CHAPTER III

JUST PRICE, MARKET MECHANISM AND PRICE REGULATION

A. JUST PRICE

1. ORIGIN OF THE IDEA OF JUST PRICE

The concept of just price played a great part in economic thinking of the Middle Ages. Originally it was an ethical and legal term that turned into an economic one. It had passed through many stages before it merged in economic theory.

The German author Rudolf Kaulla states that "The concept of justum pretium (just price) was first formulated in Rome, in view of the necessity of laying down special rules for the guidance of magistrates in cases in which they had to pronounce upon the value of a commodity or service." But he does not give any reference for this opinion. The economic history of ancient civilizations shows that the idea of regulating price and securing justice in people's act of buying and selling was found in many nations, for example Hebrews, Hindus and Greeks. But its nature and minute details were not preserved. In brief we can say that at that time "as a

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3 Gray, Sir Alexander: The Development of Economic Doctrine (London: Longmans, 1931), p. 17. (Stating the Greek's concept of just price, the author says that according to Aristotle "when people get as the result of exchange exactly what they had in the beginning, neither more nor less, they are said to have what belongs to them and to be neither loser nor gainer."-- He referred to Ethics Book V, chap. 5, p. 149, trans. by Welldon).
conception and as a doctrine, it was basically ethical rather than economic. In antiquity ethics was a branch of philosophy and the doctrine of the just price formed a part of philosophical system.\textsuperscript{1} It was expounded with the view of realization of justice rather than price determination. It also led inevitably to the demand that the authorities should do all in their power to enforce such just price.\textsuperscript{2}

Thus it became a legal term. The municipal authorities and those dealing with markets supervision had right to fix just prices keeping into view the status of the producers so that the exploitations on the side of buyers as well as sellers might be avoided.

a. Just Price in the Middle Ages. In the Middle Ages, just price became the main theme of the thinkers on economic problems. It has been the most important concept of the period. A new development in that period was the introduction of cost analysis in the discussion of just price, though still it remained under the shadow of law and ethics. It seems worthwhile to examine the theory of just price among 'scholastic'\textsuperscript{3} thinkers of the Middle Ages before we examine Ibn Taimiyah's views on the subject.

The twelfth and thirteenth centuries of the Middle Ages are marked with a rise in economic activities in Europe and expansion of trade and commerce. A revival of intellectual life also took place and scholars began to concern themselves with economic problems, which were assuming practical as well as theoretical


\textsuperscript{2}cf., Kaulla, R. op. cit. pp. 3, 19, 32, 33, 34.

\textsuperscript{3}Schumpeter, says: "Medieval men of science were and are usually referred to as Schoolmen or Scholastics, (docteres scholastic)." History of Economic Analysis (London: George Allen & Unwin Ltd., 1972), p. 78.
importance at that time. All these factors caused rethinking on
the question of just price. In the words of Henri Higgs, "the
stress which the great schoolmen, beginning with Peter Lombard,
laid upon it from the twelfth century onwards, must be explained
not only by the growth of trade but also by the revived study of
the Roman Law, which laid down that everyman had a natural right
to over reach another." Thus he gives equal importance to the
intellectual awakening of the period along with the expansion
in trade and commerce and increase in economic activities.

For a detailed study of the just price as seen by the scholastic
thinkers we choose, for the sake of convenience, a representative
personality of the Middle Ages -- Saint Thomas Aquinas, as he
has been called the prince of the scholastics, and his thought
governed an epoch. According to O'brien, "The teaching of
Aquinas upon economic affairs remained the ground work of all the
later writers until the end of the 15th century. His opinions on
various points were amplified and explained by later authors in
more detail than he himself employed...."

Without defining clearly what is just price, Aquinas says "It is

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1 Higgs, H., ed., "Justum Pretium" Palgraves Dictionary of Political
2 Saint Thomas Aquinas (1225-1274) was born at Roccasecca near
Aquino in the Kingdom of Naples. He was the son of Landulph,
count of Aquino. He began his studies at an early age at Monte
Cassino and later at the University of Naples. He studied also
at Cologne under Albertus Magnus, subsequently following his
master to Paris. He tried to synthesize the teaching of Chris-
tianity and philosophy of Aristotle. He taught in Paris and Cologne.
His most important work is Summar Theologica in three parts.
Nearly everything of importance that he has to say about social
and political matters are found in the second part of it. Every
writer on early history of economic thought refers to him.
3 Haney, Lewis H. op. cit. p. 98.
5 O'brien, G. An Essay On Mediaeval Economic Thought (London:
sinful to practice fraud for the express purpose of selling a thing for more than its just price, inasmuch as a man deceives his neighbour to his loss."\(^1\) He quotes Cicero as saying, "All deception should therefore be eliminated from contracts; the seller should not procure some one to bid up, nor the buyer some one to bid down the prices."\(^2\) Gordon infers that "to Aquinas the just price of any commodity is its current market price established in the absence of fraud and monopolistic trading practices."\(^3\) Schumpeter also reaches to the same conclusion as he says, "St. Thomas was as far as Aristotle from postulating the existence of a metaphysical or immutable 'objective value'. His quantitas valoris is not something different from price but it is simply normal competitive price. The distinction he seems to make between price and value is not a distinction between/ and some value that is not price, but a distinction between the price paid in an individual transaction and the price that 'consists' in the public evaluation of the commodity which can only mean normal competitive price or value in the sense of normal competitive price, where such a price exists."\(^4\)

Schumpeter supports this interpretation by the fact that the title of the question LXXVII of part II of Summa Theologica, in which the theory of just price is presented, is 'on fraud committed in buying and selling'. Again in his own words, "If the just price were something else than the normal competitive price, practices other than fraud would be more important. But if St. Thomas was thinking of what we call normal competitive price,

