



Tracing the Development of Islamic Economic Thoughts in the Abbasid Era: The Legacy of Umar bin Khatab

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Abstract

The expansion of Islamic territories during the time of Umar ibn Khattab led to increasingly complex problems, especially in the economic field. During this period, Umar ibn Khattab introduced remarkable, though sometimes controversial, policies. These policies and ideas were extensively studied by scholars during the Abbasid Caliphate and became the foundation for the development of Islamic economic thought. This article reveals several areas where the study of Islamic economics made significant progress. It is based on a literature review using primary sources such as the books of Ali Muhammad As-Shalabi and Jaribah bin Ahmad Al-Haritsi, utilizing a historical approach. The research results show a strong scholarly tradition, accompanied by the documentation of many accounts from Umar ibn Khattab, especially in the domains of *kharāj*, *'usyr*, *jizyah*, and the institution of *al-hisbah*. This demonstrates that Umar ibn Khattab laid the intellectual foundations in the fields of economics and Islamic jurisprudence. During that time, scholarly studies on economics continued to develop. The books discussed by scholars of that era covered various aspects of Islamic economic thought, all of which were closely related to the government.

Keywords: Economic Policies, Abbasid Caliphate, Umar ibn Khattab.

Abstrak

Perluasan wilayah Islam pada masa Umar bin Khatab menyebabkan munculnya masalah yang semakin kompleks, terutama dalam bidang ekonomi. Selama periode ini, Umar bin Khatab memperkenalkan kebijakan yang luar biasa, meskipun kadang kontroversial. Kebijakan dan gagasan ini kemudian diteliti secara mendalam oleh para ulama pada masa Kekhalifahan Abbasiyah dan menjadi landasan bagi perkembangan pemikiran ekonomi Islam. Artikel ini mengungkap beberapa area di mana studi tentang ekonomi Islam membuat kemajuan yang signifikan. Hal ini didasarkan pada tinjauan literatur yang menggunakan sumber-sumber utama seperti buku Ali Muhammad As-Shalabi dan Jaribah bin Ahmad Al-Haritsi, dengan pendekatan sejarah. Hasil penelitian menunjukkan adanya tradisi ilmiah yang kuat, didukung oleh dokumentasi yang memuat banyak keterangan perihal kebijakan Umar bin Khatab, terutama dalam domain *kharāj*, *'usyr*, *jizyah*, dan institusi *Al-Hisbah*. Temuan ini menunjukkan bahwa Umar bin Khatab meletakkan fondasi intelektual dalam bidang ekonomi dan jurisprudensi Islam. Pada saat itu, studi ilmiah tentang ekonomi juga terus berkembang. Buku-buku yang dibahas oleh para ulama dari masa itu mencakup berbagai aspek pemikiran ekonomi Islam, yang semuanya erat kaitannya dengan pemerintahan.

Kata Kunci: Kebijakan Ekonomi, Daulah Abbasiyah, Umar bin Khatab.



Introduction

Umar ibn Khattab was the second caliph after the death of the Prophet Muhammad. He continued the leadership of Abu Bakr, which lasted about two years. Umar can be considered the founder of the foundations of Islamic economic science at that time. Umar ibn Khattab contributed his thoughts on managing *ghanimah*, *fa'i*, and *anfāl*. Although these ideas initially received criticism from the council of advisors (*shura*), he used his genius to convince the council of the decisions he would make.¹

Umar ibn Khattab often implemented controversial policies during his rule.² However, he always managed to convince the *shura* or his companions with sharp arguments. Umar's economic policies were among the most studied and adopted by subsequent leaders, including the Rashidun caliphs, the Umayyads, the Abbasids, and others. This was accompanied by advances in intellectual studies in various fields of knowledge, not only in the exact sciences but also in the social sciences, which began to flourish during the Abbasid period. This fact strengthens the view that Umar's economic policies experienced significant development.

During Umar ibn Khattab's time, the state had vast power, which increased its political strength. Syria, Iraq, Damascus, Jerusalem, and even the Persian Empire came under his control. Such significant achievements made his name renowned in Islamic history.³ The Muslim forces, on a mission to Egypt, also defeated the Byzantines near Heliopolis in 640 AD, leading to the fall of Babylon. Almost a year after the fall of Alexandria and Babylon, they sought a peace treaty between Patriarch Cyrus, the civil governor of Egypt, and the Muslim commander Amr ibn al-As in 641 AD. The Byzantine Empire was not completely destroyed, as the Balkans and Anatolia remained under its control. In the east, on the Persian front, the Muslim forces were also successful.

