many times

their own. The combined labor produces more than the needs and necessities of the workers" (II, 271-272).

Hence, there is a chance for an increasing network of input-output linkages which requires cooperation, hence 'asabiya. Cooperation becomes ever more important in the process of development, higher stages of organization and growing markets. With rising wealth there is an increasing demand for more sophisticated products in differentiating markets which in turn offer new opportunities for further productive specialization. Development consists of a mutual stimulation of supply and demand (II, 277, 351) linked with the encouragement of science and technology (II, 434-435).

3.2 Prices as a Result of Supply and Demand

Ibn Khaldūn is fully aware that prices and values are determined by supply and demand (II, 276-278). This problem has occupied Western economists for almost hundred years after Adam Smith. Ibn Khaldun emphasizes the links between supply and demand: Demand offers chances for profit and stimulates supply, whereas growing purchase power turns into demand, thus stimulating a cumulative development process (II, 272-273). "When civilization (population) increases, the available labor again increases. In turn, luxury again increases in correspondence with the increasing profit, and the customs and needs of luxury increase. Crafts are created to obtain luxury products. The value realized from them increases, and, as a result, profits are again multiplied in the town. Production there is thriving even more than before. And so it goes with the second and third increase. All the additional labor serves luxury and wealth, in contrast to the original labor that served the necessity of life" (II, 272-273).

3.3 Labor, Science and Technology as Sources of Value-Added

Ibn Khaldūn is also a forerunner of Adam Smith, David Ricardo and Karl Marx when stressing the role of labor as a source of value-added: "Profit is the value realized from human labor" (II, 311). However, he does not make Marx's mistake that value exclusively consists of the amount of time put into a piece of

work, thus neglecting the role of demand (II, 314, 328).

Ibn Khaldūn is aware of the rise in labor productivity made possible through education and the general level of science and technology: Once a certain potential of technical know-how is available, it attracts in a self-supporting process additional talent which again strengthens the technological potential. Technology is particularly located in the central cities with a high and sophisticated demand where incomes are highest (II, 348).

The importance of qualification and of intellectual infrastructure has been neglected in various later economic theories. International migration during the last decades has shown how qualified people had to move abroad and managed to survive in competitive labor markets with high value-added contributions to their countries of destination.

3.4 Political Framework, Simple and Effective Administration

Ibn Khaldūn stresses that economic development needs a stable political framework, again a finding clearly verified during the last development decades. The structure of administration should be simple and should concentrate on a few essential functions like defense, diplomacy and public finance (II, 6-7). The supervision of markets, the enforcement of regular financial transactions and the inspection of buildings for the protection of passengers should be part of the basic religious duties (I, 292, 462-463).

Ibn Khaldūn's list of the qualifications of a good ruler is impressive: "An eager desire for goodness and good qualities such as generosity, the forgiveness of error, tolerance toward the weak, hospitality toward guests, the support of dependents, maintenance of the indigent, patience in adverse circumstances, faithful fulfillment of obligations, liberality with money for the preservation of honor, respect for the religious law and for the scholars ..., belief in and veneration for men of religion..., great respect for old men and teachers, acceptance of the truth in response to those who call to it, fairness to and

care for those who are too weak to take care for themselves, humility towards the poor, attentiveness to the complaints of supplicants, fulfillment of the duties of the religious law and divine worship in all details, avoidance of fraud, cunning, deceit, and of not fulfilling obligations, and similar things. Thus, we know that these are the qualities of leadership" (I, 292-293).

3.5 Opportunities for Individual Economic Activities

A workable system according to Ibn Khaldūn must be balanced. Public control and wise leadership should be matched by economic freedom for the individuals not hampered by an overwhelming public sector, a trade system monopolized by the ruler or overburdened with heavy taxation that destroy economic incentives for productive work. The markets shall be free from arbitrary interventions of the state.

Ibn Khaldun is also aware that the enforcement of low purchase prices for agricultural products through trade monopolies of the ruler - regularly subject to correction in ongoing structural adjustment programs - destroy the incentives for the farmers: "The trouble and financial difficulties and the loss of profit which it causes the subjects, takes away from them all incentives to effort, thus ruining the fiscal structure. The trading of the ruler may cause the destruction of civilization" (II, 95). During the last decade this phenomenon has had also a substantial impact on food security in Arab countries.