\(^1\) Aquinas, St. T. *Summa Theologica* II: 2nd Question LXXVII, art. 1.
\(^2\) ibid. II: 2nd Q. LXXVII, art. 1.
\(^4\) Schumpeter. op. cit. p. 93.
fraud becomes the chief phenomenon to be dealt with. For if there exist a competitive market price, individual deviations from it are hardly possible except through fraudulent representations about the quantity and quality of the goods.\(^1\)

On the basis of above mentioned fact Schumpeter held that the just price of Aquinas was actually normal competitive price. He did not trace other conditions of perfect competition in Aquinas writing which are necessary for the determination of such a price. Many other writers on medieval economic thought have rejected the opinion that 'the medieval just price was no way different from the competitive price of today, which is arrived at by the higgling of the market. According to them it was conscious social judgement that fixed the prices beforehand and was expressed chiefly in custom.\(^2\) In our opinion the reason for these two entirely different conclusion is the fact that views of medieval scholastic thinkers are very brief and not sufficiently clear. Therefore much might be said on both sides.

Albertus Magnus (1193-1280) was the first among scholastic thinkers who introduced the labour and cost analysis in the theory of just price. He held that "two commodities were equal in value and their exchange would be just if their production represented equal amount of labour and expense. This doctrine was adopted word for word by St. Aquinas - his pupil.\(^3\) But no definition of cost is found with them except an emphasis on evaluation of conditio or social status: just as worth of person depends upon his class, so does the value of his service.\(^4\) In the light of this proposition it becomes clear that to Aquinas the just price

\(^{1}\)ibid. p. 93 footnote.
\(^{2}\)cf., O'brien. op. cit. pp. 116-17.
\(^{3}\)Kaula. op. cit. p. 38.
\(^{4}\)cf., Aquinas. op. cit. II, 2nd Question LXI, art. 2.
differential should reflect the difference in social standing of various suppliers of product.\(^1\)

If just price is not prevailing in the market, in that case the authority will fix such a price, recommending this "St. Thomas recognizes the element of the subjective value of an object to the seller, but he does not take into consideration the element of the object for the buyer."\(^2\) He says, "The just price will be one which not only takes into account the thing sold, but also the loss incurred by the seller in parting with it. And thus a thing may lawfully be sold for more than it is worth in itself, though not more than it is worth to its possessor."\(^3\)

Relatively a more clear analysis of cost is presented by an English scholastic thinker John Duns Scotus.\(^4\) According to him price should cover the expense incurred by a merchant in buying, transporting and storing goods plus compensation for the industry, labour and risk involved in bringing the commodities to market. He adds that a just price is one which enables a merchant to support his family adequately.\(^5\) It means that the price should cover costs and leave a profit sufficient to support the merchant. But he also fails to take into account the buyer's valuation of the commodity.

To summarise the foregoing discussion the following points may be

\(^{1}\)Gordon, op. cit. p. 178.
\(^{2}\)Schumpeter. op. cit. p. 93.
\(^{3}\)Aquinas. op. cit. II: 2nd Question LXXVII, art. 1.
\(^{4}\)John Duns Scotus (1265-1308) was a British Schoolman who occupied academic posts at both University of Oxford and that of Paris. He was chief early critic of St. Aquinas' theology. His commentary on Peter Lombard's *Sentences* includes his observations on value and price.
\(^{5}\)Gordon. op. cit. p. 178.
mentioned. The concept of just price was evolved with a view to maintaining justice in exchange. Economists differ about the nature of just price. Some of them hold that it is the normal competitive price; others say it is beforehand quoted price with common estimation. Scholastic philosophers introduced the concept of cost in the analysis of just price. Thus they gave economic significance to the child of ethics and law. But their concept of cost is not clear and well defined. In fixation of just price scholastic thinkers stressed upon the value of goods to the seller but they neglected the importance of goods to the buyers.

b. Economic Significance of the Just Price. The concept of just price passed through many stages. Those who looked at its primitive stage and neglected its later development, denied its economic importance. But most of the authors recognize its significance in the history of economic thought. Describing St. Thomas Aquinas' analysis of the subject and his treatment of cost and labour, Salin writes in Encyclopaedia of the Social Sciences, "thus it is incorrect to say that the just price as formulated by Aquinas and later scholastics was entirely devoid of economic content."

As the economic thinking and activities advanced the idea of just price also changed. In his book History of Economic Analysis, Schumpeter writes, "Dun Scotus, at all events, may be credited with having related just price to cost, and we must nevertheless credit him with having discovered the condition of competitive equilibrium which came to be known in the nineteenth century as the Law of Cost."

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1 Salin. op. cit. p. 506.
2 Schumpeter. op. cit. p. 93.
Generally the classical economists built their ideas on the bases of the existing old ones. In the words of Salin, "Inspite of the virtual disappearance of the doctrine the just price as an idea managed to survive in the most diverse guises. The 'Natural Price' of the Physiocrats is nothing but the old just price in a secularized form and in the new terminology of natural law. Adam Smith's normal value is an obvious survival of the old doctrine."\(^1\)

A similar idea has been expressed by Rudolf Kaulla who says that "In practice Adam Smith's 'natural price' is identical with the justum pretium of Scholasticism but its theoretical basis is entirely different..."\(^2\) He wrote a valuable book on 'Theory of the Just Price', first published in 1936, (English translation from German in 1940 by D. Hagg) in which he reiterated that inspite of the full agreement of the modern economist to exclude completely the concept of just price from economic theory, the idea holds true even today, and it is a part of reality. Every state faces some problems in which she is forced to fix just price to fulfil the requirements of justice. According to Salin, "the most recent doctrines of the universalistic school represented by Spann have gone so far as to resuscitate just price as a concept."\(^3\)

2. COMPENSATION OF THE EQUIVALENT (JUST COMPENSATION) AND PRICE OF THE EQUIVALENT (THE JUST PRICE)

Now let us investigate Ibn Taimiyah's views on this important issue. Instead of just price he uses two different terms -- 'compensation of the equivalent (Iwaq al Mithl) and 'price of the