The Muslim forces achieved a significant victory in the Battle of Qadisiyah in 636 AD and again in 642 AD. These battles ended Persian resistance in Iraq and forced the Persian king to retreat to *Istakhar*, the old Persepolis. Due to the strong resistance from Persia, Umar did not want to pursue the Persians further. It was only during the Umayyad rule in 652 AD that the remaining Persian resistance was crushed and the Persian king was killed.⁴

The extraordinary expansion of territory brought significant changes to Islamic society. Especially in management, it required innovation and creativity to address economic issues in completely different social and geographical conditions.⁵ The increasingly complex economic conditions led Umar to believe that there had to be a system regulating factors of production, such as land ownership. He implemented such a system, although it initially caused some tension with other companions.⁶

Another policy that could be considered controversial, and even discriminatory, was when Umar allocated different shares to the Prophet's family and early converts to Islam compared to those who converted later. For example, Ali ibn Abi Talib received a larger share

¹ Dinda Harum Fisari, Rikha Amelia, and Mohamad Djasuli, "Implementasi Prinsip Kesetaraan Pada Masa Kepemimpinan Umar Bin Khattab," *Jurnal Ekonomika Dan Bisnis (JEBS)* 2, no. 3 (2022): 686–95, doi:10.47233/jeps.v2i3.255.

² Ahmed Al-Ashker and Rodney Wilson, *Islamic Economics: A Short History*, Brill, 2006, 99–1115.

³ Risa Fita Love, *Peradaban Islam Masa Khalifah Umar Bin Khattab*, 2019, 22–39, <https://www.suarakalimantan.com/2019/01/04/peradaban-islam-masa-khalifah-umar-bin-khattab/>.

⁴ Al-Ashker and Wilson, *Islamic Economics: A Short History*, 99–115.

⁵ Arsyad Almakki, "Kebijakan Ekonomi Umar Bin Khattab," *Al Qalam: Jurnal Ilmiah Keagamaan Dan Kemasyarakatan* 12 no.1 (2018): 91–98, doi:10.35931/aq.v0i0.14.

⁶ M. Kamal Hadi, "Strategi Penanganan Kemiskinan Pada Masa Khalifah Umar Bin Khattab," *Qonun Iqtishad EL Madani Journal* 1, no. 1 (2022), doi:10.55438/jqim.v1i1.1.

than Abu Sufyan. This decision was based on the belief that those who were closer to the Prophet or who embraced Islam early deserved greater honor because they struggled and believed in the Prophet during the difficult early days. In contrast, Abu Sufyan, who converted after the Conquest of Mecca, had previously opposed and even tried to kill the Prophet. This basis for Umar's decision, although seen as discriminatory by some, had a morally noble value.⁷

One of Umar's most brilliant innovations was the regulation and mechanism for managing *ghanimah* and *fa'i*. Umar implemented a policy of nationalizing *ghanimah* and *fa'i* lands, turning them into *kharāj* lands. He believed that the land should be nationalized and remain under state control, with the original owners paying taxes on it. This system provided the state with a source of income.⁸

Several studies by scholars such as Jaribah bin Ahmad,⁹ Abdul Azim Islahi, Seyed Kazem Sadr,¹⁰ and El-Ashker and Wilson¹¹ have examined the history of Islamic economic thought. However, their studies are often too brief and general when discussing Umar's concepts. Recent studies are also overly descriptive in explaining the dynamics of Islamic economic thought, which actually began in the early Islamic period, particularly during Umar's time.^{12,13,14} This gap will be filled by revisiting Umar's economic policies that were adopted by the Umayyad caliphs and became the grand design of Islamic economic epistemology discussed by intellectuals during the Abbasid period. The researcher, in this case, builds on previous studies while extending Jaribah's discussions on Umar's economic policies.

This article seeks to trace the ideas of Umar ibn Khattab, which became a major reference for scholars and Islamic economic thinkers during the Abbasid era. It focuses on Umar's policies that were widely adopted and studied by thinkers in the Abbasid period, such as Muawiyah ibn Yasar, Abu Yusuf, Abu Ubaid, and others. The analysis connecting these two periods will provide a more comprehensive picture of the relationship between Umar's economic thought and the development of Islamic economic epistemology in the early period, specifically during the Abbasid dynasty.

Method

This research is a library study using primary books such as *Kitab Al-Kharaj*,¹⁵ *Ihya Ulumuddin*,¹⁶ and *Kitab Al-Amwal*.¹⁷ Secondary sources include books by Ali Muhammad As-

⁷ Rezki Amalia Fathurrahman, *Konsep Ekonomi Pada Masa Khalifah*, 2021, 20–25.

⁸ Ferry Khusnul Mubarak, "Analisis Kebijakan Fiskal Dalam Perspektif Ekonomi Islam; Sebuah Kajian Historis Pada Masa Umar Bin Khattab," *Iqtisad Reconstruction of Justice and Welfare for Indonesia* 8, no. 1 (2021): 81, doi:10.31942/iq.v8i1.3521.

⁹ Jaribah bin Ahmad Al-Haritsi, *Al-Fiqhu Al-Iqtishadi Li 'Umar Bin Khathab*, 2003, 621.

¹⁰ Seyed Kazem Sadr, *The Economic System of the Early Islamic Period, The Economic System of the Early Islamic Period*, 2016, doi:10.1057/978-1-137-50733-4.

¹¹ Ibid., 89–133.

¹² Al-Ashker and Wilson, *Islamic Economics: A Short History*, 99–115.

¹³ Euis Amalia, *Sejarah Pemikiran Ekonomi Islam*, 2015, 33–48.

¹⁴ Nurrohman and Nurhaeti, *Pemikiran Ekonomi Islam Dalam Lintasan Sejarah, Jurnal Ilmu Akuntansi Dan Bisnis Syariah*, vol. 1, 2019, 225–32.

