

An Integrated Theory of the Rising and Falling of Great Powers

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This paper develops a well-integrated general theory of the rising and falling of great powers, or dynasties, furnished by Ibn Khaldun. He contends that there are two essential foundations for a rising dynasty. The first one is the social cohesion or the solidarity among the motivated people of the dynasty, and the second foundation is the availability of tax revenues generated by the free market economy. As the business economy grows, the government is able to generate large revenues from small tax rates. The collected funds will partly be spent for developing a strong army capable of defending and expanding the dynasty. But once the leadership of the dynasty becomes weak, solidarity is disintegrated. Wasteful (luxurious) expenditures require the government to impose new taxes and to increase others. Consequently, business enterprises and people lose cultural incentives to work and invest. This will force the government to cut spending on an already overstretched army. Once the capacity to obtain funds is weakened and solidarity is disintegrated, the great power will collapse. This paper will also attempt to demonstrate the influence of Ibn Khaldun's analysis on an American's view for greatness and to provide several significant implications relevant to recent time.

INTRODUCTION

All nations are eager to achieve greatness. Historically, many nations had become great and dominant, diffusing their methods of survival, technologies, cultures, and other relevant institutions to other imitating nations. The Roman, the Persian, the Khazar, the Arab, and the Othman empires were important cases of historical dominance and power, which were followed by the Dutch, the Portuguese, the British, and the French empires. Particularly, the last two empires which were able to spread their cultures, corruption, and knowledge, had created their own internal and external forces contributed for their defeat. Then the Soviet empire came into existence in order to save humanity from exploitation and imperialism but it also participated in occupying many countries, including Afghanistan. Many forces of destruction appeared and diffused internally, which led to the defeat and to the disintegration of the Soviet empire. Now, the world has become difficult to conquer, because forces of resistance have been intensified.

Such a study is very significant and useful for people working in the fields of business, economics, sociology, psychology, and political science, to mention a few. It demonstrates that rising and falling of a great power is a phenomenon basically grounded in many disciplines such

as business and economics. If a nation has efficient leaders and motivator whether in the fields of politics or business, the nation and its people will be growing and prospering as a result of innovations and technological progress envisioned by the entrepreneurs. Innovations and technology introduced by the proper system of motivation and competition will provide huge momentum for establishing and advancing industrial and military bases. This study is also fruitful because it establishes some historical facts that organization and specialization as well as lower optimal tax rates are of crucial importance for the rise of a great power. In addition, the study emphasizes the usefulness of free international trade and factor movement for achieving the goal of greatness.

Many scholars over the past centuries have provided various explanations for the rising and falling of empires or great powers. For example, Veblen (1915) thinks that technology, militarism, and patriotism contributed significantly for the rising of the German Empire. Schumpeter (1950 and Moe 2007) emphasizes innovations furnished by the leadership of the entrepreneurs as the most important factor behind the rise and decline of capitalism. Innovations and their unimpeded diffusion will increase investment, employment, and income, creating development, prosperity, and greatness in the innovating nations. When innovations and technological advances are no longer forthcoming, great nations will fall. Mancur (1982 and Moe 2007) points out that the vested interests such as trade unions and lobbyists, among other forms, usually contribute significantly for the decline of great powers, because they block new structural economic changes affecting their interests negatively but influencing the whole nation positively. Kennedy (1987) attributes the decline of great powers to economic weakness and military overstretch. In short, these studies (with the exception of Veblen's work) demonstrate that a single cause has been used for handling the evolutionary path of a great power, but nations are eager to know the totality of forces according to which they become great and powerful players in the world.

