Al-Ghazālī (1058-1111 C.E.), a great theologian, philosopher and Sufi (Islamic mystic), was man of erudite and a prolific Islamic scholar of philosophy and ethical values, whose writings encompass all dimensions of life with special focus on socio-economic thought. As such his discussion of economic issues emerge in the ethical perspective of human life as a whole, rather than a segregated value-neutral discipline as it appears in the contemporary economic analyses and systems. Hence his analysis is generally normative rather than positive in nature.

He was one of those eminent scholars of Iran who has left indelible impact on the Muslim world through his very significant contribution to different branches of Islamic learning: Islamic jurisprudence, theology, philosophy and mysticism. Being a Sunni Scholar, he belonged to the Shāfi‘ī School of Islamic jurisprudence and at the same time followed Ash‘arite School of theology. While debated on Al-Ghazālī’s life and contribution, the scholars were and are extensively involved in studying and examining the range of texts he had written in order to get a better picture of the man. For some people Al-Ghazālī is the great “Defender of Islam” (Hujjat al-Islam); Hujjat literally meaning “proof”. Others blame him for damaging the rational edifice of Islamic thought in his sharp critique of Muslim philosophers such as Ibn Sina and Al-Fārābī.

Al-Ghazālī was writing in the second half of the 11th and early 12th centuries which were roughly six centuries before the emergence of Mercantilism and seven centuries before Adam Smith (1723-1790 C.E), that is, roughly six to seven centuries before the beginning of economics as a separate discipline. Even then, it is interesting to note that Al-Ghazālī writings contain a good number of economic ideas, although discussed in the ethical normative perspective. This aspect of Imam Ghazālī has not been taken up in detail by any of the contemporary scholarship.

The socio-economic aspects of Ghazālī’s thinking can only present a bare outline, but from this we can grasp what might be called his “Islamic social welfare function” as well as his views on the role of economic activities generally. An overriding aspect throughout his works is the concept of Maṣlīḥa, or social welfare or utility (“common good”), a concept which encompasses all human affairs, economic and others, and which establishes close links between the individual and society. Indeed, scholars have suggested that Ghazali discovered “the hard-to-pin-down concept of social welfare function that modern economists long for.” Ghazali identified all matter in terms of whether they were maṣlīḥa (utilities) or mafāsid [disutilities] in promoting social welfare.
He further defined the welfare function in terms of hierarchy of individual and social needs.

According to Al-Ghazālī, the welfare (masliha) of a society depends upon the pursuit and preservation of five basic objectives (maqāṣid al-Shari‘ah).

1. Religion (dīn) comprehensively defined as a way of life.
2. Life or soul (nafs).
3. Family or progeny (nasl)
4. Prosperity or wealth (māl)
5. Intellect or reason (‘aql)

Al-Ghazālī was concerned not only with reviving the Islamic disciplines but also with reforming society in a practical way. In his works he offers candid assessments of the roles of different groups in society. He come down hard on the generality of Muslim scholars, who he believed, are chiefly to blame for the social and moral themes away from their primary function of guiding the rulers and the commoners, and they are busy ingratiating themselves with the powerful and influential. They are moreover involved in petty disputes and have shut their eyes to real and pressing problems facing society. The rulers are autocratic and misuse the public treasury for their personal interests. Al-Ghazālī wrote letters to several sultans and viziers reminding them of their duties in this world and of accountability in the next. He also criticized the rich for their callousness and the poor for their superstitions and non-Islamic practices.

More specifically, as much as economic activities are concerned, Al-Ghazālī has a rather clear understanding of the voluntary, market- oriented transactions that emerge among freely-acting individuals, guided by mutual necessity and private gain, but within the Islamic code of ethics and values. Further, while warning against worldly evils, Al-Ghazālī clearly acknowledges — nay, encouraged — the need for economic pursuits, both private and public. Indeed, he accords such activities an aura of piety and nobility by his constant reminders as to their Shari ‘ah- mandated, Islamic validity.