¹⁵ Abū Yūsuf Ya'Qūb and Aḥmad ibn Muḥammad ibn 'Abd Allāh Ḥamawī, *Hādḥā Kitāb Al-Kharāj Al-Imām Abī Yūsuf, Rahimahu Allah Ta'ālā, Ṣāḥib Al-Imān Al-A'zam Abī Ḥanīfah Al-Nu'mān, Raḍīya Allah 'anh*, n.d., 301–20.

¹⁶ Abu Hamid Muhammad bin Muhammad bin Muhammad Al-Gazali, *Ihya' Ulumud-Din*, 2016, 167–268.

¹⁷ Abu Ubaid Al-Qosim, *Kitab Al-Amwal, Abu Ubaid Al-Qasim Bin Salam*, vol. 2, 2007, 596.

Shalabi¹⁸ and Jaribah bin Ahmad Al-Haritsi,¹⁹ as well as works by other scholars who discuss Umar ibn Khattab.

A historical approach with heuristic methods is used as an initial study to select the most important sources. The first stage in this historical approach is criticism, which includes both internal and external criticism. This step is an effort to verify the authenticity of the data sources used in the research. Next, the interpretation stage is employed to understand and interpret past events through in-depth analysis and elaboration. The final stage is historiography, or writing down the research results. At this stage, history is viewed as past events that can be used to understand past, present, and future behavior. In this view, history is not just a record of events but also a means to understand how humans behave and interact with their environment over time.²⁰

Construction of the early Islamic economy

The global economy today faces various challenges. Instead of reducing the gap between countries, the global economic system is widening the disparity in wealth among nations. This is influenced by several factors, including divergent economic recovery rates where economies in different countries improve at uneven rates. Advanced economies tend to recover faster than emerging economies. Additionally, geopolitical and domestic factors strongly impact global economic issues.²¹ In this context, revisiting the construction of the early Islamic economy can contribute to building an economic system that serves the interests of the people.

Islamic economics has a fundamentally different perspective from conventional economics. In conventional economics, production is the process of creating something. In Islam, production includes all activities that produce something beneficial, whether goods or services.²² The focus of Islamic economics is on what is beneficial, as usefulness is extremely important in Islam. As stated in a hadith, the best Muslims are those who avoid anything that is useless (not beneficial).

Understanding the broad concept of production in Umar's thinking can be seen in several ways. First, Umar ibn Khattab placed great emphasis on the intellectual growth of society as a means to advance the nation. He highly valued the importance of teaching and learning activities and even established a salary system for teachers. Second, Umar ibn Khattab gave significant attention and support to trade activities that supported economic growth and aimed to prosper the citizens. Third, Umar ibn Khattab facilitated various aspects related to economic sector development, such as land management, administration, and skills that support the economy.

Work, as an actualization of production activities, is the essence of a society's economy. In its broader meaning and context, work extends not only to material aspects but also to moral and ethical realms. In Islam, even seemingly mundane activities can hold eschatological value.²³

¹⁸ Ibid.

¹⁹ Ali Muhammad As-Shalabi, *Sirah Amir Al-Mukminin 'Umar Bin Al-Khattab*, 2005, 375–411.

²⁰ T dan Suryomiharjo A. Abdullah, *Ilmu Sejarah Dan Historografi Arah Dan Perspektif*, 1985, 210.

²¹ Mr. Pawan Kumar Rathore, Dr. Maftoon Ahmed Mahesar, and Miss. Heena Rathore, "Pakistan and Global Economy," *Al-NASR*, 2024, 79–98, doi:10.53762/alnasr.03.01.e06.

²² Muhammad bin Hasan Al-Syaibani, "Al-Iktisab Fi Al-Rizqi Al-Mustathab," n.d., 105.

²³ Umar Dhani, *Studi Kebijakan Umar Ibn Al-Khatib Tentang Kepemilikan Tanah Dan Relevansinya Dengan Hukum Pertanahan Indonesia*, n.d., 113–43.

Some data show various activities that produce goods and services, leading Umar ibn Khattab to view government activities as beneficial production efforts. According to Umar ibn Khattab, these activities are also a form of struggle in the path of Allah (*jihad fi sabilillah*). Islam has a broad perspective on the practical meaning of production activities, emphasizing that Islam does not neglect any useful activity, whether for oneself or others. Profane activities, even if beneficial, are not considered empty endeavors as they might be in conventional economic views.

The concept of benefit related to production activities in Islamic economics differs from the concept of benefit in conventional economics. The distinguishing aspects of benefit in Islamic economics include: compliance with Sharia law, avoidance of harm or danger to others, and encompassing both worldly and spiritual benefits.

