

# Study on the oriental school of economic thought history essay



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The oriental school of economic thought basically deals with the study of the origin of economic thought from various ancient societies including the Hindu, Hebrew, Indian, Roman, Greek, and Islamic societies. It has been observed that the main area looked into by the Hebrews and Hindus was based on agricultural economics and all this information was drawn from the writing of the pious law givers who were present at the time. These ancient writings consisted of ideas on various economic aspects such as: division of labour, cottage industries, forest and mines, trade and trading practices, concept of wealth, transport, banking and loans, etc. Some of the writers who also played a role in the development of this economic thought include Roman writers such as Cicero, Pliny Gato, Varro and Columella.

During this period, and until the industrial revolution, economics was not a separate discipline but part of philosophy. Its evolution into a distinct discipline of study in the social sciences can be attributed greatly to these early writers. Roman law also developed the 'contract' recognizing that planning and commitments over time are necessary for efficient production and trade. This large body of law was unified as the 'Corpus Juris Civilis' in the 530s AD by Justinian, who was Emperor of the Eastern Roman Empire. In Ancient India, Chulavamsa records that Parakramabahu of Sri Lanka had debased the currency of Ancient Sri Lanka in order to produce money to support this large scale infrastructure projects. Parakramabahu also pioneered free trade during his reign. Many of the topics discussed during these ancient times are still prevalent in modern economics, including discussions on the management of a solid and efficient economy and the

ethics of economics. These ancient thoughts also focused on issues of welfare, for instance, redistribution of wealth during a famine.

## **STATEMENT OF THE PROBLEM**

Ancient economic thought is very much wide and its study provides a broad basis for comparison of the ancient approach to economic issues as compared to issues arising in the modern world economies. The large number of ancient thinkers who contributed to this thought differed in beliefs and practices. Also, information on some of these ancient cultural-economic practices is very scanty and thus makes this enquiry into the oriental school of economic thought necessary so as to be able to get a better understanding of the underlying economic issues of both the past and present.

## **JUSTIFICATION**

With the evolution of economics, many writers have come up with different theories about different areas in the subject. So as to be able to critically assess these different theories and understand the unity which connects us with the ancient times, knowledge on the origin of the early stages of economic thought is necessary for one to be able to take a well informed and unbiased stand on contentious economic issues arising today and hence the need for this study.

## **OBJECTIVES OF THE STUDY**

To understand the principles and concepts of the oriental school of economic thought.

To know the key contributors of ancient economic thought.

To evaluate and criticize how the ancient societies carried out their economic activities.

To find out the major contributions of the oriental school of thought to the body of knowledge that exists today.

To get a clearer understanding of the position of economics as a distinct member of a group of social sciences.

## **Ancient near East**

Economic organizations in the earliest civilizations of the Fertile Crescent were driven by the need to efficiently grow crops in the river basins. The Euphrates and Nile Valleys were homes to earliest examples of codified measurements written in base 60 and Egyptian fractions. Keepers of royal granaries and absentee Egyptian land owners reported in the Heganakht Papyri. Historians of this period note that the major tool of accounting for agrarian societies, the sales used to measure grain inventory, reflected dual religious and ethical symbolic meaning. The Erlenmeyer tablets give a picture of Sumerian production in the Euphrates valley around 2, 200 – 2, 100 B. C., and shows an understanding of the relationship between grain and labour inputs (valued in “ female labour days”) and outputs and an emphasis on efficiency. Egyptians measured work output in man-days. The development of sophisticated economic administration continued in the Euphrates and Nile Valleys during the Babylonian Empire and Egyptian Empires when trading units spread through the Near East within monetary systems.

