

# REACTUALIZATION OF IBN KHALDUN'S TAXATION THEORY: A FISCAL POLICY PERSPECTIVE IN BUILDING ECONOMIC RESILIENCE DURING A RECESSION

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**Abstract:** *The global economic recession demands the formulation of fiscal policies that are not only oriented towards increasing state revenues, but also towards strengthening economic resilience and sustainable growth. In this context, Ibn Khaldun's classical economic thought offers an alternative conceptual framework that emphasizes fiscal justice, tax moderation, and economic productivity. This study aims to reactualize Ibn Khaldun's taxation theory from a modern fiscal policy perspective and analyze its relevance in building economic resilience during a recession. This study uses a qualitative approach with conceptual analysis and literature study methods, sourced from the book *al-Muqaddimah* and contemporary fiscal economics literature. The analysis is conducted through a thematic and comparative approach between Ibn Khaldun's taxation concept and modern taxation theory. The results show that Ibn Khaldun's taxation principles, such as moderate tax rates, expanding the tax base, and strengthening fiscal legitimacy and compliance, are highly relevant in designing countercyclical fiscal policies. This reactualization of thinking provides a conceptual contribution to the development of fairer, more productive, and more sustainable fiscal policies in the face of economic crises.*

**Keywords:** *Ibn Khaldun, Taxation Theory, Fiscal Policy, Economic Resilience, Recession.*

## Introduction

Economic resilience is a fundamental issue in economic studies, particularly in fiscal policy studies, particularly during times of global economic turmoil or recession. An economic recession is characterized not only by a contraction in gross domestic product growth but also by rising unemployment, weakening investment, and declining purchasing power. These conditions then require the government to act quickly to formulate fiscal policies that can keep the country on track. These policies are formulated not only for short-term stability but also for long-term economic stability. In policy formulation, the tax sector plays a crucial role as the primary instrument of fiscal policy, functioning not only as a source of state revenue but also as a tool for economic stabilization, income redistribution, and strengthening national economic resilience.

As a fundamental factor in fiscal policy, taxes in the modern era face a dilemma between increasing state revenues or slowing the economy due to the decline in purchasing power resulting from the tax burden borne by the public. Overly aggressive fiscal policies, especially during a recession, risk worsening economic conditions and increasing economic contraction by suppressing productivity and public consumption. Therefore, an alternative policy framework or solution is needed that can benefit the state and society. In this regard, classical economic

thought—particularly the taxation theory proposed by Ibn Khaldun—offers an important conceptual foundation for reexamination and reactionary implementation.

Ibn Khaldun's phenomenal work, *al-Muqaddimah*, is considered one of the most important foundations in social science and economics. Ibn Khaldun's book, *al-Muqaddimah*, not only discusses history and social dynamics but also outlines the relationship between taxes, societal productivity, and the government's role in managing public finances. He provides important principles for increasing taxes that are well-targeted and can increase economic growth and public welfare. He also discusses how excessively high taxes can weaken work enthusiasm and productivity (Maulidizen, 2019). Thus, Khaldun's thoughts are highly relevant to be re-examined in the context of modern fiscal policy, particularly in the face of the pressures of global economic recession.

The ideas written by Ibn Khaldun demonstrate that the concept of economic resilience is not a new idea, but rather one that has long been developing and has been part of economic development since the 14th century. Therefore, the taxation concept proposed by Ibn Khaldun is relevant in discussions of modern fiscal policy, particularly when facing recurring economic recessions.

Although fiscal policy is recognized as a key instrument in responding to economic recessions, its implementation in many countries still faces numerous conceptual and structural challenges. A common problem is the government's tendency to increase the tax burden or expand the tax base to cover budget deficits without considering the economic capacity of the public and the business world. Such policies have the potential to reduce purchasing power, weaken the productive sector, and slow post-recession economic recovery. In addition to conceptual and structural issues, modern taxation also tends to focus on technocratic aspects, such as efficient resource allocation and revenue optimization, while relatively ignoring the social, political, and moral dimensions of tax policy. Yet, state legitimacy and public tax compliance are strongly influenced by perceptions of fairness and the benefits of taxes themselves (Torgler, 2007).

Ibn Khaldun's ideas on the state and taxation are still positioned as a historical study of economic thought, not as an analytical framework applicable to state fiscal policy. Consequently, the potential contribution of Ibn Khaldun's taxation theory is still limited. In formulating fiscal policies oriented towards economic resilience has not been utilized optimally.

Based on the background of the problem that has been explained, this research will focus on the reactualization of Ibn Khaldun's tax thinking in the context of modern fiscal policy and analyze the extent to which this theory can contribute in the context of modern fiscal policy in building economic resilience during a recession.