Although the term 'production' is not explicitly mentioned in the economic jurisprudence of Umar ibn Khattab, it is implicitly expressed through several terminologies of his time, such as: improving wealth (*islahul māl*), effort, work (*kasab*), prospering (*imāroh*), and labor (*istihārat*). The meanings contained in these terms encompass the contemporary meaning of the term production.²⁴

***Kharaj*: fair management of productive land tax**

After the conquest of Iraq and Syria, the soldiers demanded four-fifths of the *ghanimah*, including land, with the remaining fifth going to the state treasury. Umar ibn Khattab rejected this proposal.²⁵ He reiterated the rule that the state receives one-fifth of movable goods, as stated in the holy scripture, with the rest going to the soldiers. However, immovable booty, such as land, would become the absolute property of the state, which would take full responsibility for its management.²⁶ Nevertheless, the original land ownership remained with the original owners, with the expectation that the harvest could be used to pay the *kharāj*.²⁷

This decision caused both support and opposition among the people. With his intellectual prowess, Umar invited the opposing groups and tribal leaders in Medina for discussions and opened the floor for clarification, as encouraged in Islamic law when disputes arise.²⁸

Economic reasons also played a significant role in Umar ibn Khattab's policy. Distributing wealth, especially land, to individuals could lead to feudalism within the Islamic community. The threat of strong tribal fanaticism (*ashābiyah*) could trigger division, economic inequality, and social unrest. The distribution mechanisms from the Prophet's time, such as the division of Khaibar land, were not suitable for the level of wealth and territorial control during Umar's leadership. Therefore, reorganizing the land became a necessary national policy.²⁹

Umar recognized that the principle of equality is crucial in Islam, encompassing both worldly dimensions, especially in economic and social contexts. The new mechanisms

²⁴ Muh Said, Syafi'ah Syafi'ah, and Ade Jamarudin, "Sharia Economic Law Policy Umar Ibn Al-Khattab," *Tadayun: Jurnal Hukum Ekonomi Syariah* 4, no. 1 (2023): 39–62, doi:10.24239/tadayun.v4i1.90.

²⁵ Al-Ashker and Wilson, *Islamic Economics: A Short History*, 99–115.

²⁶ Rusli Siri and M. Wahyuddin Abdullah, "Aplikasi Keuangan Fiskal Umar Bin Khattab Di Indonesia," *Jurnal Manajemen Perbankan Keuangan Nitro* 4, no. 1 (2021): 17–30, doi:10.56858/jmpkn.v4i1.36.

²⁷ Muhammad Riza, "Maqashid Syariah Dalam Penerapan Pajak Kharaj Pada Masa Umar Bin Khattab Ra," *Jurnal Ekonomi Dan Bisnis Islam* 2, no. 2 (2017), doi:10.32505/jebis.v2i2.181.

²⁸ Almakki, "Kebijakan Ekonomi Umar Bin Khattab."

²⁹ Al-Ashker and Wilson, *Islamic Economics: A Short History*, 99–115.

implemented by Umar aimed to facilitate the indirect flow of wealth from the rich to the poor. Moreover, with the expansive territorial control from the entire Arabian Peninsula to Egypt and the Persian Empire, the Muslim community needed an economic ideology and policy model capable of accommodating diverse and varying social and economic dynamics.³⁰

Another factor to consider was the lack of expertise among the Arabs in agriculture. Generally, Arabs did not have a strong tradition in farming; they were accustomed to trade or even raiding. Therefore, if many lands in regions like Persia were held by Arabs, it could gradually undermine the agricultural sector.

A small portion of Arabs, such as those in Medina and Khaibar, had expertise in agriculture. They practiced farming according to their religious teachings, especially among the Jewish communities that migrated to Medina and Khaibar. Many of them hailed from Yemen, which is unsurprising considering that Prophet Muhammad himself had familial roots in Yemen.

Umar understood the importance of economic equality in the real sector and looked far into the future. To him, safeguarding the prosperity of future generations was as crucial as meeting the needs of the current generation. Reckless land distribution could jeopardize asset availability for future generations since land is inheritable. Umar recognized that economic inequality would continue to grow, potentially leading to social injustice, contradicting the principle of equality. Umar's controversial policy, though different from the practices during the Prophet's time, held a revolutionary vision in Islamic economic thought. He emphasized the importance of establishing social security systems and avoiding land distributions that disadvantaged vulnerable groups, such as widows, elderly, and children in the regions of Syria and Iraq. Umar believed that the original landowners should be allowed to maintain their livelihoods that had lasted for centuries. This reflects Umar's awareness of Islam's evolution and adaptation to changing contexts over time.

In addition to the previously mentioned factors, it's essential to consider that significant regions like Syria, Egypt, Kufah, Basrah, and others were strategic cities that needed to maintain their levels of prosperity. To ensure efficiency in financing, salaries for employees and soldiers were drawn from the revenue of *kharāj* land taxes. Therefore, Umar did not claim absolute ownership rights over the land from its original owners but rather requested them to pay poll tax (*jizyah*) and *kharāj*. Through this mutual symbiotic system, the state's finances could be sustained without sacrificing other territories.

Umar ibn Khattab's policy of prohibiting the distribution of war spoils for immovable goods, such as land, aimed to emphasize the importance of land as a means of production. Thus, the state could focus on economic development and wealth distribution.³¹ By preventing soldiers from directly taking over land, the original owners could still manage it, while the state gained revenue from *kharāj* land taxes. This policy provided opportunities for widows, elderly, and children who had lost their family heads due to war to restart their lives.