Ibn Khaldun a great Arab historian provides a multivariate integrated analysis for the rising and falling of the Arab Empire, an analysis which is fundamentally based on the business and economic principles but also incorporates other causes for explaining this historical phenomenon (Mouhammed 2007). In other words, Ibn Khaldun's explanation of the rising of a great power is an integrated explanation that includes all the causes furnished by those scholars over time. Before proceeding further some words on Ibn Khaldun would be appropriate in this context. Abd al-Rahman Ibn Muhammad Ibn Khaldun al-Hadrami was born in Tunis in 1332 and died in Cairo, Egypt in 1406. He wrote an important book part of which is called *the Muqaddimah, the Introduction to History*, a book that includes his philosophy of history, his political, social, economic, and sociological views, among others. Arnold Toynbee (1935, p.322) considers it as "undoubtedly the greatest work of its kind that has yet been created by any mind in any time or place." Spengler (1964) thinks that *the Muqaddimah* was "completed in 1377...and issued in printed form in...the 1850's." Before this date "manuscripts of Ibn Khaldun's work were extremely plentiful" (Gates 1967, p. 422).

In the *Muqaddimah* Ibn Khaldun provides a theory of cultural and biological evolution in which change was the most important characteristic of reality. According to him people and social conditions are changing, and these changes have to be explained partly by one significant variable which is the contact between people. Within this general evolutionary framework, he explains the rising and falling of dynasties, or great powers. This phenomenon is so important in recent time, that needs to be revisited and explained, and this paper aims at doing so. There are many scholarly books and articles published about this topic, but a small important sample of

literature has been chosen and provided in section two to demonstrate how Ibn Khaldun's work predicts the modern explanations of the rising and falling of great powers. The third section is devoted to explain in a condensed form the life cycle of a great power. Section four explains the early competitive capitalism and the rising of a great power, including its imperial expansion. Section five tackles the collapse of a dynasty, and section six is devoted to the influence of Ibn Khaldun's analysis on an American view for achieving greatness. Section seven provides some important implications. A summary and conclusions will be provided in the last section of this study.

A REVIEW OF IMPORTANT LITERATURE

Veblen (1915) provides a very sophisticated analysis for the rising of Imperial Germany. He thinks that the rising of the German power was associated with three important sources. The first was group solidarity for the race survival. Solidarity is a frame of mind which reflects nationalism (or patriotism). Veblen believes that patriotism is grounded in the instinct of predation, which is an essential part of human nature, generated by past material conditions. Patriotism and subordination create loyalty to the master or the state. The second source was technology which is the product of the community (people) and its ability to borrow from others. Technology is embodied in various industrial arts and means of production which are partly used to produce military means and equipment to submit foreign rivals. Technological advance, for Veblen, must be associated with strong domestic and global leadership. Veblen (1903a, p. 315) indicates that China had many ingredients for greatness such as geographic location, skilled workers, and mineral resources, and yet China had never taken the leadership globally. Militarism which is the third source for greatness is an important institution because it creates culture of obedience, authority, and order, and if it is connected with loyalty, it becomes the most significant force for submitting other nations.

Veblen points out that Imperial Germany used an economic policy which was inconsistent with the principle of *Laissez Faire* to build the German Dynasty. The system of economic policy consisted of protective tariffs (which usually led to monopoly); education censorship (which led to ignorance); propaganda (which was used to misinform people and to direct them towards specific dynastic ends); heavy taxation of people and light taxation of business enterprises; a mercantilist trade policy aiming at more exports and lower imports; wasteful government spending on military (which weakened the economic foundations of the country in the long run); and a colonial policy for creating a self-sufficient empire. For Veblen, this imperial policy was the worst chapter in the history of humanity, because it led to more death, inefficiency as free trade was restricted, high interest rates which redistributed wealth in favor of the wealthy, the growth of war industry at the expense of the civil industry, and animosity against foreigners which compelled them to unite against the empire in order to destroy it. Veblen (1903b, p.311) asserts, "Germany is at the end of her career of brilliant commercial and military achievements, because she is short of resources, as compared to with her rivals, and is politically unstable because of class antagonism and moral deterioration." All external and internal economic and political forces were eventually able to disintegrate the German Dynasty.

Gregory and Stuart (2004) argue that the basic foundations for the rise of the Soviet power were class solidarity of the proletariat behind the socialist Marxist-Leninist ideology, modern technology, and a strong army to defend the socialist revolution. Expansionism in Eastern Europe was sought, and several socialist countries were created to defend socialism and

communism. The basic foundations of the Soviet-type system were based on public ownership and planning. The planning agency was entrusted to allocate economic resources among various economic sectors and to set targets for future production, growth, and development. The market economy was eliminated and the incentive became mostly moral for a long period of time. The command economic system was unable to generate efficiency, incentives, and economic and political freedom. Class solidarity weakened, and the excessive military spending for the war in Afghanistan ended the Soviet system, given the tremendous changes occurred in the superstructure.