3.6 Stability of the Value of Money

The mint is a religious office. It has to guard gold and silver coins against possible falsification or substandard quality in terms of their metal content.⁸ It has to put the ruler's mark upon the coins, thus guaranteeing their quality and purity. The people want stability of the value of money. "Once the inhabitants of a particular part or region have decided upon a standard of purity, they hold to it and call it the "guide" (imām) or "standard" ('iyar) (I, 464). Ibn Khaldūn says that gold and

⁸ See on monetary crises during Ibn Khaldūn's times Labib (1965), pp. 266 f.

silver have a fixed standard of value - mistakenly and unaware of the fact that the value of these metals can also fluctuate subject to supply and demand ("All other things are subject to market fluctuations, from which gold and silver are exempt. They are the basis of profit, property, and treasure") (II, 313). As in modern economics, Ibn Khaldūn recognizes the three functions of money as a standard of value, a medium of exchange and of preservation of value.

3.7 Public Finance

For Ibn Khaldūn it is essential to design a tax system suitable to economic development. The state should only levy the taxes according to religious law such as charity taxes, the land tax and the poll-tax. "They have fixed limits and cannot be overstepped" (II, 89). However, Ibn Khaldun is aware that early desert virtues such as kindness, reverence, humility and respect for the property of other people tend to get lost as the dynasty continues in power. New and higher taxes weigh heavily upon the subjects and overburden them. Economic activities are discouraged (II, 90-92).

A prosperous economy offers a stronger tax base and leads to higher public receipts than higher rates of taxation with discouraging effects and a shrinking economy: "Business declines, and the subjects lose their livelihood, which, generally, comes from trading. Therefore, if no trading is being done in the markets, they have no livelihood, and the tax revenue of the ruler decreases or deteriorates, since ... most of the tax revenue comes from customs duties on commerce" (II, 110). This leads to a deterioration of the state, to famine and to political revolt. "At the beginning of the dynasty, taxation yields a large revenue from small assessments. At the end of the dynasty, taxation yields a small revenue from large assessments" (II, 89) - a classical statement indeed.

3.8 Food Prices

Ibn Khaldūn is in favor of low prices for food to meet the basic needs of the people (II, 341-342). However, they should not be achieved through low administrative purchase prices

fixed by the government for the farmers, because this would destroy incentives for production (II, 95, 136). The contrary has been common in contemporary Arab development policies now subject to revision.

3.9 Urban Agglomeration

Ibn Khaldūn describes the socio-economic and political mechanisms of urban agglomeration: growing population and migration to cities, rising urban purchase power, differentiating markets and opportunities for specialization, growth in labor productivity and wealth. In the urban center the government accelerates this process through public spending. Being close to the ruler means participation in the additional flows of income. "Their wealth, therefore, increases and their riches grow. The customs and ways of luxury multiply, and all the various kinds of crafts are firmly established among them. This then is sedentary culture" (II, 287).

Ibn Khaldūn even offers rudiments of central place theory which was much later formulated by Christaller: Leading cities have highly specialized crafts which are non-existent in the countryside. Sophisticated infrastructure like public baths is dependent on an effective demand of large, densely populated cities. In smaller towns such establishments do not exist, or they are soon neglected and fall into ruins, because there is no demand for them (II, 302).

Last not least, Ibn Khaldūn stresses the danger of neglecting sanitary aspects of town planning. With increasing population density "putrefaction grows and multiplies ... resulting in many fevers that effect the tempers, and the bodies become sick and perish. The reason for the growth of putrefaction and evil moistures is invariably a dense and abundant civilization ... It has been clarified by science in the proper place that it is necessary to have empty spaces and waste regions interspersed between civilized areas. This makes circulation of the air possible. It removes the corruption and putrefaction affecting the air after contact with living beings, and brings healthy air. This also is the reason why pestilences occur much more

frequently in densely settled cities than elsewhere" (II, 137).⁹

3.10 Population Growth and Food Shortages

Ibn Khaldūn has a somewhat mechanical conception of population growth as a consequence of rising wealth of a civilization. "A kind and benevolent rule serves as an incentive to the subjects and gives them energy for cultural activities. Civilization will be abundant, and procreation will be vigorous. All this takes place gradually. The effects will become noticeable after one or two generations at best. At the end of two generations, the dynasty approaches the limit of its natural life. At that time, civilization has reached the limit of its abundance and growth" (II, 135).

The deterioration of sanitary conditions and the emergence of diseases and epidemics is accompanied by famine. An ever larger number of former peasants is leaving agriculture as a result of heavy taxation, expropriation, social and political unrest and revolt provoked by the senility of the dynasty. Prices for food go up, and famines occur (II, 136).

