

## Ibn Khaldun's Thoughts on Trade and Market Mechanisms Towards Modern Economic Dynamics

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### ABSTRAK

#### **Kata kunci:**

Pemikiran Ibnu  
Khaldun;  
Perdagangan; Pasar;  
Dinamika Ekonomi

Penelitian ini mengkaji pemikiran Ibn Khaldun tentang mekanisme perdagangan serta konsep pasar ekonomi konvensional yang cenderung eksploitatif, beserta dampaknya terhadap ketidakadilan sosial. Menurut Ibn Khaldun, terdapat solusi alternatif untuk fenomena ini, di mana ia menekankan bahwa kegiatan pasar dan perdagangan seharusnya berfokus pada kesejahteraan masyarakat, bukan hanya keuntungan pribadi. Artikel ini bertujuan untuk menganalisis relevansi pemikiran Ibn Khaldun dalam konteks teori ekonomi Islam terkait perdagangan dan pasar di tengah dinamika ekonomi saat ini. Metodologi yang digunakan adalah pendekatan kualitatif, yang didasarkan pada studi literatur dan data empiris. Hasil penelitian menunjukkan bahwa pemikiran serta teori ekonomi Ibn Khaldun, yang telah dikemukakan enam abad lalu, tetap sangat relevan. Konsep-konsepnya menyoroti pentingnya penyediaan bahan pokok di daerah terpencil, perhatian terhadap kualitas pendidikan, serta pelarangan praktik monopoli dan transaksi yang mengandung riba serta ketidakjelasan. Temuan ini diharapkan dapat menjadi solusi alternatif bagi pemerintah dalam menghadapi tantangan ekonomi yang semakin rumit, serta mendorong perubahan positif dalam mekanisme pasar dan perdagangan global.

### ABSTRACT

#### **Keywords:**

The Thoughts of Ibn  
Khaldun; Trade;  
Markets; Economic  
Dynamics.

This study examines Ibn Khaldun's thoughts on trade mechanisms and the concept of conventional economic markets, which tend to be exploitative, along with their impact on social injustice. According to Ibn Khaldun, alternative solutions exist, emphasizing that market and trade activities should focus on societal welfare, not just personal gain. This article analyzes the relevance of Ibn Khaldun's thoughts in Islamic economic theory concerning trade and markets amidst current economic dynamics. The methodology used is a qualitative approach, based on literature studies and empirical data. The results show that Ibn Khaldun's economic thoughts and theories, proposed six centuries ago, remain highly relevant. His concepts highlight the importance of providing necessities in remote areas, paying attention to the quality of education, and prohibiting monopolistic practices and transactions involving usury and opacity. These findings are expected to provide alternative solutions for governments facing increasingly complex economic challenges and encourage positive market mechanisms and global trade changes.

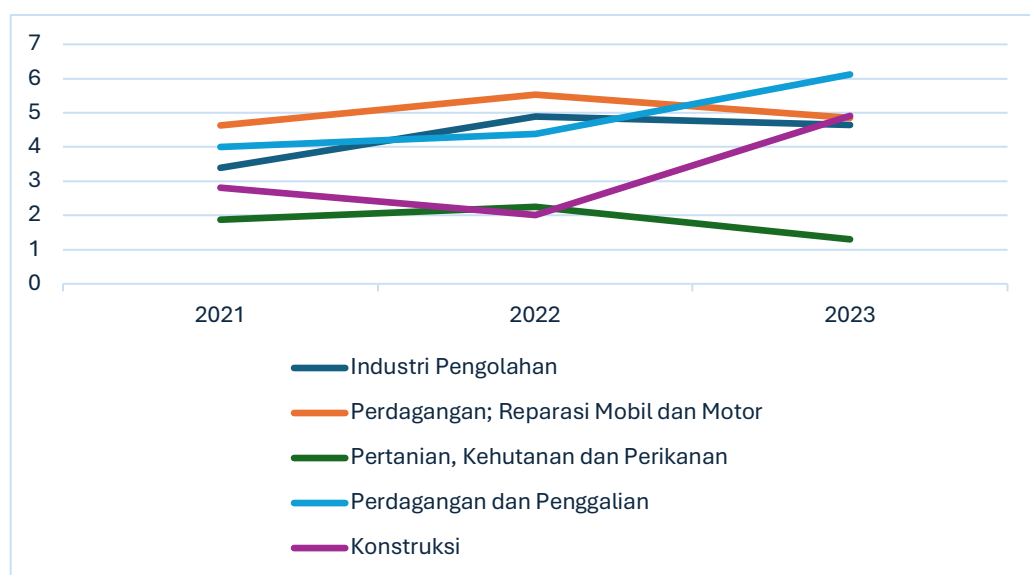
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## Introduction