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Egyptian fraction and base 60 monetary units were extended in use and diversity to Greek, early Islamic culture, and medieval cultures. By 1202 A. D, Leonardo Pisa Fibonacci use of zero and Vedic-Islamic numerals motivated Europeans to apply zero as an exponent, birthing modern decimals 350 years later. The city states of Sumer developed a trade market economy based originally on the commodity money of the shekel which was a certain weight measure of barley, while the Babylonians and their city state neighbours later developed the earliest system of economics using a metric of various commodities, which was fixed in a legal code. The early law codes from Sumer could be considered the first (written) economic formula, and had many attributes still in use in the current price system today, such as codified amounts of money for business deals (interest rates), fines in money for wrong doing, inheritance rules, laws concerning how private property is to be taxed or divided, etc.

## **Ancient Greco-Roman world**

Some prominent classical scholars assert that relevant economic thought was based on metaphysical principles which are incommensurate with contemporary dominant economic theories such as neo-classical economics. However, several ancient Greek and Roman thinkers made various economic observations especially Aristotle and Xenophon. Many other Greek writings show understanding of sophisticated economic concepts. For instance, a form of Gresham's law is presented in Aristophanes' *Frogs*, and beyond Plato's application of sophisticated mathematical advances influenced by the Pythagoreans in his appreciation of fiat money in his *Laws*: (742 a-b) and in the pseudo-Platonic dialogue, *Eryxlas*.

Bryson of Heraclea was a neo-platonic who is cited as having heavily influenced early Muslim economic scholarship. The influence of Babylonian and Persian thought on Greek administrative economics is present in the work of Greek historian Xenophon. Discussions of economic principles are especially present in his *Oeconomicus*, his biography of Cyrus the Great, *Cyropaedia*, *Hiero* and *Ways and Means*. *Hiero* is a minor work which includes discussion of leaders stimulating private production and technology through various means including public recognition and awarding of prizes. *Ways and Means* is a short treatise on economic development, and showed an understanding of the importance of taking advantage of economies of scale and advocated laws promoting foreign merchants. The *Oeconomicus* discusses the administration of agricultural land. In the work, subjective personal value of goods is analyzed and compared with exchange value; Xenophon gives an example of a horse which may be of no use to a person who does not know how to handle it, but still has exchange value. In *Cyropaedia*, Xenophon presents what in hindsight can be seen as the foundation for a theory of fair exchange in the market which will result in the analysis of better fit or suitability to either party who wants to purchase the same item. Xenophon discusses the concept of division of labour, referencing specialized cooks and workers in a shoe making shop. Marx attributes to *Cyropaedia* the idea that the division of labour correlates to the size of a market.

Roman law developed the contract recognizing that planning and commitments over time are necessary for efficient production and trade.

## **Ancient India**

Chulavamsa records that Parakramabahu I of Sri Lanka had debased the currency of Ancient Sri Lanka in order to produce monies to support his large scale infrastructure projects. Parakramabahu I also pioneered free trade during his reign, a war was fought with Burma to defend free trade.

Chanakya (c. 350 BC – 275 BC) considered economic issues. He was a professor of Political Science at the Takshashila University of Ancient India, and later the Prime Minister of the Mauryan Emperor, Chandragupta Maurya. He wrote the Arthashastra (“science of material gain”). Many of the topics discussed in the Arthashastra are still prevalent in modern economics, including its discussions in the management of an efficient and solid economy. Chanakya also focuses on issues of welfare, for instance, redistribution of wealth during a famine and the collective ethics that hold a society together.

The Arthashastra argues for an autocracy managing an efficient or solid economy. The qualities described are in effect that of a command economy. It discusses the ethics of economics and the duties and obligations of a king. Chanakya writes on the economic duties of a king:

The king shall be ever active in the management of the economy.

The root of wealth is economic activity and lack of it brings material distress.

In the absence of fruitful economic activity, both current prosperity and future growth will be destroyed.

A king can achieve the desired objectives and abundance of riches by undertaking productive economic activity.