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\(^1\)Salin, Edger. op. cit. Vol. VIII, p. 507.
\(^2\)Kaulla, R. op. cit. p. 51.
\(^3\)Salin. op. cit. Vol. VIII, p. 507.
equivalent' (thaman al mithl). Equality is considered as the prime requirement of justice both in scholastic literature as well as in Islamic one. For example, Aquinas says, "in commercial (commutative) justice the chief consideration is the equality of things and where the price exceeds the value of a thing or conversely, the equality required by justice is lacking."\(^1\) Ibn Taimiyah himself says, "the compensation of the equivalent will be measured and assessed by its equivalent, and it is the essence of justice (nafs al `adl)."\(^2\) At another place he distinguished between two kinds of prices: Unjust and prohibited prices and Just and desired ones. And he considered the price of the equivalent as the just price.\(^3\) Thus we may use the two words - just and equivalent - interchangeably. That is to say, we shall use just price or price of the equivalent. In the same way just compensation or compensation of the equivalent. Really it is of no significance what term is used, the important thing is how the problem is analysed.

The just compensation ('\(\text{iwaḍ al mithl}\)) and the just price (\(\text{thaman al mithl}\)) of Ibn Taimiyah are not the same. There is difference between the two. The question of just compensation or 'compensation of the equivalent' arises when moral or legal obligations are attached with one's property. According to Ibn Taimiyah this principle is involved in the following cases:–

a) when one is held responsible for inflicting an injury to other's lives (\(\text{nufūs}\)), property (\(\text{amwāl}\)), virginity, or benefits (\(\text{manāfe‘}\));

b) when he is obliged to repay equivalent goods, benefits, or injury in some parts of one's body (\(\text{bad al nufūs}\));

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\(^1\)Aquinas. op. cit. II: 2 Q. LXXII, art. 1.
\(^2\)Ibn Taimiyah. \(\text{Majmū‘ Fatāwā Shaikh al Islām (MFS)}\), Vol. XXIX, p. 521.
\(^3\)cf., idem. al Ḥisbah. pp. 24-25.
c) when a person is asked to settle invalid contracts (al 'uqūd al fāsidah), and also the valid contracts (al 'uqūd al saḥīḥah) in case of a defect (arsh) in lives and property.¹

This principle is also applied in payment of dues, recompense and other financial obligations. For example:

a) grants offered by the governor (wālī) to Muslims, orphans and trusts (waqf);

b) compensation by a business agent (wakīl) who is agent for the payment of compensation;

c) remuneration by/to a business partner (al mushārik wa'l muḍārib), etc.²

These cases are actually not cases of exchange but of compensation or discharge of obligation.

Defining the compensation of the equivalent, Ibn Taimiyah says, "The compensation of the equivalent is the equivalent amount of that particular object in the prevailing usage (urf). It is also referred as the rate (si'ır) and custom ('ādah)."³ Moreover, he says that "the correct evaluation of the just compensation will be based on the analogy and assessment of a thing by its equivalent. And this is the real justice and real accepted usage."⁴

It seems that the concept of the just compensation was a guide of the just in the society and in the court of the judges. It should be remembered that the aim of the scholastic just price was also

¹Ibn Taimiyah. MFS. Vol. XXIX, p. 520.
²ibid. p. 521.
³ibid. p. 522.
⁴ibid. p. 521. "wa madāruhu 'alā al qiyās wa'l itibār li'l shai bi mithlihi wa huwa naifs al 'adl wa naifs al 'urf."
mentioned as to provide guidance for authorities; although the later development gave it an economic turn. In this way there is great resemblance between Ibn Taimiyah's concept of just compensation—and the just price of early scholastic thinkers.

Ibn Taimiyah distinguished between ethico-legal aspect of the just price and its economic aspect. He used the term 'compensation of the equivalent' to connote the former; and 'price of the equivalent' to signify the later, as we shall see it soon. Such a distinction was not common in his days. He says, "often it becomes ambiguous on experts of jurisprudence and they controvert about the nature of the compensation of the equivalent—its kind (jins) and quantity (miqdār)."1

Since the compensation of the equivalent is a moral and legal concept, he expresses the minimum legal requirement in this regard on the one hand; and the desired high virtue, on the other hand. He says, "To compensate for a thing by its equivalent is an obligatory justice (adl wājib) and if payment is voluntarily increased, it is far better and desired benevolence (ihsān mustahābb); but to reduce the compensation is a prohibited injustice (zulm muḥarram). Likewise, to encounter a bad thing with its equivalent is permitted justice (adl jā'ez); but to increase the damage is unlawful (muḥarram), and to reduce it is desired benevolence (ihsān mustahābb)."2

Describing the difference between the compensation of the equivalent and price of the equivalent, he observes that "Amounts quoted in contracts are of two types. First, an amount with which people are familiar and to which they are accustomed. This is the commonly accepted customary compensation. The second is

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1 ibid. p. 522.
the kind which is uncommon (nādir), which comes as a result of increase or decrease in willingness (raghbah) or some other factors. This is expressed as price of the equivalent.\footnote{ibid. p. 522.} From the above statement it becomes clear that to Ibn Taimiyah, the compensation of the equivalent and the price of the equivalent are two different things. The former is a relatively durable phenomenon, resulting from custom and habit of the people, while the later is a variable determined by the forces of supply and demand and affected by the willingness of people and their desires.\footnote{cf., ibid. p. 522.}