3.11 Economic Elements of Decline

Hence, the urban agglomeration process carries the germ of its own destruction. The deterioration is linked with the political

⁹ These recommendations contrast with those given by Thomas Robert Malthus in his 6th edition of the "Essay on the Principle of Population" (1798) suggesting to deliberately lower public health standards in order to fight population growth: "To act consistently therefore, we should facilitate, instead of foolishly and vainly endeavouring to impede, the operations of nature in producing this mortality; and if we dread the too frequent visitation of the horrid form of famine, we should sedulously encourage the other forms of destruction, which we compel nature to use. Instead of recommending cleanliness to the poor, we should encourage contrary habits. In our towns we should make the streets narrower, crowd more people into the houses, and court the return of the plague. In the country, we should build our villages near stagnant pools, and particularly encourage settlements in all marshy and unwholesome situations. But above all, we should reprobate specific remedies for ravaging diseases"; cf. Oser, Blanchfield (1975) p. 107-108. See on the history of pests and famine in the Middle East von Kremer (1966), pp. 490 f.

economy of public finance which in late phases of the dynasty tries to exploit the tax base in a contra-productive manner to meet the rising demand for funds including the financing of hired foreign soldiers to secure its power. On the other hand - almost Keynesian in approach - Ibn Khaldūn remarks that the economy declines as the government is under financial pressure to reduce the public demand for goods and services of the urban economy (II, 103).

Hence, Ibn Khaldūn's cyclical development model is marked by parallel movements of population, urbanization and public finance interwoven with socio-psychological, cultural and political system components. The mutual interaction of these elements determines the rise and fall of civilizations.¹⁰ Ibn Khaldūn's empirical background was the Muslim world of Spain and North Africa. At his time, he noticed cyclical fluctuations within relatively stable lower and upper limits.¹¹

4. The Relevance of Ibn Khaldūn's Insights for Structural Adjustment Policies

4.1 Continuing Validity of Various Policy Suggestions

Ibn Khaldūn has rightly identified the relevant components of the process of economic development: creation of value-added, the working mechanism of demand and supply, consumption and production, the role of money, capital formation and public finance, population growth, public finance, the effects of urban agglomeration, the crucial role of agriculture, the importance of political stability, and the conditions of the macro-economic regulatory system as echoed in contemporary structural adjustment programs. He advocates economic incentives, warns against interventionism and confiscatory policies, and perceives social cohesion, group feeling and development commitment as the vital socio-political ingredients of development. All this is still vital for contemporary economic policies.

¹⁰ Boulakia, (a.a.O.), p. 1117. Andic, Andic (1985).

¹¹ Spengler (1963-1964), pp. 289 f.

The Arab world has gone a long way since independence. In a number of countries, the early decades were marked by socialist trends. Other economies started with market-oriented strategies and turned to state-guided capitalism and welfare state policies. On the whole, most Arab countries have not been able to match the Newly Industrializing Countries (NICs) in the Far East.¹²

A number of concepts presented by Ibn Khaldūn still deserve attention: 'Asabiya, the role of demand and supply, labor qualification, science and technology, political stability, efficient government administration, monetary stability, sound public finance, food prices and subsidies, urbanization, population pressure, and environmental control. Ibn Khaldūn's analytical clarity is impressive. The Muqaddimah contains almost all important concepts of subsequent economic theories such as those suggested by Adam Smith, David Ricardo, Karl Marx, Walter Christaller, John Maynard Keynes, and the whole theory of public finance. Ibn Khaldūn combines the taste for empirical detail, soberness of judgment, and intellectual precision - all professional tools for contemporary decision-makers faced with the oddities of structural adjustment, modified concepts of economic efficiency, and enlarged political participation as part of a process of global reorientation after the collapse of socialism in Eastern Europe and elsewhere.

4.2 Major Issues of Economic Reform in the Arab World

A number of countries in the process of structural adjustment is faced with rising unemployment, reduction in output and income, social tension and Islamic revivalism. Arab countries which have relied for long periods on a strong public sector are confronted with the problems of financing the social cost of displacing up to 50 percent of the industrial labor force. Substantial investment in infrastructure and industrial plants are necessary to arrive at the standards of technology and competitiveness set by competing Third World Countries like the NICs. Ecological constraints and water shortages make themselves felt. A general overhaul of management techniques is called

¹² Cf. Daghistani (1985), pp. 6 f.

for in order to meet the challenges of global technological innovation.¹³

So far, no general consensus has emerged as to the best path to an overall reform. Conflicting advice is presented by professional economists, and reform policies are becoming an art. The conversion of former planned or mixed economies - both in the Arab World and in Eastern Europe¹⁴ - requires a new toolbox of interventions focused on the macroeconomic level and in an indirect way. Notwithstanding the broad agreement concerning the necessity of transformation, there are widely divergent views as to its extent, its pace, and its sequencing. Three major issues are subject to debate:

1. The problem of sequence: Can partial reforms succeed while other macroeconomic distortions persist?
2. Is the political consensus in favor of reforms sustainable in view of considerable social tension and rising unemployment?
3. How can the know-how gap as to the legal and institutional arrangements of a market economy be overcome?