## **Ancient China**

Ideal and effective economic policy was long sort for in ancient China, one of the greatest early reformers being the Emperor Qin Shi Huang (r. 221 BC – 210 BC), who standardized coin currency throughout the old warring states once he unified them under a strong central bureaucracy (which the Zhou dynasty had always lacked). However, one of the greatest reformists in China lived during the medieval Song dynasty (960 – 1279 AD), that being Chancellor Wang Anshi (1021 – 1086 AD). Wang Anshi's political faction of the New Policies Group enacted a series of reforms that centered on military reform, bureaucratic reform and economic reform. The economic reforms included low cost loans for farmers who he considered the backbone of the Chinese economy in terms of production of goods and the greatest source of the land tax. Replacing the corvee labour service with a tax instead, he enacted government monopolies on crucial industries producing tea, salt, and wine, introduction of local militia to ease the budget spending on the official standing army of one million troops and the establishment of a Finance Planning Commission staffed largely by political loyalists so that his reforms could pass quickly with less time for conservatives to oppose it in court.

## **Medieval Islamic World**

To some degree, the early Muslims based their economic analyses on the Quran (such as the opposition of riba, interest) and from Sunnah, the sayings and doings of Muhammad.

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Early Muslim thinkers, Al-Ghazali (1058 – 1111 A. D.) classified economics as one of the sciences connected with religion, along with metaphysics, ethics and psychology. Authors have noted, however, that this connection has not caused early Muslim economic thought to remain static.

Persian philosopher Nasir al-Din-al-Tusi (1201 – 1274) presents an early definition of economics (what he calls Hekmat-e-madani, the science of city life) in discourse three of his ethics: “ the study of universal laws governing the public interest welfare”: in so far as they are directed, through cooperation, toward the optimal (i. e. perfection).

Many scholars trace the history of economic thought through the Muslim world, which was in a Golden Age from the 8th to 13th century and whose philosophy continued the work of the Greek Hellenistic thinkers and came to influence Aquinas when Europe “ rediscovered” Greek philosophy through Arabic translation. A common theme among these scholars was the praise of economic activity and even self-interested accumulation of wealth. The influence of earlier Greek and Hellenistic thought on the Muslim world began largely when Abbasid Caliph al-Ma’mun, who sponsored the translation of Greek texts into Arabic in the 9th century by Syrian Christians in Baghdad. But already by that time numerous Muslim scholars had written on economic issues, and early Muslim leaders had shown sophisticated attempts to enforce fiscal and monetary financing, use of deficit financing, use of taxes to encourage production, use of credit instruments for banking, including rudimentary savings and checking of accounts, and contract law.

The origins of capitalism and free markets can be traced back to Caliphate where the first market economy and earliest form of merchant capitalism took root between the 8th and 12th centuries, which some refer to as “Islamic capitalism”. A vigorous monetary economy was created on the basis of expanding levels of circulation of a stable high-value currency (the dinar) and the integration of monetary areas that were previously independent. Innovative new business techniques and forms of business organizations were introduced by economists, merchants and traders during this time. Such innovations included the earliest trading companies, credit cards, big businesses, contracts, bills of exchange, long distance, international trade, the first forms of partnerships and the earliest forms of credit, debt, profit, loss, capital (al-mal), capital accumulation (nama-al-mal), circulating capital, capital expenditure, revenue, cheques, promissory notes, trusts, startup companies, savings accounts, transactional accounts, pawning, loaning, exchange rates, bankers, money changers, ledgers, deposits, assignments, the double entry bookkeeping system, and lawsuits.

## **MAIN FINDINGS**

After going through the history of the oriental school of thought in the previous section, the following economic aspects come out clearly as having been discovered and practiced by these early thinkers:

### **The Concept of Production and Technology**

Ancient leaders stimulated private production and technology through various means including public recognition and awarding of prizes to successful inventors and producers.

## **Economies of Scale**

Ways and Means was a short treatise on economic development written by Xenophon, which showed an understanding of the importance of taking advantage of economies of scale in production activity and advocated for laws promoting foreign merchants.

## **Administration of Agricultural Land**

Agriculture was considered the most dignified occupation. In ancient India, the state took a leading part in developing agriculture and also demanded a fixed share of the gross produce.