In contrast to the compensation of the equivalent, the question of price of the equivalent arises when there is actual sale and purchase and exchange of goods. Defining such price Ibn Taimiyah says, "The price of the equivalent is that rate (si'ir) at which people sell their goods and which is commonly accepted as equivalent for it and for similar goods at that particular time and place."\footnote{ibid. MFS. Vol. XXIX, p. 345; idem. Tafsīr Sūrah al Nur (Cairo: Idarah al Tabrīah al Muniriyah, 1343 AH), p. 103.} Some other passages of his book al Ḥisbāh reveals that by the price of the equivalent he means that price which is established by the free play of market forces - supply and demand. For example, describing a change in market price he writes, "if people are dealing their goods in the normal ways (al wajh al mārūf) without any injustice from their sides and the price rises either due to shortage of the goods (in economic term - decrease in supply) or due to increase in population (in economic jargon = increase in demand), then it is from Allah. In such condition, to force the sellers to sell their goods at a particular price is a wrongful pressure (iḥrāḥ bi ghair ḥaqq).\footnote{idem. al Ḥisbāh. p. 25.}"

The phrase "in the normal way and without injustice on their sides" signifies that the price of the equivalent must be a
competitive price and there must be no fraud, because in the competitive market, prices are given and only by fraudulent practices one can charge higher prices. In this way a deep similarity exists between Ibn Taimiyah's concept of the price of the equivalent and that of just price presented by the scholastic thinkers, if we accept that their just price was actually normal competitive price.

But Ibn Taimiyah goes beyond the scholastic philosophers in general and St. Aquinas in particular, when advocating the fixation of the price of the equivalent, in the absence of such price, he considers not only the element of the subjective value of an object to the seller but he takes into consideration the element of the subjective value of the object for the buyer as well. Aquinas took no care of the latter. We shall shed more light on this aspect in one of the following sections when we shall discuss the price regulation by the authorities.

a. The Concept of Just Wages or Wages of the Equivalent. Another concept closely related to the principle of the just price is the idea of just wages. The only reference which the scholastic thinker St. Aquinas makes to the wage is that it is subject to the same rule of justice as prices. We do not find much details on the subject in the works dealing with the medieval economic doctrines. In brief we can say that by the just wage the medieval philosophers meant that rate of remuneration which was required to enable the worker to live decently in the station of life in which he was placed.

Relatively more detailed discussion of the problem is found in the works of Ibn Taimiyah. He refers to it as pricing in the

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1 cf., ibid. pp. 37, 40, 41.
2 cf., Aquinas. op. cit. I: 2 Question CXLIV, art. 1.
3 Gray. op. cit. p. 42.
labour market (tas'īr fi'l āmāl) and the term used by him is the wages of the equivalent (ujrah al mithl). The basic principle to be observed in connection of wages as well as in case of prices is that their quantity and quality should be fully defined. "Because if the wage or price is not well defined and its quality and quantity is not known, it will result into fraud and gamble," and disputes may arise.

Since the wage of the equivalent is governed by the same rule as the price of the equivalent, it can be inferred that the wage earner or labourer is allowed in normal conditions to charge the wage determined by the bilateral bargaining of the employer and employees. In the other words, labour is treated as a commodity which submits itself to the same economic laws of supply and demand. In case of imperfection in the market, the wage of the equivalent will be fixed in the same way as the price of the equivalent. For example, "if people are in need of the services of the cultivators or those engaged in the industry of textile or construction but they are not ready to do so, in this case the authority can fix the wage of the equivalent, so that neither employer can reduce the wage of the worker nor labourer can demand more than the fixed just wage."

The question how the wage of the equivalent will be determined, is answered by Ibn Taimiyah at one place in his Fatāwā where he says, "The wage of the equivalent will be determined by the quoted wage (musammā) if such quotation (musammā) exists, to which the two parties may refer, just as in the case of sale or hire the quoted price (thaman musammā) will be held as the price

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1 cf., Ibn Taimiyah. al Ḥisbah, p. 34.
3 idem. al Ḥisbah. p. 34.
of the equivalent."¹ This statement covers the state's fixation of just wage as well as the concerned parties' effort to reach such a price. That is, if the state wants to fix wages or if the two parties have not previously agreed on a wage, they should agree or fix a wage which is quoted and accepted in that particular kind of work in normal condition. The same procedure is applied to sale of commodities where many goods are sold without a mention of price. In this case buyer and seller agree on the price which is paid for that kinds of goods.

b. The Profit of the Equivalent (Just Profit). Ibn Taimiyah recognizes the idea of profit and the sellers' right to it. He suggests them "to earn profit in the commonly accepted manner (al ribā al mārūf) without destroying their interest and the interest of the consumers."² Like other medieval thinkers, we do not find with him much detail about it. Since profit is a part of price, its analysis usually comes along with price, in his writings.

In the light of his definition of just price, we may define the just profit or the profit of the equivalent as the normal profit which is generally earned in that particular type of trade, without injuring others. He does not favour a non-customary rate of profit that becomes exploitation (ghaban fāḥish) of the people not aware of the conditions of the market (muṭṣersil).³ According to him "a person who acquires goods to earn income and to trade with it at a later date is permitted to do so but he is not allowed to charge from a needy person (muḥtāj) higher profit than the customary one (al ribā al muṭṭād), and he ought not to increase the price for him due to his need (darūrah)."⁴

¹Ibn Taimiyah. MFS. Vol. XXXIV, p. 72.
²idem, al Hisbah. p. 37.
³idem. MFS. Vol. XXIV, p. 299.
⁴ibid. p. 501.
At another place he says, that "a trader should not charge from an unaware person a profit higher than he charges from others; in the same way if there is a needy person (muḍṭarr) who is bound to buy the good to fulfil his need (in economic jargon, his demand for that good is perfectly inelastic), the seller must charge a profit equivalent to the profit charged from non-bound person." He supports his stand by a saying of the prophet in which he prohibits the sale to a needy person (exploiting his need). He further says, "if the want relates to basic needs (mā lā budd minhu) such as food and clothing, then he ought to sell only at a commonly accepted fair price (al qīmah al maʿrūfah). The needy persons are allowed to take that commodity from him without his choice at the commonly accepted price, and they should not pay more than that price."\(^1\) By this, in our opinion, he does not mean that every person will start snatching or grabbing the goods just throwing the price before the seller. They can demand fixation of price by the state and the state should use its authority in this regard. We shall take this matter in one of the following sections.