This research aims to actualize Ibn Khaldun's tax theory as an alternative conceptual framework for formulating fiscal policies oriented toward economic resilience. Specifically, this research aims to examine the basic principles of taxation according to Ibn Khaldun and analyze their relevance to modern fiscal policy in the face of economic recession.

Studies or research on Ibn Khaldun's tax concept have been conducted previously, such as research (Chapra, 2008), which explains that Ibn Khaldun's development theory is holistic and encompasses economic, social, and political dimensions. Other research explains that Ibn Khaldun, in his tax policy ideas, emphasized the need for proportionality and justice as prerequisites for achieving social welfare, expanding state revenues, and strengthening state legitimacy (Fadhly Nasution & Batubara, 2026).

Meanwhile, modern economic literature on fiscal policy and recessions has highlighted the role of fiscal stimulus, automatic stabilizers, and budget deficits as the main instruments of economic recovery (Blanchard & Johnson, 2017).

Based on the various research studies that have been conducted, significant research gaps remain, such as the lack of systematic research that actualizes Ibn Khaldun's taxation theory in the modern era during a recession. Furthermore, the research conducted remains at the historical descriptive level and has not been developed within an analytical framework and public policy concepts. Another gap is that the literature on economic resilience is still dominated by conventional economic paradigms and has not yet integrated classical Islamic economic thought.

This research not only reinterprets Ibn Khaldun's thoughts historically but also adapts them to the modern economic context and the challenges of recession. The justification for this research is based on the need for a more holistic, equitable, and sustainable fiscal policy paradigm. By integrating Ibn Khaldun's thoughts into contemporary fiscal policy discourse, this research is expected to enrich the economic literature and provide conceptual alternatives for formulating fiscal policy during times of crisis.

### Literature Review

In modern economic literature, taxes are not only defined as state revenue, but also as a means of economic distribution, such as income generation, economic stabilization, and increasing national economic resilience. Re-analyses of the impact of taxes on consumption, distribution, and the effectiveness of fiscal policy continue to develop, particularly through *systematic literature review*. This study maps empirical evidence from recent international publications (2018–2022) on the effects of taxes on income, consumption, and economic stabilization. The results of this study indicate that consumption tax instruments, for example, play a significant role in influencing consumption patterns and a country's fiscal capacity more fairly and effectively in a modern macroeconomic context (Srimaryani, 2024).

Modern tax theory emphasizes the importance of the concepts of social justice and legitimacy. Tax compliance is influenced not only by tax rates but also by public perceptions of the fairness and transparency of the tax system. A tax system perceived as fair and providing tangible benefits to the public tends to increase voluntary compliance, thereby broadening the tax base in a sustainable manner (Saidah et al., 2021).

In *conceptual optimal taxation* explains that optimal tax rates must be designed to minimize economic distortion while achieving the goal of income redistribution. Tax optimization is based not only on the amount of the tax payable, but also on the quality of tax administration, the effectiveness of oversight, and the digitalization of taxation (Septianingrum et al., 2025).

Various studies that have been conducted show that the concept of contemporary taxation has developed towards a holistic approach and integrates the economic, political and social aspects of society within an institutional framework.

### Method

This research is included in qualitative research with the type of conceptual analysis and literature study (*library research*). This approach was chosen because the primary objective of the research was not to statistically test causal relationships, but rather to explore, interpret, and reconstruct Ibn Khaldun's theoretical thinking on taxation and to relate it to the context of modern fiscal policy to build economic resilience during recessions. Conceptual research is considered appropriate when the object of study is normative and philosophical economic ideas, theories, and constructs.

This research employs an exploratory descriptive-analytical approach, systematically presenting Ibn Khaldun's taxation concept in the book *al-Muqaddimah*. The analytical approach is adopted because it not only focuses on presentation but also critically analyzes the influence, relevance, and implications of Ibn Khaldun's taxation concept within modern fiscal concepts. The exploratory approach aims to explore the possibility of developing a new conceptual

framework based on Ibn Khaldun's thinking in building economic resilience during a recession. The descriptive-analytical approach in qualitative research is widely used in public policy and economic studies, particularly studies that bridge theory and practice (Creswell & Poth, 2018).

The data used in this study are derived from primary and secondary sources. The primary source is taken from Ibn Khaldun's *Kitab al-Muqaddimah*. Secondary sources are obtained from scientific journal articles, monographs, and academic books related to contemporary taxation concepts and Ibn Khaldun's tax policy concepts.

The data collection technique in this study uses *library research* using a narrative literature review approach. Data collection was conducted through literature identification, selection based on source credibility, literature classification, and literature synthesis. This data collection technique aimed to integrate various research findings into a coherent and argumentative conceptual framework.