After the Umayyad dynasty's reign, especially during Umar ibn Abdul Aziz's leadership until the early Abbasid dynasty, there was much oppression, particularly in regulations and taxation systems. In the early Abbasid era, remnants of fixed tax practices persisted from the Umayyad dynasty. However, changes occurred when the second caliph, Al-Mansur,

³⁰ Angga Syahputra and Hartanti Dewi, "Distribution of Land From Ghanimah in the Fatwa of Saidina Umar Bin Khattab," *Jurnal Tabarru': Islamic Banking and Finance* 6, no. 1 (2023): 11.

³¹ Hadi, "Strategi Penanganan Kemiskinan pada Masa Khalifah Umar bin Khatab."

committed to developing a more humane tax system that prioritized the welfare of the people. These efforts were fully realized during the reign of al-Mahdi.³²

Kharāj, especially during Umar's time, received serious attention due to its significant contribution to state revenue, especially considering the differences in the harvest cycles of various crops, such as grapes and dates. During Umar's reign, the government also expanded its territory into parts of Africa and Persia, making *kharāj* one of the most important and potentially large sources of state income.

The description of *kharāj* is elaborated by Abu Yusuf in his book *Kitab al-Kharāj*³³ through documented accounts in letters from the caliph Umar to stakeholders and prominent figures among the companions. Abu Yusuf vividly recounts the debates among the companions because Umar refused to distribute *fa'i* and *kharāj* during the conquest of Iraq and Syria.³⁴ He chose to nationalize *fa'i* lands into *kharāj*. He believed that if this policy was not enforced, Arab-centric feudalism, social disparity, and injustice would prevail.³⁵ He knew that the majority of Arabs lacked skills in farming or similar activities, so releasing war spoils of land to them would diminish potential revenue for the country.³⁶

Umar's thoughts on the nationalization of *kharāj* lands garnered much attention and discussion from scholars, including Abu Yusuf and Yahya bin 'Adam. Both chose to delve into the theme of *kharāj* in their studies. Their studies implicitly affirm that economic policies need not necessarily align with what is written in the Quran but rather, each issue has its socioeconomic and cultural context that dictates legal decisions. This is quite intriguing because Abu Yusuf is often associated with the *burhani* approach or synonymous with the experts of *ra'yu*, given his educational background which involved interaction with scholar's adept in *ra'yu*.

Jizyah: assurance of citizen safety

In the study of *jizyah*, Umar bin Khatab's independent reasoning (*ijtihad*) is used by scholars to examine economic issues as the basis for determining the amount of *jizyah*.³⁷ During the Prophet's time, the *jizyah* burden generally fell on adult men or those approaching maturity. However, during Umar's era, everyone, except the poor who were not working, was required to pay *jizyah*. The caliph established that the wealthy would be charged 48 dirhams, the well-off 24 dirhams, and those in need (poor but still employed) 12 dirhams annually.³⁸

Umar bin Khatab utilized the psychology of the poor and needy, as those in dire circumstances and under pressure would seek to be exempt from the *jizyah* burden. Similarly, those with sufficient wealth would also feel pressured and therefore must submit to Islamic governance. Thus, there is a visionary interest in encouraging them to embrace Islam.

This was not done overtly, but through subtle methods such as the *jizyah shulhiyyah* and *jizyah qahriyyah*. Payment of *jizyah* was not a punishment for those who did not embrace

³² Abed el-Rahman Tayyara, " Arab Conquests and Early Islamic Historiography: The Futuh Al- Buldan of Al-Baladhuri By Ryan J. Lynch ," *Journal of Islamic Studies* 32, no. 2 (2021): 269–72, doi:10.1093/jis/etab010.

³³ Ya'Qūb and Ḥamawī, *Hādihā Kitāb Al-Kharāj Al-Imām Abī Yūsuf, Rahimahu Allah Ta'ālā, Ṣāhib Al-Imān Al-A'zam Abī Ḥanīfah Al-Nu'mān, Raḍīya Allah 'anh.*

³⁴ Ibid.

³⁵ Al-Ashker and Wilson, *Islamic Economics: A Short History*, 99–115.

³⁶ Mubarak, " Analisis Kebijakan Fiskal Dalam Perspektif Ekonomi Islam; Sebuah Kajian Historis Pada Masa Umar Bin Khattab."

³⁷ Al-Ashker and Wilson, *Islamic Economics: A Short History*, 99–115.

³⁸ Suleman Jajuli, "Kebijakan APBN Khalifah Umar Bin Khattab," *ALAMIAH: Jurnal Muamalah Dan Ekonomi Syariah* 1, no. 1 (2022), doi:10.56406/alamiahjurnalmuamalahdanekonomisyariah.v1i1.46.

Islam, but rather, it was seen as compensation for the protection they received from the Islamic government, as non-Muslims were not obligated to military service. A non-Muslim subject (*dhimmi*) who fought alongside the Muslim army would be exempt from paying *jizyah*. In this regard, *jizyah* served as a sign of their obedience to the legitimate Islamic government.

Paying *jizyah* symbolizes the obedience and submission of people to Islamic authority, granting them protection within the state. They are also allowed to practice their religion and beliefs freely.

Logically, if the Islamic government fails to provide protection and security, they are not entitled to receive *jizyah* payments. This was exemplified in the agreement between the inhabitants of Hirah and Khalifah Khalid bin Walid. In the Hirah agreement, it stated, "If we protect you, we are entitled to receive *jizyah* from you. But if we are unable to provide protection, then you are not required to pay it."