From one of his statements it appears that according to him profit is created by both labour and capital, hence owners of both factors of production are entitled to a share in the profits. Giving his opinion on a disputed matter he says that the profit will be divided according to the commonly accepted fashion between the two partners—one who invested his labour and the other who invested his money. "Because the profit is the increment caused by the labour of this and capital (māl) of that. So its distribution will be in the same way as any increment created by two factors."\(^2\)

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\(^1\) ibid. pp. 300, 361.

\(^2\) ibid. Vol. XXX, p. 87.
c. **Relevance of these Ideas to the Society.** The main objective of the just price and other related ideas was to maintain justice in commutative dealings and other relations among the members of the society. It was also meant to provide a guideline for the authorities so that they could protect the people from exploitation. They were also evolved to facilitate the fulfilment of people's moral and financial obligations.

Justice on the sellers side is that their goods should not be taken forcibly at lower prices thus depriving them from normal profits. Because "individuals are authorized on what they own, no one can take it, wholly or partly, without their full agreement and consent;" and forcing any one to sell what he is not legally obliged to sell, or not to do what he is legally allowed to do, is injustice; and injustice is an oppression (zulm) which is forbidden." But if there is a reason for forcing a seller, and without coercion he cannot fulfil his obligations, he will be forced to sell his goods at the price of the equivalent to safeguard the interest of the others.

On the buyer's side Ibn Taimiyah used an example of "a person who is required by religion to buy certain goods such as the equipment for pilgrimage. He should buy it at the price of the equivalent. He is not allowed to abstain from buying it on the pretext that the price is so high that he does not like to pay it." Another example is the "one who is responsible for meeting the expenses of others, such as the husband for his wife, and one for one's very near poor relatives specified by law, has no right, provided that the existing price is the price of the

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2 ibid. p. 41.
3 cf., idem. MFS. Vol. XXIX, pp. 190, 191.
equivalent, to move to buy lower quality, claiming that the price is high for him."^1

The issue comes up again and again in the works of Ibn Taimiyah. If a person is debarred from exercising his rights in his property due to imbecility or because of being a minor, the trustee can make an alteration or modification in his property by sale or purchase at a just price only. 2 The reference will be made to the price of the equivalent in the case of controversy between the contractors regarding the price, or wages.

The uses and implications of the wage of the equivalent are also similar to those of the price of the equivalent. The basic aim of the wage of the equivalent is to safeguard the interest of both the employers and employees and protect them from exploitation by each other. The concept of the wage of the equivalent is helpful in resolving industrial disputes. For instance, Ibn Taimiyah writes, "If an employer employs the wage earner, by fraudulent practice, at a price less than the equivalent, which is not accepted by any one normally, then he has a right to demand the wage of the equivalent."^5 Another example is "the employee who did not complete his work, so he is not entitled to the full wages agreed upon. But he/nevertheless be paid according to his work."^4

The concept of just wage is also applied in the case of termination of an employment contract. In his reflection on Nusairīyah community who always sided with the enemies of Islam and never enjoyed the confidence of Muslims, Ibn Taimiyah says, "In case of

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2 cf., idem. MFS. Vol. XXX, p. 43.
3 ibid. p. 163.
4 cf., ibid. p. 183.
nullification of contract of work with them, if the contract is basically valid then the accorded wage will be paid; otherwise, the wage of the equivalent.\(^1\)

The government is also required to adopt these principles in all its dealings. If there is need for the fixation of prices, just price should be fixed by the authorities.\(^2\) Let us take up this issue in detail.

**B. MARKET MECHANISM**

Ibn Taimiyah had a clear notion of the prices in a free market being determined by demand and supply. We have already quoted a passage from him which testifies to this effect. It reads "if people are selling their goods according to commonly accepted manner without any excess on their sides and the price rises due to shortage of commodity (decrease in supply), or due to increase in population (increase in demand), then this is from Allah."\(^3\)

At another place in his Fatāwā he gives a more clear expression of the law of supply and demand. He says, "Rise and fall in prices is not always due to excess (ẓulm) of some people. More-often it is result from deficiency in production or decline in import of the goods demanded (al māl al maṭlūb). Thus if willingness for a good (raghbah fi'īl shai') increases while availability of goods decreases, its price rises. On the other hand, if availability of goods increases, while its demand decreases, the price comes down. This increase or decrease is sometimes beyond the action of people; and sometimes it is due

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\(^1\) idem. Majmū' Risāl (Cairo: al Matba'ah al Ḥusainīyāh, 1905), p.100.

\(^2\) cf., idem. al Ḥisbah. pp. 24-25.

\(^3\) ibid. p.25 parantheses added by us.
to people's action but not containing any excess (zulm) from their side, while sometimes it contains excess from their side. It is Allah the Almighty who creates demand in the hearts of people and therefore it is He who is the final arbiter in all these changes.\(^1\)

In the above analysis, Ibn Taimiyah combined two different changes in supply and demand into one. No doubt, if a decrease in supply accompanies an increase in demand, rise in prices will be more pronounced. Similarly, if an increase in supply is associated with a decrease in demand, the fall in prices will be larger, because both changes help the movement of price in the same direction. But it is not necessary to combine the two changes or to find their occurrence simultaneously. Ceteris paribus, we may experience the same result if only one of them changes. For example, if demand decreases while supply remains the same, price will come down, and vice versa. A number of such possibilities can be imagined. But it was not his intention to cover all eventualities, therefore he confined his analysis with two obvious changes in demand and supply. He relates these changes to the factors beyond people's action or to their actions—amounting to imperfections in the market, as this distinction provides a basis for price regulation as we shall see below.

It should be noted here that Ibn Taimiyah analyses the effect of the changes in demand and supply on prices, but he does not examine them the other way round, that is, the effect of high or low prices on quantity demanded and supplied.