Trade and markets are a hot and interesting topic to study in economics, as they are the driving force of the economy and are related to meeting the needs of human livelihoods. In practice, the market is always associated with buying and selling transactions, with the

principle that all economic activities in the market must be based on freedom of competition to obtain the highest profit, both for buyers and sellers. Trade is an activity in which there are contracts and exchange transactions between sellers and buyers with certain agreements, and the market is an institution or infrastructure that accommodates these activities. Trade is one of the driving instruments of the economy, and it has a vital and strategic role in improving the welfare of people. Trade is closely related to the prosperity of the people of a country. It is also related to politics because trade is not only the lifeblood of the country's economy but also a way to establish cooperation with other countries, which is called diplomatic relations. Trade is one of the largest income-contributing sectors for a country. In Indonesia, the trade sector's contribution to the national Gross Domestic Product (GDP) in 2023 in the fourth quarter by contributing revenue of 4.85%.<sup>1</sup>



Graphic 1. GDP Growth of Several Business Fields (c to c) in 2021-2023.

The modern economy that is developing today is dominated by a capitalist understanding, or what we are more familiar with, conventional economics views that trade and markets play a significant role in economic activity, so trade and markets must be able to run freely without any restrictions and interventions by any party, including the government. Government intervention based on capitalist economic views is feared to create distortions that bring the economy to inefficiency and imbalance. Conventional economic principles applied by the majority of countries and communities today are indicated to tend

to be exploitative so as not to create equity, and further encourage wealth to be concentrated only in specific individuals or groups (M Argha Isdhihar Al Qutsam S A, Khabib Akhmad Al Maulud, 2023). The problems of the capitalist economy that are developing today could be due to the absence of norms, morals, and Sharia restrictions in the view of the economic system. In practice, the capitalist or conventional economic system prioritizes fulfilling individual rights and interests over the common good. This contrasts with the primary objective of economic development, which is to realize welfare or distribute income fairly and equitably to the community.

Amid complex problems, Islamic economics was born as a paradigm considered a solution to current economic issues. Islamic civilization emerged and developed rapidly in various parts of the world in medieval times, leaving a deep imprint, especially in Andalusia (Spain). Andalusia, under Muslim rule for more than seven centuries, from 711 to 1492 AD, has witnessed extraordinary social, cultural, and economic transformation (Saputri et al., 2024). In the development of Islamic economics, there is the role of Muslim intellectuals whose contributions through their thoughts on Islamic economics are worthy of in-depth study, one of these figures is Ibn Khaldun who lived in 1332-1406 AD, has incised many thoughts in his book entitled *Muqaddimah* which has brought Ibn Khaldun as the father of sociology recognized by Muslim and Western circles. Ibn Khaldun is a Muslim scientist with many thoughts in various fields such as economics, politics, and culture. Ibn Khaldun is also known as the father of Islamic Economics, where one of his thoughts is very important to implement, namely, related to market mechanisms and trade.

Ibn Khaldun is a figure who contributed a lot to the discourse on the development of world civilization, especially among Muslims, through his various thoughts on Islamic economics. Ibn Khaldun's economic thought is not only limited to theory but also includes an in-depth analysis of the social and economic dynamics that occur in society. In his work, *Muqaddimah*, Ibn Khaldun introduced the concept of dynastic cycles, explaining how empires and civilizations grow, reach the peak of glory, and decline. Ibn Khaldun argued that a strong economy is the foundation for political stability and social progress. Ibn Khaldun also emphasized the importance of cooperation in society, the role of government in maintaining price stability, and the importance of justice in the economic system (Salsabila et al., 2024).