## **Price system**

The early law codes from Sumer were the first (written) economic formula, and had many attributes still in use in the current price system today, such as codified amounts of money for business deals (interest rates), fines in money for wrong doing, inheritance rules, laws concerning how private property is to be taxed or divided, etc.

## **Grain and Labour Inputs Relationship**

The Erlenmeyer tablets gave a picture of Sumerian production in the Euphrates valley around 2, 200 – 2, 100 B. C., and showed an understanding of the relationship between grain and labour inputs (valued in “ female labour days”) and outputs and an emphasis on efficiency in production.

## **Output of Work**

The Egyptians measured work output in man-days.

## **Monetary Units**

The Egyptian fraction and base 60 monetary units were extended in use and diversity to Greek, early Islamic culture, and medieval cultures. By 1202 A. D, Leonardo Pisa Fibonacci use of zero and Vedic-Islamic numerals motivated Europeans to apply zero as an exponent, birthing modern decimals 350 years later and hence the development of monetary units.

## **Value**

Subjective personal value of goods was analyzed and compared with exchange value. Xenophon gave an example of a horse which may be of no use to a person who does not know how to handle it, but still has exchange value.

## **Theory of Fair Exchange**

Xenophon presented what in hindsight could be seen as the foundation of a theory of fair exchange in the market which will result in the analysis of better fit or suitability to either party who wants to purchase the same item.

## **Division of Labour**

Xenophon discussed the concept of division of labour, with reference to specialized cooks and workers in a shoe making shop who specialised in different tasks.

## **Free Trade**

Parakramabahu I pioneered free trade during his reign, this is evident because a war was fought with Burma to defend free trade in ancient India.

## **Welfare**

In India the leaders insisted on ensuring that the population as a whole has to be well looked after. For example, Chanakya focused on issues of welfare, for instance, redistribution of wealth during a famine and the collective ethics that held a society together.

## **Standardized Coin Currency**

Emperor Qin Shi Huang of Ancient China, standardized coin currency throughout the old warring states after he unified them under a strong central bureaucracy.

## **Low Cost Loans For Farmers**

In Ancient China Wang Anshi's political faction of the New Policies Group enacted a series of reforms that centered on military reform, bureaucratic reform and economic reform. The economic reforms included low cost loans for farmers whom he considered to be the backbone of the Chinese economy in terms of production of goods and the greatest source of the land tax.

## **Land Tax**

This was a source of revenue for the Ancient Chinese government from farmers, because during that period agriculture was the main driver of the economy.

## **Fiscal and Monetary Financing**

The Muslim leaders enforced various policy measures including fiscal and monetary financing, use of deficit financing, use of taxes to encourage production and use of credit instruments for banking.

## **Banking**

The early Muslim leaders had shown sophisticated attempts including rudimentary savings and checking accounts, and contract law.

## **Monetary Economy**

Between the 8th and 12th centuries, which some refer to as the period of “Islamic capitalism”, a vigorous monetary economy was created on the basis of expanding levels of circulation of a stable high-value currency (the dinar) and the integration of monetary areas that were previously independent of each other.

## **SUGGESTIONS**

The social organization manifested by the ancient civilizations should be critically looked at and applied to solve some socioeconomic problems still present today, especially in the developing nations.

The organization of government and formulation of policies during the ancient times leaves a lot to be admired. Governments of the modern economies should pick some of these values.

The concept of politics being looked at separately from economics and policy formulation should be followed in today’s modern economies for faster development and equality in the distribution of wealth.

Welfare economics should be taken as seriously as it was taken in ancient times. For example, during periods of drought or famine, governments should not let particular groups of people suffer and instead they should distribute the available resources to the entire population.

## **CONCLUSION**

There's no question or doubt as to whether ancient economic philosophies are still in extensive use today. The modern economy has evolved over centuries to become what it is today. The study of the history of economic thought enables the student to appreciate the contributions various writers have made to development of economics as a discipline. Although ancient economic theories were sometimes unclear, contradictory, or presented in a rudimentary manner, they form the basis of economic analysis today. These theories are still being used today by the world's largest and most complicated and sophisticated economies.

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