On another occasion he describes the factors effecting the demand and consequently the prices. He says:-

\(^1\)idem. MFS. Vol. VIII, pp. 520, 523.
"a) People's willingness or demand (raghbah al nās) is influenced by the volume of the goods demanded. Goods available in small quantities are more strongly demanded than those available in large quantities.

b) Demand for a commodity and thus its price is also effected by the numbers of the demanders (li kathrah al ṭullāb wa qillatihim). If the number of the persons demanding a commodity is large, its price goes up and vice versa.

c) Prices are effected by the magnitude of want and its intensity as well as by its paucity and weakness. If want is great and intensive, price will increase to the extent to which it will never increase if the want is not so strong and intensive.

d) Prices are influenced even by the kind of money paid in exchange, that is, if money is in common circulation, price is lowered which is not the case if money is less common in circulation.

e) Price is decreased for a person who wants to buy on cash payment, and it is increased for one who wants it on credit."

Ibn Taimiyah's foregoing analysis is very important. He mentioned economic, social and psychological factors affecting the demand and prices, though he mixed different things together. For example, to say that goods available in small quantities are demanded more than those available in large quantities, is a psychological phenomenon, whereas increase in demand due to increase in population is an economic one. As far as increase in price due to intensity of want and its magnitude is concerned, it may be related to non availability of substitute leading to

\[1\] ibid. Vol. XXIX, pp. 524.25.
inelastic demand, though Ibn Taimiyah is not clear in this point. His analysis is nevertheless very significant in the sense that we do not find similar analysis in the literature of his period and for many centuries after him.

C. PRICE REGULATION

Ibn Taimiyah does not confine himself to the analysis of just price and market mechanism, he goes ahead to prescribe a detailed policy of price control for the state. As we shall see, the aim of price regulation is to maintain justice and to enable people to satisfy their basic needs. But it seems worthwhile to probe into some earlier views on this subject before evaluating his views.

1. PRICE REGULATION AND ISLAMIC JURISTS

The problem of price control, for the first time in Islamic history arose in the days of the Prophet himself. It is reported that "prices soared in the days of the Prophet. He was asked to fix them. But he did not agree and said: Allah grants plenty or shortage; He is the sustainer and real price maker (musa‘ir). I wish I would go to Him having done no injustice to any one in blood or in property."¹

On the basis of the above 'hadīth' (i.e. saying of the Prophet), controversy started among the doctors of Islamic jurisprudence on the subject of price control and price fixation by the government. Out of the four famous schools of Islamic Law, Hanbalīs and Shāfī‘is are of the view that the state has no right to fix the

¹Ibn Taimiyah quotes this hadīth in his book al Ḥisbah. p. 25, with reference to Abu Dawūd and Tirmidhī.
prices. Ibn Qudāmah al Maqdisī the Ḥanbalī thinker writes, "The Ḥākim (head of the state) has no authority to regulate the price for the people. It is people who will sell their goods at whatever prices they like. TheIMAL SCHOOL is also of the same opinion."¹

He also cites the above mentioned hadīth and states that there are two reasons for not permitting the regulation of prices. Firstly the prophet did not fix the price inspite of people's demand for it. If it were permissible, he would have done it. Secondly price fixation is an injustice, and injustice (zulm) is prohibited. Moreover, it involves a person's property, and he has the right to sell at whatever price the seller and buyer agree upon.

He analyses the price fixation from the economic viewpoint and indicates the disadvantages of such a price control. He says, "It is obvious that the price fixation will result into dearness; because when the outside traders will hear about price control, they will not bring their goods in the area where they would be forced to sell them at a price against their will. And the local traders who have the goods, will conceal them. The needy consumers will demand the goods, and having their demand unsatisfied they will bid price higher. The price will increase and both will suffer - the sellers will suffer as they have been restricted from the sale of their goods and the buyers will suffer as their wants have been left unfulfilled. It is, therefore, prohibited."²

It is clear from the statement of Ibn Qudāmah that to him the price fixation will bring just the opposite result of what it is

¹Ibn Qudāmah al Maqdisī. al Sharḥ al Kabīr (Egypt, 1374 A.H.), printed at the foot of the Mughni by Ibn Qudamah, Vol. IV, p. 44.
²Ibid. pp. 44-45.
meant for. The reason for high price is generally the increased demand or decreased supply. And the situation will be further aggravated in case of price control. A low price will induce new buyers and inspire the existing ones to demand more at that price. On the other hand, due to low price importers will refrain from importing goods; the home-producers may like to sell their goods abroad if possible, or they will stop production awaiting the abolition of control. This will create shortage. As a result, a host of adverse consequence are likely to stem from the effort to regulate the price.

Ibn Qudāmah's arguments against price fixation by the state is very similar to those given by the modern economists. But a good many doctors of Islamic jurisprudence have advocated price control in grave situations and emphasized the need for a just price policy. The Mālikī and Ḥanafī Schools hold this opinion.

Ibn Taimiyah has examined the opinions of the four principal schools of Islamic Law and of some other experts of jurisprudence, before he gave his own views. According to him "the controversy of ʿUlamāʾ on the question of pricing revolve around two points. First, if there is an established high price in the market and someone tries to charge higher than that price, he will be stopped from doing so according to the Malikī School. But if the seller wants to sell at less than the established price, two opinions are reported from them. As far as Shafiʿī and follower of Aḥmad bin Ḥanbal like Abū Ḥafṣ al Ḥakbarī, Qāḍī Abū Yaʿlā, etc. are concerned they opposed any interference in this condition..."¹ "The second question on which there is difference of opinions among ʿUlamāʾ is the fixation of a maximum price for the dealers (in normal condition) when they fulfil their obligations. This is opposed by majority of ʿUlamāʾ, even

¹Ibn Taimiyah. al Ḥisbah. p. 37.
by Mālik himself.... But some doctors like Saḥīd bin Musayyib, Rabīḥah b. 'Abdur Rahman and Yaḥyā bin Saḥīd are reported to have acceded to it.1

The followers of Abū Ḥanīfah say that the authority should fix price only when people are harmed by the increase in price; that is, when people's right to be saved from injury is involved. 2

In brief, we find the following opinions regarding the fixation of prices by the state:-

a) None will be allowed to charge a price much higher or lower than the established price. In the first case it will be exploitation of people's need and in the second case, it will harm other sellers.

b) In all cases, price control is unfair.

c) Price regulation is always allowed.

d) Price fixation is permissible only in emergencies.