For instance, one may give priority to the (re-)introduction of private ownership before addressing problems of macroeconomic stability and market development.¹⁵ This approach diminishes the political risk that the economy might remain under the control of the old public sector elites, and stronger momentum may be mobilized for the continuation of a market-oriented reform process. On the other hand, one may start with macroeconomic, in particular monetary reforms and the establishment of functioning markets for goods, services and factors of production, dealing at a later stage with the privatization of the large state-owned enterprises, since a private sector cannot function effectively without a sound monetary system and financial markets.

¹³ Möller, Billerbeck, Heimpel, Hillebrand, Taake, Weiss (1980). Weiss (1992a), pp. 18 f. Weiss (1988), p. 604-605.

¹⁴ Weiss (1989).

¹⁵ For the following cf. World Bank (1991), pp. 145 f.

No single sequence can claim to be optimal for all economies. But experience gained so far both in the Arab World and in Eastern Europe indicates that a workable approach should begin with macroeconomic stabilization, i.e. monetary and budget reform and balance of payments adjustment. Then prices should be deregulated and domestic and foreign trade be liberalized. All these issues have been addressed by Ibn Khaldūn in the language of his time.

4.3 'Aṣabiya: The Challenge of Social Cohesion

No reform can avoid painful social adjustment effects. Both inflation and unemployment tend to rise as prices are decontrolled and the real losses of a previously distorted industrial structure become visible. Hence political opposition may increase. Income disparities are bound to grow, and will challenge concepts of social equity postulated in the past. Therefore, 'aṣabiya constitutes a core concept of political sustainability of the structural adjustment process.

The ongoing implementation of comprehensive reform packages in the Arab World will take a decade or more. At least three years are necessary for putting into effect the most important measures of macroeconomic stabilization, for a deregulation of the prices for the majority of goods and services, for a liberalization of trade and of the labor markets, privatization of small and medium-scale firms, and for building a modified welfare net. In a following phase of several years further measures towards liberalization and privatization must be implemented, and basic issues of the legal, administrative, and institutional framework are to be tackled.¹⁶ Time is essential, but time is running out in overpopulated Arab countries with unrestricted population growth and declining migration outlets .

Change in a number of Arab countries is considered to be inevitable, and the path is largely demarkated. Its implementation,

¹⁶ Cf. World Bank (1991), pp. 145-146. Weiss (1992b), pp. 12 f.

however, is being delayed by the social cost of transition. This cost cannot be born by the Arab countries concerned, or only in part. With shrinking incomes a further decline of consumption is reaching its limits of acceptance. The problem of sustainable political consensus and manageable social cohesion so aptly explored by Ibn Khaldūn may become a major issue. Everywhere attempts at reform suffer from the fact that the social costs of adjustment are not being financed externally with the result that reform measures lack determination. The respective governments, understandably, are apprehensive of political unrest.

Both Western and oil-rich Arab donor countries may be facing the common necessity to develop an enlarged and far-sighted concept of regional economic and social security in the Maghreb and Mashrek states. This could become a major issue for the European Community in spite of its actual preoccupation with the turmoils in Eastern Europe. The trans-Mediterranean perspective was part of Ibn Khaldūn's political experience when he moved from North Africa to the court of King Muhammad V of Granada and was put in charge of a peace mission to Pedro the Cruel, King of Castilla in 1364. In our times, from the European perspective the concept of mutual security is basically faced with the political impact of growing mass poverty and social frustration in the Arab countries bordering the Mediterranean. Similar apprehensions may be shared by the oil-rich members of the Arab League.

Both in parts of the Arab World and in Eastern Europe the ideological vacuum after the end of socialism is being filled by a revival of ethnic, nationalist and religious concepts. We have to live with this urge of searching for identity in a turbulent world. No idea of a "New World Order", a "Peace Dividend", or "The End of History". Instead, uncertainties, the end of the reliable political co-ordinates of the Cold War, and many open questions calling for soberness and analytical clarity - so aptly demonstrated by Ibn Khaldūn - in designing a viable co-existence on both sides of the Mediterranean.

The Arab countries in the process of structural adjustment cannot evade the old lessons of development: to allocate scarce resources to meaningful goals within a framework of suitable incentives embedded into a broad social consensus. These were already the early insights of Ibn Khaldūn. His social systems analysis is of an admirable intellectual clarity. Traditional narratives are being confronted with a sober quantitative appraisal, e.g. when he deals with the size of military operations in relation to available populations and logistic supply problems (I, 7, 16, 71). From careful observation of functional conditions and the mechanics of the socio-political process he arrives at indicators of rise and decline of nations. Over a time distance of six hundred years the reader is impressed by his insistence in intellectual precision and independent judgment based on the empirical background of an exceptional life. His general observations have lost no actuality for contemporary economic reformers both within the Arab world and outside.

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