The data analysis techniques used in this study were thematic analysis and comparative conceptual analysis. Thematic analysis was used to identify key concepts in Ibn Khaldun's thought related to taxation, such as tax moderation, fiscal justice, economic productivity, and state sustainability. Furthermore, comparative conceptual analysis was used to compare these concepts with contemporary taxation and fiscal policy theories. The data analysis steps used were data reduction, concept categorization, interpretation of results, and conceptual reconstruction.

## Result and Discussion

### 1. Biography of Ibn Khaldun

Ibn Khaldun was one of the phenomenal thinkers in Islam with the full name Waliyuddin Abdurrahman bin Muhammad bin Muhammad bin Muhammad bin Hasan bin Jabir bin Muhammad bin Muhammad bin Abdurrahman bin Khaldun. He was born in Tunisia on 1 Ramadhan 732 Hijri or May 27, 1332 AD and died in Cairo, Egypt on 25 Ramadhan 808 Hijri or March 19, 1406 AD. He came from the Andalusian aristocratic class who migrated to North Africa. As an aristocrat, Ibn Khaldun then got access to the best education and religion, especially in the field of in-depth study of the Qur'an, hadith, fiqh, mathematics, logic, and philosophy.

As an Islamic intellectual, Ibn Khaldun wrote many books, the most phenomenal of which is the *Muqaddimah*. This *Muqaddimah* serves as an introduction to various other works and is considered the initial foundation of the social science model. In the *Muqaddimah*, Ibn Khaldun discusses the causal relationship between taxes, economic activity, culture, social life, power (government), and societal welfare (Chapra, 2014).

In an economic context, Ibn Khaldun rejected the view that state power is solely determined by the amount of taxation. Instead, he emphasized that fairness, tax moderation, and the economic productivity of society are the main foundations of state sustainability. This view makes Ibn Khaldun highly relevant for reexamining in the context of modern fiscal policy, especially amidst economic crises and recessions.

### 2. The Concept of Tax in Ibn Khaldun's Thought

Ibn Khaldun's tax theory is a phenomenal work in economic thought. His tax theory is summarized in the legal concept of an inverse relationship between tax rates and medium- to long-term returns (Islahi, 2015)

It was Ibn Khaldun's life experiences during the decline of Islam that later shaped his revolutionary scientific methodology: the empirical-inductive approach. He deduced social laws from careful historical observation, not from mere philosophical speculation. His monumental work, *Al-Muqaddimah*, originally an introduction to a history book, became a masterpiece that

established the foundations of sociology and historical economics. Islahi (2015) states that Ibn Khaldun's book *al-Muqaddimah* is "a treasure trove of various sciences such as history, sociology, geography, economics, political science, and psychology. Ibn Khaldun's study and ideas on taxation are inseparable from his holistic analysis of the cycle of civilization (*umran*), where fiscal policy is considered a determining factor in accelerating progress or deepening the decline of a nation.

According to Ibn Khaldun, the development of taxes is divided into early and late phases. In the early phase, taxes generated large revenues from small levies. The initial phase saw substantial tax revenues because the government levied low, proportional taxes, and limited them to clearly defined categories. This situation was supported by fair governance and created significant incentives for the public. The impact of this initial phase resulted in increased economic activity, with a high tax base and aggregate state revenues. In the final phase (decline), taxes generate little revenue from large levies. In the final phase, the state receives low tax revenue due to increasing fiscal needs, a sluggish bureaucracy, and the lifestyle of those in power who burden the people with high tax rates and arbitrary new levies. These conditions and policies then lead to a weakening of economic activity, an increasing tax base, and a decline in aggregate tax revenue (Islahi, 2015).

From the basic principles and concepts of the taxation phase mentioned by Ibn Khaldun, several very modern tax policy principles were born.

- a. **The Principle of Incentives and Relief:** The main principle is to "reduce as much as possible the number of individual levies imposed on people who are capable of running cultural businesses" (Suhaila Tajuddin & Muhammad, 2019). The emphasis of this principle is that tax rates must be set low so that incentives to work are not reduced and people can pay taxes voluntarily. This is an intuitive understanding of the deadweight loss of taxes and the importance of voluntary tax compliance.
- b. **The Principle of Justice and Proportionality:** The principle of taxation is that it must be fair, treating everyone equally without discrimination, and only burdening those who can afford to pay. Taxes must also be proportional, not burdensome enough to hinder community productivity (Nurjannah, 2024).
- c. **Opposition to Misguided State Intervention:** In this principle, Ibn Khaldun emphasized the dangers of rulers or governments directly intervening in the business world and attempting to monopolize trade. When rulers intervene in the business world, it stifles the competitive spirit and private initiative that are vital sources of state tax revenue (Islahi, 2015).
- d. **Ideal State Functions and Optimal Taxation:** According to Ibn Khaldun, an ideal state should have the functions of managing law, security, order, and property rights as the foundation for all economic activities in society. To finance these essential functions, the state should only collect minimal taxes, a concept that anticipates the theory of optimum taxation.