2. PRICE FIXATION BY THE PROPHET

Ibn Taimiyah interprets the saying of the Prophet which rejects pricing inspite of his followers' request in the following manner. "It was a special case and not a general ruling. It is not in the report that someone has refrained from selling or doing something which was obligatory, or charged more than the compensation of the equivalent (iwaḍ al mithl)."3 According to him the

1ibid. p. 40.
2ibid. p. 47.
3ibid. pp. 41-42.
price rise facing the Prophet was caused by market forces and not by imperfection in the market. It was a case of shortage i.e. decrease in supply due to decrease in production and not a case of hoarding or withholding of supply by the sellers.

He proves that the prophet himself imposed just price in two individual disputes: First when, in a case of granting freedom to a jointly owned slave, he decreed that the just price (qīmah 'adl) of the slave should be assessed without any addition or reduction (lā wakasa wa lā shatata) and each one be given his share and the slave should be set free.¹

The second occasion is reported as a dispute among two persons - one having a tree in the land of other. The owner of the land was harmed by the trespassing of the tree owner. So he took the matter to the Prophet. The Prophet ordered him to sell the tree to landowner and accept the compensation, or just donate it to him. The man did neither. So the Prophet allowed the landowner to cut it down...² It is not known from the source whether he made the landowner pay the price of tree. But it appears that Ibn Taimiyah thinks that he did so.

After quoting these events at two different places in his book al Hisbah, he argues that what the Prophet has done in these two cases is nothing but pricing.³ He further says, "If pricing is done due to one person's need, it is more logical to do it for the common public's need for food, clothing and housing, as these public needs have far greater importance than one individual's need."⁴

¹ cf., ibid. p. 42.
² cf., ibid. p. 50.
³ cf., ibid. p. 43.
⁴ cf., ibid. p. 43.
One more reason for the refusal of the price fixation by the Prophet was that "at that time there was no particular group in Madīnah who engaged in trade. Sellers and buyers were the same people (min jins wahid). Nobody could be forced to sell an object. When seller could not be ascertained, on whom would price be imposed?"\(^1\) That is, price fixation is feasible only if there is a known group engaged in trade and business and due to his manipulation, price increases. In the absence of these conditions price cannot be fixed, because it cannot be fixed on those who are not suppliers. Otherwise it will be meaningless or unjust. According to Ibn Taimiyah, goods sold in Madīnah were mostly by importers. Any control on their prices meant creating further shortage and worsening the condition. It is therefore importation was encouraged by the saying of the Prophet as "One who brings in goods is favoured in livelihood while forestaler is condemnable." So really speaking people of Madīnah were not in need of price fixation.\(^2\)

It appears from the above statement that price fixation is advisable only if the stock holders at home or middlemen raise the prices. If the whole supply depends on import and in the case of price fixation, import-cut is feared then it is better not to fix the price and leave the people to increase the supply of goods and benefit each other. An unrestricted import is expected to increase the supply and thus bring the prices down.

3. PRICE REGULATION POLICY AS SUGGESTED BY IBN TAIMIYAH

As far Ibn Taimiyah's views are concerned, he has discussed the problem in detail. He distinguishes between "two types of price—

\(^1\)ibid. p. 42.
\(^2\)ibid. pp. 35, 42.
fixation - unjust and invalid, and just and valid."\(^1\) Prohibited and unjust price is that which has been exercised in the wake of price rise caused by the free play of competitive market forces - shortage of supply or increase of demand, as we have already mentioned it (p. 76).

Though he never used the term competition nor did he mention all the conditions of perfect competition at one place and in clear terms yet from the views expressed at different places in his book *al Ḥisbah* about market it is clear that he had some of the conditions of perfect competition in his mind. For example, he quotes that "to force people on sale of the objects which is not obligatory to sell, or restrict them from selling a permissible object is injustice and injustice is unlawful."\(^2\) It means they have full freedom to enter or quit the market. He advocates exclusion of the monopolistic element from the market and therefore he is against any collusion among professional men or any group of sellers and buyers.\(^3\) He emphasizes knowledge of market and the commodity, as the contract of sale and purchase depends on consent, 'and consent requires knowledge and understanding.'\(^4\) Homogeneity and standardization of the product is advocated by condemning adulteration, fraud and deception regarding product.\(^5\) He had a notion of a well behaved market of which knowledge, honesty and fair play, and freedom of choice were the essential elements.

But at the time of emergency like famine and starvation, he recommends fixation of price by government and forced-sale of the essential commodities like foodstuffs. He says, "It is for the authority to compell a person to sell his goods at just price when people are in need of it. For example, he has surplus food and people are confronted with starvation, then in this case he

\(^1\) cf., ibid. p. 24.
\(^2\) ibid. *al Ḥisbah*, p. 41
\(^3\) cf., ibid. p. 25.
\(^4\) cf., ibid. pp. 49,50.
\(^5\) cf., ibid. p. 21.
will be forced to sell at just price."¹ According to him, com-
plusion on sale is not allowed without sufficient reason, but it
is allowed if sufficient reason exists.²