Therefore, when General Abu Ubaidah heard that Emperor Heraclius intended to attack again and assessed the military strength, he felt that they would not be able to provide protection to the people of Hirah. Therefore, he ordered the return of the *jizyah* that had been paid by them.³⁹

Abu Yusuf, in his discussion, added that the group burdened with *jizyah* tax consisted of adult male members of the *dhimmi* from the inhabitants of Sawād and others, such as the people of Hirah, Jews, Christians, Zoroastrians, Sabians, and Samaritans.⁴⁰

Studies on *kharāj* during that time paved the way for the development of scholars' studies on other economic concepts. Abu Yusuf and the aforementioned scholars intensively developed an epistemology that combined the tradition of mystical thought since the time of the Prophet and Abu Bakr. The tradition of rational thinking emerged during Umar's time. This epistemology encouraged them to develop concepts of Islamic economics.

Abu Yusuf himself attempted to contextualize the policies of Umar bin Khatab so that they could be applied in real policies. This provides an important lesson in understanding the efforts made by academics to develop the study of Islamic economics.⁴¹ Aspects of the epistemology of Islamic economics still need refinement, and this study has not reached a level of solid epistemology maturity.

'Usyr: customs duties management

'*Usyr*, or customs duties, is the result of an economic policy based on agreements and treaties in international trade.⁴² Although international economic relations during the time of Umar bin Khatab were not as complex as they are today, Umar's economic thinking surpassed his era. From his thoughts, we can extract basic principles relevant to international economic relations. This will provide assurance for Muslims if they are seriously committed. The importance of international economic relations is deeply rooted in the tradition of the Quraysh, who were mostly traders, as reflected in the Quran.⁴³

³⁹ Suarning, "The Concept of Al-Kasb Theory in Islamic Theology: A Critical Analysis from Quranic Perspective," *International Journal of Cultural and Religious Studies* 3, no. 1 (2023): 32–36, doi:10.32996/ijcrs.2023.3.1.4.

⁴⁰ Mas'ud Mazhudi et al., *As-Siyasah Al-Maliyah Fi Al-Daulah Al-'Abbasiyah*, 2017, 125–32.

⁴¹ Agus Abudullah and Muna Yastuti Madrah, "Pemikiran Ekonomi Abu Yusuf (Ya'qub Bin Ibrahim Bin Sa'ad Bin Husein Al-Anshory) Dan Relevansinya Terhadap Kebijakan Keuangan Publik Di Indonesia," *Konferensi Ilmiah Mahasiswa Unissula (Kimu)* 3, no. 17 (2020): 225–37.

⁴² Muhammad Iqbal et al., "Measuring the Relevance of Umar Bin Khattab's Fiscal Policy Concept in Indonesia," *I-Finance: A Research Journal on Islamic Finance* 9, no. 1 (2023): 70–88, doi:10.19109/ifinance.v9i1.16987.

⁴³ Almakki, "Kebijakan Ekonomi Umar Bin Khattab."

In international trade missions, there was not only motivation for commerce but also an element of Islamic propagation. Because the fundamental duty of Muslims is to spread Islam. Therefore, if Muslims have control over various aspects such as economics, politics, information, and others, they can be more effective in spreading Islam to all humanity.

Engagement in trade relations with non-Muslims and the success of international trade for Islamic countries must be balanced with the application of good morals and behavior in line with Islamic principles. Good morals, as a reflection of Islamic values, will have a significant impact on the spread of Islam in various regions such as Central Asia, India, Central Africa, Southeast Asia, East Africa, and others. Thus, the areas accessible through trade networks and cultural exchanges are much broader than those through political invasions or warfare.⁴⁴

Although the country engages in trade relations with groups or populations from other countries, such as non-Muslims (*ahlul-ḥarbi*), traders from outside are still allowed to enter Muslim countries for trade and will receive protection according to pre-existing agreements.⁴⁵

Umar's policies inspired Muslim leaders who came after him. Amir Timur (1320-1330), one of the rulers of the Timurid dynasty, issued a policy to ensure the safety of people outside the Islamic territories conducting business within Islamic territories. It was mandated that every non-Muslim resident trading within Islamic territories would receive protection. Upon entering Islamic territories, the goods they carried would be documented. If, within a specified period granted for trading, they experienced any misfortune such as robbery, the state would compensate them for the value of the goods they brought. This policy successfully increased trading activities from non-Muslim residents into Islamic territories, ultimately bringing positive impacts on state revenue.⁴⁶

Trade permits for traders from outside Islamic territories to enter Islamic countries also came with some allowances regarding the consumption of alcohol (*khamar*) and forbidden foods in Islam, such as pork. However, these allowances were only applicable if done in designated areas or not openly in public.