His thinking on trade and markets in Islamic economics offered a very advanced perspective for his time. Ibn Khaldun realized that the price of goods is determined by the interaction between demand and supply, a concept that predates modern economic theory. He also criticized monopolistic practices and suggested that prices should be set through fair market mechanisms. These thoughts show great insight into the importance of balance in the economy and how economic factors can affect society's overall well-being. Ibn Khaldun believed that a country's economic growth depended on security, political stability, and the fair application of law. Thus, his contribution to Islamic economics is not only about the technical aspects, but also touches on the moral and ethical aspects needed to develop a sustainable economy. The Islamic civilization in Andalusia, which thrived in science, technology, and economics, is an example of applying these principles (Saputri et al., 2024).

Research on Ibn Khaldun's thought has been conducted by several previous researchers, such as research conducted by Idha Fadhilah Sofyan, Sirajuddin, and Misbahuddin in 2023, which examines Ibn Khaldun's thoughts on the concept of Islamic economics and its implementation in the Makassar Terong market (Sofyan, 2023). Further research conducted by Khotimah and Nurul 'Ayun in 2023 on Ibn Khaldun's Islamic economic thought related to his contribution to the concept of money and price mechanism (Kotimah & A'yun, 2023). Furthermore, research conducted by Indra Hidayatullah on Ibn Khaldun's thoughts related to market mechanisms and pricing h(Indra Hidayatulla, 2017). Then, research conducted by Khairil Henry in 2020 on Ibn Khaldun's economic concept and its relevance to modern economic theory (Henry, 2020). This article will discuss Ibn Khaldun's thoughts on Islamic economics, which is related to trade and markets in modern economic dynamics.

## **Method**

The research methodology used is a qualitative approach using literature studies and documentation techniques that utilize books, articles, journals, and e-books (Sugiyono, 2012). Qualitative research is research whose results are not in numbers but in statements or studies that are discussed narratively. This study uses a literature review method to analyze and synthesize research findings and the thoughts of previous researchers in the domain relevant to this article. The literature review is used in this study to explore various reference sources, such as books, scientific journals, research reports, and other relevant articles. An

in-depth analysis of the literature is expected to provide an understanding of the relevance of Ibn Khaldun's thoughts on the concepts of trade and markets amid global economic dynamics. A qualitative approach was chosen because this study does not focus on statistical data and the relationship between variables, but rather on a textual and narrative understanding of Ibn Khaldun's thoughts on Islamic economics, particularly in market mechanisms and promoting better international trade concepts. By using the Publish or Perish and Mendeley applications and reputable previous research journals, researchers can obtain literature reviews and metadata that are ready for review. The secondary data is processed descriptively in narrative form, then analyzed based on current economic theory and dynamics, and finally interpreted in narrative text form.

## **Results**

### **Biography of Ibn Khaldun**

Ibn Khaldun is an Islamic intellectual figure whose thoughts are still relevant and need to be studied. They are often used as a basis for decision-making and as a reference in economics. Ibn Khaldun was born in Tunisia on May 27, 1332, AD, coinciding with the beginning of Ramadan 732 H, whose full name is Abdurrahman Abu Zaid Waliuddin Ibn Khaldun. In his family, Ibn Khaldun was usually called Abu Zaid, while Waliuddin was the name of the title he was given when he served as a judge in Egypt, who was later popularly called Ibn Khaldun (Firdaus & Asari, 2022). During his four-year stay in Andalusia (Spain), he completed his work entitled *Muqaddimah* in 1337 AD. Through *Muqaddimah*, Ibn Khaldun became famous in history, civilization studies, anthropology, sociology, philosophy, economics, and other disciplines. Ibn Khaldun's economic thinking is renowned for trade and markets, which include money and market mechanisms (Abidin, 2022).