He seems to have a sense of difference between stock and supply
which is a flow concept. We find him aware of the fact that price
control would have adverse effect on supply, whereas if a stock
of goods is available price regulation may not harm the buyers.
As far as pricing in emergency conditions like famine, war etc.
is concerned, even the modern economists accept that price
regulation is more effective and successful in such conditions
than other. To quote the Nobel laureate Paul A. Samuelson,
Patriotism is more effective in motivating people to brief acts
of intense heroism than to putting up day after day with an
uncomfortable situation."³ He further says, "Such emergency
measures work very well in emergencies but may create more and
more distortions the longer they are in effect. Economists
therefore tend to recommend that such direct fiats be reserved for
emergency periods and not be squandered on minor peace time situ-
ations."⁴

a. Imperfections of the Market. Apart from the condition of
draught and war, Ibn Taimiyah recommends price fixation by the
government whenever imperfections, enter the market. For instance,
if sellers (arbâb al silâ) abstain from selling their goods
except at a higher price than the normal one (al qîmah al mafrûfah)
and at the same time people need these goods, they will be
required to sell them at the price of the equivalent."⁵

p. 392.
⁴ibid. p. 393.
⁵Ibn Taimiyah. al Hisbah. p. 25.
An obvious example of imperfection in the market is that of monopoly in food and other goods. In this case the authority should fix the price (qīmah al mithl) for their sale and purchase. Monopolist should not be left to exercise his power; otherwise he will set a price in his own favour, involving injustice (ẓulm) to people.\(^1\)

At this point, Ibn Taimiyah describes a basic principle for the removal of injustice. "If abolition of the whole of injustice is not possible, one is obliged to eliminate it to the extent he can."\(^2\) That is, if monopoly cannot be prevented, it must not be left to victimize others, hence price regulation becomes inevitable.

Muslims in the middle ages were so much against hoarding and monopoly that they considered dealing with monopolists as sin. We find a number of questions in his \textit{Fatāwā} in which his opinion was sought about its validity.\(^3\) Although he was against monopolies, he allows the buyers to purchase goods from monopolists, because in the case of prohibition people would face hardship.\(^4\) Instead he advocates price fixation by the state.\(^5\)

He does not allow sellers to have an agreement to sell at a predetermined price, nor buyers to combine so that they form one party in order to obtain commodities at a lower price,\(^6\) — a case similar to monopsony.

As he is against monopoly, so he opposes any price discrimination

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\(^3\)cf., idem. MFS. Vol. XXIX, pp. 238-63.
against a buyer or seller who does not know the price prevailing in the market. He says, "A seller is not allowed to charge an exorbitant price, not common in the society, from an unaware person (mustersil)" but he must sell his goods at the customary price (al qīmah al mu'tādah) or nearby it. If a buyer has been charged such an exorbitant price he has the right to review his business contract.... A person known to discriminate in this way should be punished and deprived of the right to enter the market."  

His opinion is based on a saying of the prophet quoted as "To charge a very high price from an unaware person is usury (Ghaban al mustersil ribā)."

b. Committee Idea. Ibn Taimiyah does not favour authoritarian fixation of prices. He allows its fixation after negotiation, discussion and consent of the people concerned. In this connection he explains a method proposed by one of his predecessors - Ibn Ḥabīb. According to him "the Imam (authority-in-charge) should call a meeting of market representatives (wujūh ahl al suq). The others also should be admitted to the meeting so that they could verify their statement. After negotiation and investigation about their sale and purchase he should persuade them to a price that can support them as well as the common people. Thus they all might agree. Price cannot be fixed without consent and agreement."  

To describe the purpose of this committee idea he quotes another jurist Abul Walīd who says that "the logic behind this provision is to know, in this way, the interests of sellers and buyers and fix a price that should bear a profit to fulfil their needs and that would involve no embarrassment for people. If a price has been imposed without their consent leaving them no profit, such a price would be corrupt, foodstuffs would be concealed and people's

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1 ibid. pp. 359, 360.
2 idem. al Uṣbah. p. 41.
goods would be destroyed.\(^1\)

He points out clearly the defects of arbitrarily fixed prices which do not enjoy popular support. For example, black or gray markets or downgrading the quality of the 'same' goods that are sold at a fixed price. Such fears were expressed also by Ibn Qudāmah as we have seen in the preceding pages. The same defects are discussed by the modern economists too. There is no doubt that these defects can be reduced or removed if prices are fixed by mutual consultation and by creating a sense of moral obligation and dedication to public interest.

c. Price Regulation in the Factor Market. There remains an important question to answer; that is, whether he said anything about controlling the prices of factors of production. In this market too he applied the same rule which he had applied in the goods market. He says, "If people are in need of the services of artisans and cultivators, while they refuse to offer them or create some sort of imperfection in the market, the state should fix their prices. And the purpose of this price control is to protect the employers and employees from exploitation of each other."\(^2\) What Ibn Taimiyah has said relates to labour but the same might be said regarding other factors also.

4. SUMMARY OF THE DISCUSSION

To sum up the foregoing discussion we can say, Ibn Taimiyah's stand is in between two extremes -- absolute prohibition and the unconditional state regulation of the prices. In price fixation both upper and lower limit can be fixed and interest of both

\(^1\)ibid. p. 41.
\(^2\)cf., ibid. pp. 27,30,34.
sellers and buyers will be protected. All jurists agree that a person will be forced to sell his goods at the price of the equivalent if he is legally bound to sell them. Hoarders and monopolists come under this rule. The Prophet rejected price fixation because the reasons for rising prices at that time were natural and not due to people's action. So this cannot be quoted in support of negation of price control. The Prophet himself fixed prices in some individual cases. Ibn Taimiyah does not favour price control when competitive market forces are allowed to work freely. He recommends price regulation in the case of monopoly and imperfection in the market. The same principle will be applied to labour and other services. The basic point in this connection is that "if people's wants are satisfied while they are producing in a quantity which is enough for the public and they deal in their products at normal price (al thaman al Ma'ruf), no price regulation is needed. But if people's wants are not satisfied without resorting to just pricing (al tas'iir al 'adil), then the prices will be regulated, justly without any excess or harm (lā wakas wa lā shaṭat) to any body."^1

^ibid. p. 51.