Umar bin Khatab established certain conditions for them. They were prohibited from selling pork or alcoholic beverages, and also forbidden from transporting these items from one area to another within Muslim territories. Umar threatened severe sanctions against anyone who violated these rules. In one story, Umar heard news that a resident of Iraq became wealthy from trading alcoholic beverages (*khamar*).⁴⁷

'*Usyr* can be considered equivalent to customs duties in modern times. '*Usyr* is the amount imposed by the government on merchandise when a Muslim trader passes through Islamic territories. The term '*usyr* means ten percent, although in practice during Umar's policy, the amount was not always 10%. '*Usyr* varies in amount depending on the trader's status, namely 2.5% for Muslim traders, 5% for non-Muslims residing within Islamic territories (*dhimmi*), and 10% for non-Muslims outside Islamic territories (*harbi*). Although the

⁴⁴ Ali Cebeci, "Arabic Conquests and Early Islamic Historiography: The Futuh Al-Buldan of Al-Baladhuri (by Ryan Lynch)," *American Journal of Islam and Society* 39, no. 1–2 (2022): 179–82, doi:10.35632/ajis.v39i1-2.3122.

⁴⁵ Samih Salah Mohammed, "Islamic View towards International Relations," *Indonesian Journal of Islamization Studies* 1, no. 2 (2024): 172–96, doi:10.21111/injas.v1i2.10472.

⁴⁶ Laode Kamaluddin and Ahmad Mujib, *Samarkand: Negeri Ulama Seribu Bidadari* (Jakarta: Gunadarma, 2015), 55–56.

⁴⁷ Al-Haritsi, *Al-Fiqhu Al-Iqtishadi Li 'Umar Bin Khathab*, 125–32.

percentage may vary, its name remains *'usyr*, and its regulations still follow the provisions of zakat established in religious law and cannot be changed.⁴⁸

In the Quran, there is no specific reference to the term *'usyr*. This was a policy introduced by Umar bin Khatab and adopted by the companions without rejection, thus it can be considered consensus (*ijma'*) in Islam. Umar bin Khatab was the first person to introduce and detail the rules of *'usyr* in Islam, including the percentage that must be taken from Muslim traders (2.5%), non-Muslims residing within Islamic territories (5%), and non-Muslims outside Islamic territories (10%). Additionally, Umar also appointed governors or specialized officials to manage the collection of *'usyr* and provide technical guidance regarding its implementation.⁴⁹

Abu Ubaid pointed out that the tradition of *'usyr* actually existed before Islam and was implemented by states for administrative reasons. However, it's important to note that *'usyr* didn't have to be enforced in all areas of the state's jurisdiction, especially in regions that served as international trade routes. Implementing *'usyr* in these areas could hinder previously smooth and unrestricted economic activities.

Developing the *al-hisbah* institution

During Umar's reign, the institution of Al-Hisbah experienced development and territorial expansion. This institution, which existed since the time of the Prophet, had various economic objectives, such as ensuring that economic activities align with the state's norms and regulations, creating security and order within the economic sphere, overseeing the economic conditions of the people, regulating the use of water resources for economic purposes, and safeguarding the interests of the general public, both immigrants and native residents. One of the main functions of the Al-Hisbah institution was to supervise all types of transactions in the market.⁵⁰

The caliph's policy facilitating freedom of activity for traders, both entering and exiting the country, had a positive impact on the country's economy. The higher the level of economic activity, the better the economic development of a country. However, the Al-Hisbah institution still had rules that must be followed and implemented.⁵¹ These rules included regulating promotions, prohibiting hoarding of goods (*ihtikār*), regulating trade intermediaries, monitoring prices, imported goods, and *'usyr* collection.⁵²

In the book *Al-Ahkām As-Sultaniyah*, al-Mawardi conducted a comprehensive study on the al-Hisbah institution. In his study, Al-Mawardi provided very detailed explanations and developed various functions of the al-Hisbah institution. Al-Mawardi depicted the diverse roles played by this institution very clearly and meticulously.⁵³

In the early days of Islam, the Al-Hisbah institution acted as a price regulator in the market. However, during the Abbasid dynasty, its role expanded to include functions as a security enforcer against oppressive ruler's actions (*wilāyah al-mazālim*) and involvement in civil judicial systems (*wilāyah al-qadā'*).

⁴⁸ Ibid., 510–12.

⁴⁹ Ibid., 523–32.

⁵⁰ Al-Haritsi, *Al-Fiqh Al-Iqtishadi Li 'Umar Bin Khathab*.

⁵¹ Putri Jamilah, "Kebijakan Fiskal Umar Bin Khattab," *Jurnal Islamika* 4, no. 1 (2021): 25–38, doi:10.37859/jsi.v4i1.2506.

⁵² Almakki, "Kebijakan Ekonomi Umar Bin Khattab."

⁵³ Tigran G. Tumanian, "Treatise of Al-Mawardi Al-'Ahkam as-Sultaniyya as a Source of the Political Theory of Islam," *Voprosy Filosofii*, no. 5 (2018): 172–78, doi:10.7868/S0042874418050138.

Reflecting on what capitalist economic theory, as articulated by Adam Smith in his exposition of "The Invisible Hand," suggests that markets should be allowed to operate naturally because prices will eventually adjust.⁵⁴ However, in contemporary times, this theory is not always put into practice. Many countries, like Indonesia, have government intervention in controlling prices in the market. Thus, the Al-Hisbah institution in the modern era has transformed in its form, but its role remains the same.