According Al-Ghazālī the one who observes Islamic guiding principles in their economic activities will achieve the highest rank in the hierarchy of successful people, both in this world and in the hereafter. He offers the following guidelines:

- The seller should act as an Islamic follower with “correct” aim about his trade — i.e. to support himself and his dependents, and to acquire the means and strength of performing his religious duties.
While starting a business, he should also seek the fulfilment of socially obligatory duties (*Fard al-Kifayah*).

His desire to be successful in material terms should not blind him against success in the hereafter.

He should not transact his business in a greedy manner.

He should refrain not only from clearly *Harām* (prohibited) activities, but he should also be vigilant over all his activities, remembering at all times that he is accountable before Allah for all of them.

Moreover, Al-Ghazālī’s discourses on the important issue of *Ribā* are witnessed in his discussion on the functions of money (chapter 3). He emphasized that the exchange involving *Ribā* are prohibited because they involve violation of the nature of functions of money. Interestingly Al-Ghazālī does not discuss the issue of interest in relation to borrowing of money and lending thereof. To him charging of interest on money is contradictory to the primary functions of money i.e. a medium of exchange and as a measure of value.

On the role of society in regulating the economic activities, Al-Ghazālī in his writings suggested on how the state should respond in issues related to economic issues in accordance with *Shari’ah* guidelines. He considers importance of the institution of state at two levels; first for the proper functioning of society’s affairs and governance; and secondly for the “fulfilment of *Shari’ah*-mandated connective obligations (*fard kifayah*)”

He categorically stated:

State and religion are the inseparable pillars of an orderly society. The religion is the foundation and the sultan is its promulgator and protector. Any pillar without a foundation will be weak, and society will crumble.

Al-Ghazālī considers maintenance of peace and security as necessary conditions for economic progress and well-beings of the people. He recommends that state must adopt all necessary measures to establish internal law and order and to secure the state.

From external threats Al-Ghazālī stresses the state must adopt all necessary measures. He says:

Army should be kept to defend the country and protect people from robbers; there should be a judiciary for settlement of disputes; there will be need for jurisprudence to control people through it. These are necessary government functions which can be undertaken by specialists only, and when they engage in...
these activities they cannot spare themselves for other industries and need support for their living. On the other hand people need them because if all people engaged in fighting the enemy, the industries will suffer and if military men engaged in industries for their livelihood the century would lack defenders and people will be victimized.

On the basis of Islamic system of public finance, Al-Ghazali identifies several sources, but he is critical of some sources as not being valid Islamically, and others which are consistent with Shari‘ah are not being utilized. Al-Ghazali declares:

The state finance in our time, the whole or most of it, is based on illegitimate (Ḥarām) sources, why so? They valid sources like Zakāh, Ṣadaqāt, fay‘ and Ghanīmah are non-existent. Jizya is found but collected with so many illegal methods. Apart from these, there are different kinds of taxes on Muslims: there confiscations of their properties, briberies, and all kinds of injustices.

From the above brief discussion, one would be struck how Al-Ghazali had envisioned such overarching socio-economic thought that still today’s bears quite relevance, more so, when the contemporary world has been engulfed in the economic imbalance; wide gap between rich and poor; between rural and urban societies that have far reaching implications on the all-round socio-economic development across the globe.

Therefore, the present work seeks to investigate and study the Socio-Economic Thoughts of Al Ghazali (1058-1111 C.E). It is quite evident and true also that on the one hand the philosophical and mystical dimension of Al-Ghazali’ has been explored at very a huge length, while as on the other hand his socio-economic aspect/dimension has been ignored if not fully but to a large extent as is evident in the literature review. Amid highlighting the socio-economic dimension of Al-Ghazali, the current work, thereby, aims and endeavours to fill this gap. The present work comprises of four chapters excluding Introduction and Conclusion