### 3. The Relevance of Ibn Khaldun's Tax Concept in the Modern Era

The basis of Ibn Khaldun's tax theory lies in the formulation of universal economic laws. (2015) argues that only Ibn Khaldun is so attuned to contemporary concerns. This relevance is confirmed in several pillars of modern economics.

**Precursor to the Laffer Curve and Supply-Side Economics:** The concept of an inverse relationship between tax rates and revenues makes Ibn Khaldun widely recognized as the precursor to the Laffer Curve. The idea that tax rate cuts can stimulate economic activity and thus increase tax revenues is at the heart of supply-side economics, influencing policy in many countries (Islahi, 2015).

**Pioneers of tax compliance theory and empirical analysis:** Suhaila Tajuddin & Muhammad (2019) compared Ibn Khaldun's tax theory with modern economic deterrence theory

and found that their main assumptions are the same: increasing tax rates will result in reduced tax revenue. This comparison then revealed that Ibn Khaldun's tax concept is not merely a historical theory, but a concept that can be measured and applied in analyzing modern taxpayer behavior.

#### 4. Reactualization for Economic Resilience

Based on the analysis above, the reactualization of Ibn Khaldun's thoughts in the context of the threat of global recession and domestic economic challenges can be formulated within the framework of a wise (*hikmah*) and long-term oriented fiscal policy.

##### a. Designing a "Smart" and Productive Counter-Cyclical Fiscal Stimulus

During a recession, fiscal stimulus drawn from the budget deficit is necessary. Ibn Khaldun's concept stipulates that this stimulus must be based on expanding the long-term economic base. Allocations from the budget deficit are used for capital expenditures, which have a high multiplier effect and create new product capacity, such as logistics infrastructure, technology research and development, and so on.

Economic stimulus during a recession must be implemented carefully. According to Khaldunian's logic, raising tax rates during difficult times could increase the risk of declining purchasing power, narrow the economic base, and be counterproductive to economic recovery. If necessary, it must be accompanied by a highly targeted compensation mechanism for vulnerable groups and balanced with incentives on the production side.

##### b. Structural Reform of the Tax System Towards

Evaluation of the Optimal Point of Tax Rates, an empirical study is needed to evaluate whether the tax rate structure in Indonesia is at the Khaldunian "optimal" point—low enough to encourage investment, business formalization, and voluntary compliance.

Expanding the Tax Base through Simplification and Fairness: The focus of reform should be on comprehensive taxpayer data collection, system simplification, and fair law enforcement. Improving fiscal legitimacy by ensuring transparency in tax use and combating illegal levies is just as important as raising rates.

Tax Expenditure Review: Various tax exemptions and relief facilities need to be evaluated for their effectiveness. The principle of "low rates, broad base, no distortion" should be the guiding principle.

##### c. Strengthening the Role of the State as a Facilitator and Guardian of a Healthy Business Ecosystem

In this section, the government's role as a guardian of state stability must create a conducive business climate and ensure legal certainty, protection of intellectual property rights and clear regulations.

##### d. Building Social Cohesion ('*Asabiyyah*) through Fiscal Legitimacy and Social Protection

Economic resilience is built not only by macroeconomic figures, but also by social cohesion and public trust. The benefits of tax collection must be felt through the provision of quality public goods and transparent budget management. In times of recession, a well-targeted and adequate social safety net is absolutely essential to protect the most vulnerable groups.

## Conclusion

This study concludes that Ibn Khaldun's tax theory has strong relevance and applicability in the context of modern fiscal policy, particularly in the face of economic recession. Ibn Khaldun asserted that moderate, fair, and proportional taxes can boost economic productivity, broaden the tax base, and sustainably increase state revenue. Conversely, excessive and unfair tax policies have the potential to suppress economic activity, weaken public purchasing power, and accelerate economic decline.

The reactualization of Ibn Khaldun's thinking demonstrates that economic resilience is determined not only by the size of fiscal revenues, but also by the quality of fiscal policy itself, particularly in maintaining economic incentives, state legitimacy, and social cohesion. In the context of a recession, fiscal policy oriented toward productive incentives, prudence in raising tax rates, and strengthening the state's role as an economic facilitator becomes crucial. Ibn Khaldun's thinking also emphasizes the need to integrate economic, social, and moral dimensions in the formulation of tax policy.

Thus, this research implies that modern fiscal policy needs to adopt a more holistic and long-term approach, as proposed by Ibn Khaldun. A reactualization of Ibn Khaldun's tax theory can serve as an alternative conceptual framework for governments in designing fiscal policies that are not only responsive to short-term crises but also capable of building sustainable economic resilience.

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