Many policies and economic thoughts in subsequent periods reference the policies of Umar bin Khatab. Starting from the early generations, such as caliph Umar bin Abdul Aziz, Abu Yusuf, As-Syaibani, Yahya bin Adam, Al-Mawardi, Abu Ubaid, and even to Al-Ghazali, they conceptualized and theorized economic thought based on the policies that were in place during the time of Umar bin Khatab. The policies during Umar's time are closely linked to the study of jurisprudence. From this, researchers hypothesize that Umar indeed served as the central or starting point for the initial construction of Islamic thought that flourished in the Islamic world at that time.⁵⁵

The foundation of the Islamic economy is not based on exploiting each other but on cooperation (*taawun*). In this concept, no one should be oppressed in both societal and state relations. This concept was ideally applied during Umar bin Khatab's leadership. Islamic countries and Muslim-populated areas should have a strong commitment to implementing an economy based on divine guidance that focuses on distributive justice and prosperity.

Umar's contributions to the development of the Islamic economy

Umar bin Khatab made significant contributions to the development of the Islamic economy during his tenure as caliph, especially as the Islamic government's territory expanded under his leadership. With the expansion of the Islamic government's territory during Caliph Umar bin Khatab's reign, state revenues experienced a significant increase. The sources of state revenue were a special focus of Caliph Umar bin Khatab, ensuring they were utilized properly, efficiently, and effectively. Below is a table outlining the state revenue under Umar bin Khatab:⁵⁶

Table 1. State Revenue According to Umar bin Khatab

No	Type of Revenue	Purpose of Usage
1	Zakat and 'usyr	This revenue was distributed at the local level, and any surplus was stored in the central Baitul Mal and distributed among the eight <i>ashnaf</i> .
2	<i>Khums</i> (ghanimah) and <i>shadaqah</i>	This revenue was distributed to the needy, regardless of their religious affiliation, or used to fund their welfare.
3	<i>Kharaj</i> , <i>fa'i</i> , <i>jizyah</i> , 'usyr, and land rent	This revenue was used to pay for pension funds, aid funds, administrative operational expenses, military needs, and so on.

⁵⁴ Michael Emmett Brady, "Adam Smith, the Wealth of Nations, and the 'Invisible Hand': A Metaphor for Ambiguity-Uncertainty Aversion by Decision Makers," *SSRN Electronic Journal*, 2018, doi:10.2139/ssrn.2554949.

⁵⁵ Zul Karnaini, "Concepts and Application of Good Governance in the Government of Omar Bin Abdul Aziz," *Petita: Jurnal Kajian Ilmu Hukum Dan Syariah* 6, no. 1 (2021): 117–32, doi:10.22373/petita.v6i1.108.

⁵⁶ Mustafa Edwin Nasution and et.al, *Pengenalan Eksklusif Ekonomi Islam*, Jakarta: Kencana Media Group, 2006.

4	Revenue from other sources	This revenue was used to pay workers, maintain orphaned children, and provide social assistance.
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The state revenues mentioned above can be classified into two categories: routine revenues such as *zakat*, *jizyah*, *kharaj*, *ushr*, *infak*, and *shadaqah*, as well as taxes if necessary, and temporary revenues such as *ghanimah*, *fa'i*, and unclaimed property.

Efficiency and effectiveness are the fundamental principles underlying the expenditure policy implemented by Umar bin Khatab. This is supported by Sharia principles, namely, benefit and priority determination. These principles include: first, expenditures for fulfilling the needs of the majority of society; second, expenditures as a tool for wealth retribution; third, expenditures that lead to increased effective demands; fourth, expenditures related to investment and production.⁵⁷

Through fiscal policy, Umar bin Khatab successfully managed the state's finances by maximizing revenue sources and efficiently distributing expenditures. This management was able to address the problems of hunger and poverty experienced by the society at that time. The economic policy built on the principles of benefit and welfare was regulated through the institution of Baitul Al-Mal. This management model later became the hallmark of economic development in the golden age of Islam during the Abbasid era.

In today's era of globalization, government budget policies play a crucial role in changing the face of poverty and inequality. The high levels of poverty and wide disparities are indicators of a state's failure in the development process. Essentially, development aims to improve the welfare and living standards of society. In this context, the policies of Umar bin Khatab are significant to be revisited by policymakers.

Conclusion

The scholarly tradition and historical documentation prove that Umar bin Khatab laid the groundwork for scholarship in the fields of economics and jurisprudence. This is evidenced by the increasing development of economic studies by Muslim scholars at that time. Books discussed by Abu Yusuf, As-Syaibani, Yahya bin Adam, Al-Mawardi, Abu Ubaid, and even Al-Ghazali, which contain various domains of Islamic economic thought, especially those related to *kharāj*, *jizyah*, *'usyr*, and others, are closely related to their proximity to the government environment. From this, there is a strong indication that the development of economic scholarship in early Islam was inseparable from the role of rulers who paid attention to the process of scholarly development. Umar bin Khatab's policies and initiatives provided a fertile ground for the flourishing of economic discourse and scholarly endeavors among Muslim intellectuals of his time.

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⁵⁷ Jajuli, "Kebijakan APBN Khalifah Umar Bin Khatab."

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