The First chapter titled “Socio-Political and religious Conditions of 11th Century Iran” highlights the political, social, religious, and educational conditions of the Muslims in Iran in the eleventh century. It examines the development of various social institution in the then three main Muslim centres—‘Abbasid’s, Seljuk’s and Fatimid’s. It also reflects on the religious and other allied subjects that were getting prominence during the period. Such as ‘Sufism’, ‘Ilm Kalām, Fiqh, Falāsifah etc.
The Second chapter titled “Al-Ghazālī: Life and Works”, discusses in detail the life of Al Ghazali from birth to death. It touches the birth of Al-Ghazālī, his early life, and education. Moreover, amid mentioning some of his famous teachers and his famous pupils, the chapter also discusses his services as teacher and as a guide in Madrasa-i-Nizamiyyah, Baghdad. The chapter unravels his later life such as his stay at Damascus, Jerusalem, Hesron, Makkah and Madīnah. Moreover, his attachment and role with the rulers and Ulama of that period, religious path, and finally his illness and demise is also highlighted. The chapter also provide a list of his major works written in Arabic and Persian.

The Third Chapter of the thesis is titled “Economic Thought of Al-Ghazālī”. While presenting his overall contribution in the Economic field, the chapter makes a critical assessment and appraisal of some of his prominent works on various aspects of Islam and Islamic Economics. It also gives a brief history about economics, and also highlights the primary sources of Islamic economics like Qurʾān and the Sunnah of the Prophet Muḥammad (ﷺ), and the secondary source like fiqh. Discussing the great Muslim thinkers of that time who had contributed to the field of Islamic economics, the chapter also defines, among other things, Rules of Economic Activities, Trade, Exchange and Market, Barter System, Values and Ethics, Functions of Money. Besides, it also explains the concept of Riha (Usury) in Islam especially in the light of Qurʾān and Ḥadīth, with a special focus on the approach of Al-Ghazālī on this crucial issue.

Chapter Four of the thesis titled “Socio-Economic Thought of al Al-Ghazālī”, discusses at length the fundamental principle of Islamic society. Investigating the purpose of Islamic Shari’ah in the society, the chapter throws light on Al-Ghazālī’s standpoint and opinion on the concept of Maṣliḥa wherein he points out three aspects of Maṣliḥa in a hierarchical form which are: necessities (darurāt), conveniences or comforts (ḥajāt), and refinements or luxuries. Moreover, the chapter also traces out, inter alia, the Role of the State in the Society, Al-Ghazālī’s Guiding Principles for Rulers, Public Finance and Sources of Revenue (Ghanīmah, Sadaqah, and Fay’). In the concluding pages, the chapter amid focussing on the concept of justice discusses the topic of public expenditure vis-à-vis the views of al Al-Ghazālī.

Al-Ghazālī was a scholar in the truest sense of the word, having understand and absorbed much of the then available knowledge. As with numerous other Islamic scholars, Al-Ghazālī works, including his economic thought, are not only thoroughly immersed in
Islamic philosophy, but also flow from it. In this respect, Al-Ghazālī is very much in company with such Christian scholars of medieval Europe, as St. Thomas Aquinas (1225-1274 CE), Albertus Magnus (d. 1280 CE), and others, whose own writings, as influenced by Arab-Islamic scholars such as al-Fārābī (d. 339 AH/ 950 CE), Al-Ghazālī, as well as the Greek philosophers, extended to all facets of human affairs but within the framework of Christian view of human salvation.

Al-Ghazālī also not only explicitly talks of the need and advantages of specialization, and division of labour, but he seems to be aware of the human problems that can arise due to “excessive” specialization and division of labour. Thus, he emphasizes a major role for the spirit of cooperation in production activities. Al-Ghazālī insists that the undertaking of these industries is a socially obligatory duty of all — a religious “calling,” aside from any personal material gains that accrues from such activities.

While Al-Ghazālī hopes and assumes that such activities would be voluntarily undertaken and thus, maṣlīḥa, or social welfare, will be promoted, he fails to suggest any measures in case these industries do not develop to the extent that is consistent with the needs of the society.

Al-Ghazālī provides a very clear and succinct discussion of the functioning and problems of a barter economy, as well as the evolution of money and monetary exchange. One can almost emphasize that no other scholar anywhere up to that time had provided as clear an exposition of this topic in economics as did Al-Ghazālī; certainly in terms of its broad content and analysis, it is about similar to what one finds in a typical contemporary textbook. Al-Ghazālī recognizes the problems of “indivisibility” and “double coincidence of wants” under barter, and how the emergence and invention of money mitigates these “exchange” problems. He clearly identifies and elaborates the various functions of money, almost in the manner of most current texts on the subject.