Ibn Khaldun is known as an intelligent thinker. At a young age, he was able to master several classical Islamic disciplines as well as 'ulum aqliyah (the sciences of philosophy, Sufism, and metaphysics). More than that, Ibn Khaldun also studied political science, history, economics, geography, and other subjects. Through his writings, Ibn Khaldun is known as a scholar, as evidenced by the fact that when he entered adolescence, his works spread everywhere. His writings were born because of his diligence in learning and observing various social lives, which gave him extensive knowledge. Ibn Khaldun's most famous work is a book

entitled Muqaddimah, which explains the principles that determine the rise and fall of the ruling dynasty (daulah) and civilization ('umran) (Fitriani, 2019).

### **The Concept of Trade and Market According to Ibn Khaldun's Thought**

Trade is an exchange of goods or services based on mutual agreement between individuals or groups without coercion. The development of the modern economy as it is today makes trade increasingly popular and knows no boundaries, meaning that the trade carried out is not limited by territory or a particular time zone. This activity can be carried out between individuals and individuals, individuals and countries, or countries and countries. At the same time, the market is a meeting place between two parties who need each other to carry out buying and selling transaction activities for goods or services (Masyhuri, 2024). The market mechanism is a system that determines the formation of prices, which in the process can be influenced by various things, including the level of demand and supply, distribution activities, government policies, worker stabilization, the amount of money, the amount of taxes, and the security of an area. In Islamic economics, the market mechanism process requires the existence of moral principles, including fair competition, honesty, transparency, and justice (Maleha, 2019).

. The market concept in the Islamic economy is based on individual freedom to make sales and purchase transactions of goods and or services without intervention from any party. However, this freedom is not absolute as in a capitalist economy, but is based on Islamic law (Khatimah et al., 2024). Economic activities must not contradict the Sharia's, which can harm the parties concerned, and must always be oriented towards the common good. The concept of markets and trade adopted in modern economic activities today is inseparable from the thoughts of classical scholars such as Ibn Khaldun. One of his famous works is the book Al-Muqaddimah. In his thought, Ibn Khaldun argues that at least four factors affect the market mechanism, including price theory, value theory, the role of labor, and government policy.

In practice, the concept of trade offered by Ibn Khaldun prioritizes ethical and moral values. According to him, the concept of the market is a meeting place for demand and supply (buyers and sellers) that provides all human needs, including primary, secondary, and tertiary needs. Ibn Khaldun, in his thought, states that an increase in the amount of supply or a decrease in demand results in an increase in the price of goods, and vice versa, a decrease in supply or an increase in the amount of demand will cause a decrease in the price of goods.

According to Ibn Khaldun, factors affecting the level of supply are the amount of demand, the level of profit, the level of human effort, the amount of knowledge and skills, peace, and security. Meanwhile, the factors that affect demand are the level of people's income, population, and people's habits (Abdul Qoyum, 2021).

Ibn Khaldun understood that prices are not just numbers displayed in the market, but the result of complex interactions between supply and demand. The concept states that prices will increase when the demand increases while supply is limited. Conversely, prices will decrease if the supply is abundant, but demand will decrease (Nurdania, 2019). We should pay attention to prices based on the level of supply and demand and consider the intrinsic value of goods. According to him, prices cannot be separated from the benefits and quality offered. Goods that are difficult to obtain or have high value benefits will have a higher price. In his view, the cost of production is also a concern because goods that require many resources will have a higher price. Apart from the state of goods, Ibn Khaldun also considered the role of government in determining prices. In his thought, Ibn Khaldun explained that tax policy and regulation can affect the market. In the context of social and economic change, Ibn Khaldun saw that prices can fluctuate along with the development of community welfare. When society experiences prosperity or crisis, this condition will be reflected in the price of goods and services available (Ridwan et al., 2023).

In his thought, Ibn Khaldun emphasized the value of justice in trade, with the concept that prices must be determined by ethical principles, ensuring that no party is harmed. This thought emphasizes that justice and transparency in determining prices are the foundation for the welfare of society because there is no element of fraud and parties who are mutually disadvantaged (Jaharuddin, 2022). Through deep thinking and sharp analysis, Ibn Khaldun provides a foundation for understanding prices that are not only focused on numbers but also on social, economic, and moral contexts. His thinking teaches us that we must look further into social and economic conditions than just transactions to understand prices.