In the proper Islamic spirit, as with other Islamic scholars of the time and most Islamic scholars of the present, Al-Ghazālī criticize hoarding of money and payment of usury, for both such actions cause money (gold and silver Coins) to deviate from the key functions of money for which, according to Al-Ghazālī and others, God Almighty created money — i.e., to serve as a measure of value and to facilitate exchange of goods and things. Of course, his Greek predecessors and subsequent medieval Christian scholastics professed identical views on these issues. While the problems of barter are not as lucidly
discussed by Ibn Tā`īmiyyah, Ibn al-Qayyym, and Ibn Khaldūn, these scholars did indeed discuss some of the functions of money in more or less the same fashion as did Al-Ghazālī. Al-Ghazālī wrote a special discussion on the role of the state and the functions of the rulers, entitled Book of Counsel for Kings (Naṣīhat al-Mulūk). In this volume and elsewhere, he provides considerable discussion on the subject of public finance as well — sources of revenue, including public borrowing, and areas of public functions and expenditures. While numerous contemporaries of Al-Ghazālī wrote on public finances, his discourse clearly is most elaborate. He distinguishes between Shari`ah as well as “extra-Shari `ah” sources of revenues, and he is bold enough to condemn the prevalent “anti-Shari `ah” levies. Further, while he would want to implement Shari`ah-mandated levies, he allows additional taxes under certain conditions, chief among them being the need for maṣliḥa, or social welfare of the community. Moreover, Al-Ghazālī recognizes and advocates the well-known “ability-to-pay” principle of taxation; he is also aware of the “benefits-received” principle when there is mention of levies-upon non-Muslims. Indeed, Al-Ghazālī is also concerned about tax administration and compliance when he criticizes malpractices of tax-collectors. Al-Ghazālī allows for the possibility of public borrowing under rare circumstances (such as security and survival of the Islamic society), although he would want to ensure appropriate means of future repayment.

Historically speaking, Al-Ghazālī is among the extraordinary scholars of the world whose discussion on matters is relating to the public treasury are symmetrical: he focuses both on public revenues as well as public expenditures. He identifies various areas of public expenditures, not simply in terms of maṣliḥa, or fard kifāyah, but explicitly in terms of developing the society’s socio-economic infrastructure (bridges, canals, etc.) for promoting development. And, he is keenly concerned about the need for economy and efficiency in the use of public funds. Indeed, given his hierarchy of society’s needs, Al-Ghazālī suggests a method of prioritizing the use of public funds, based on a framework for analysis and evaluation of public projects in an Islamic society.

However, he concludes that men should strike a happy balance. While Al-Ghazālī does not specifically talk in terms of modern-day concepts of demand and supply, he has a pretty good notion of how these forces interact in influencing market prices and profits; and, in general, how markets and trading centres evolve. It is fair to say, however, that one can find more clear and critically superior discussions on these topics in such other Arab-Islamic scholars as Ibn Tā`īmiyyah (1263-1328 C.E.), and Ibn Khaldūn (1332-1404 C.E). In
discussing production behaviour, while there is no analysis in terms of contemporary efficiency-oriented input-output combinations, Al-Ghazālī provides a hierarchy of industries in terms of the four-fold classification (including a major role for the public sector) — all of these as part of the Shari‘ah-mandated socially obligatory duties (fard kifāyah). This classification complements and strengthens Al-Ghazālī aforementioned social-welfare function, which defines a hierarchy of individual and social needs, including consumption needs in economic terms.

Al-Ghazālī is truly among the most outstanding pioneers of socio-economic thought of Islam. While he built on the inherited knowledge available to him, within the framework of the Islamic ethos to be sure, Al-Ghazālī left behind a rich legacy of economic thought upon which, through the transference of his original and translated manuscripts, and those of others, to medieval Europe much more could be built upon that structure. Undoubtedly, this has been the case in many areas of human endeavours, including economics.