## **Discussion**

### **Relevance of Ibn Khaldun's Thought on the Concept of Trade and Markets in Modern Economics**

Ibn Khaldun is a famous Muslim historian and economist through his phenomenal work *Muqaddimah*. In his work, Ibn Khaldun discussed various aspects of the economy, including trade and markets. His thinking was visionary in his time and relevant to modern economics. Regarding the concept of trade, Ibn Khaldun viewed trade as an important activity encouraging economic growth. Then Ibn Khaldun also emphasized the importance of honesty and integrity in trade, which is relevant to modern business ethics. Furthermore, related to the market concept, Ibn Khaldun viewed the market as a natural mechanism to regulate the distribution of goods and services, and according to him, market conditions are influenced by the level of demand and supply, which is still a fundamental principle in modern economic (Henry, 2020).

According to Ibn Khaldun, the concept of demand and supply, as explained in his book *Muqaddimah*, is that when a city or country has a high population, basic needs will be cheap, and merchandise will be more expensive. If many people need basic needs, many will also try to meet these needs so that the supply will increase and prices will be lower (Hidayatullah, 2023). Ibn Khaldun's thinking is relevant to the current economic situation. When areas with few inhabitants and development have not been empowered, their economic turnover will be weak, resulting in people tending to prefer to keep what they have.

The concept of demand and supply described by Ibn Khaldun is still relevant to modern economics today. This principle is the basis of the analysis of a free market economy, where the price of goods is determined based on an agreement between the seller and the buyer, not based on the will of one party or the government's intervention. Then Ibn Khaldun's thinking about the specialization of work is practiced in modern economics through the division of labor, which increases the production of goods or services. This is very relevant to modern economic theory of efficiency and comparative advantage. In addition to these factors, the government's role is still needed to maintain market balance and prevent injustice (Nisak, 2022). This is in line with modern economic policies that emphasize the need for market regulation to protect consumers and ensure healthy market competition. The concept of markets and trade taught by Ibn Khaldun is to create



transparent and accountable economic activities for better economic sustainability and ensure the welfare of society.

Although Ibn Khaldun's thinking was very visionary, it should be remembered that Ibn Khaldun wrote in a historical context that is very different from modern economics today. His concepts and thoughts need adjustment to the dynamics of a more complex modern economy. The cultural and social context of the era strongly influenced Ibn Khaldun's analysis. Therefore, implementing his thoughts in modern economics should pay attention to the phenomena that occur today in terms of social, cultural, and political aspects. In his thought, Ibn Khaldun did not discuss the development of technology that can affect economic development. In modern economics, technology plays a significant role in the dynamics of markets and trade. However, it must be considered when applying concepts and thoughts relevant to today's economic (Rizkiah & Chachi, 2020).

## **Conclusion**

As a thinker, Ibn Khaldun left a legacy of deep thinking connecting science with his social observations. Ibn Khaldun emphasized that prices are determined by the interaction of supply and demand, which is influenced by various factors such as income, population, and security. According to him, prices manifest the value and quality of goods, as well as the importance of production costs and the role of government in regulating the market. Furthermore, prices must be set fairly and transparently to ensure social welfare, making justice and ethics the primary foundation in trade and economic balance. Ibn Khaldun's thinking on trade and markets is relevant to modern economics.

The principles proposed by Ibn Khaldun, such as demand and supply relationships, work specialization, government intervention, and business ethics, are still applied in various aspects of economics today. However, criticisms of the limitations of historical context, cultural influences, and technological developments must be considered in implementing his thoughts. Furthermore, in this article, researchers only explain the economic concepts of trade and markets according to Ibn Khaldun. For further research, it is hoped that it can examine Islamic economics more broadly with the thoughts of different figures and times, so that the discussion of Islamic economic thought from Muslim figures and scholars will be more comprehensive.

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