Alan Wolfe (2005) argues that the market economy cannot be used for a return to greatness, nor is the command economy. A third way may be needed for greatness. He suggests the formulation of great goals, the availability of leaders such as the leadership of Lincoln, and the availability of financial resources to bear the cost of greatness. Optimists of greatness think they can do it. On the one hand, conservatives think that greatness is a valuable objective; accordingly, they reject globalization and immorality and restrict federal government. They are interested in strengthening state government and militarism, particularly if the latter is inexpensive. On the other hand, liberals fought depression and strengthened their federal government to fight unemployment and poverty. They succeeded against the Nazi but the Vietnam War hurt their standing as they lost confidence. Liberals have made significant contribution to civil rights particularly for women and blacks in America. Currently, the neo-conservatives are interested in greatness and have been trying to export the American value system to other small defenseless countries by using the military force. Their trial is Iraq, and the Iraq War has been difficult and no one can predict its future outcomes. Wolfe concludes that the best proposal for greatness is to rebuild political parties and civil institutions that are connected with people.

Moe (2007) has successfully combined Schumpeter's view on innovations and technological leadership which are the cause behind a rising industry and a nation with Olson's explanation that the decline in a nation's greatness is explained by the existence of vested interests that block new economic changes. Moe's thesis, which is actually Veblen's theory of sabotage reformulated in the concept of 'block', contends that greatness can result if two fundamental conditions are available. The first condition is the availability of innovations and technological advances introduced by successful entrepreneurs. The diffusion of innovations and technologies will introduce new industries that interact and develop other industries. The second condition is the existence of social cohesion among people and consensus among the nation's leaders. Cohesion and consensus will counter and weaken the vested interests that block new useful economic changes. Therefore, innovations and technological leadership will enable a nation to be a great power. This theoretical argument was supported by evidence obtained from the United States of America, Britain, France, Germany, and Japan.

The foregoing condensed review of the important literature basically implies that there are three ways for the creation of a great power. The first is to use a controlled capitalist economy as the Germans and the Fascists did; the second way is to use the Soviet way which was based on class solidarity, technology, militarism, and public ownership and planning. The third way is Wolfe's way which is based on building institutions that serve people. The fourth way is Ibn Khaldun's way which is presented in his *Muqaddimah* and is based on the social cohesion and the availability of financial resources. These bases, which are grounded in the system of the free market economy and business principles, create a strong army and a powerful dynasty. Regardless of the method, the great power can still be disintegrated in the long run.

THE LIFE CYCLE OF A GREAT POWER

Ibn Khaldun believes that a great power passes through five stages (Mouhammed 2007). The first stage is the stage of success, the overthrow of the previous dynasty and the establishment of a new royal authority: power of the state. In this stage, "the ruler...collects taxes, defends property, and provides military protection....He does not claim anything exclusively for himself" (Ibn Khaldun, 1969, p.141). This stage can be called the stage of the rising dynasty, and the primary elements behind this rising are group feeling (solidarity or *Asabiyya*) and the availability of funds through taxes. Ibn Khaldun (1969, p. 246) explains, "Any royal authority must be built upon two foundations. The first is might and group feeling, which finds its expression in soldiers (see Turchin 2003, pp.38-40 and 2006, pp.89-105 for excellent quantitative and qualitative analysis). *Asabiyya* is intensified by the existence of political leadership that manages the socio-economic system according to *Ijma'*, or consensus among people, which is the essential core of the *Shura*. The second foundation is money, which supports the soldiers and provides the whole structure needed by royal authority." Money is obtained by optimally taxing business enterprises which are considered the economic (business) base for the rising dynasty.

For the Arabs, Schumpeter correctly argues that religion and self-defense were the basic psychological causes for the cohesiveness or solidarity for the rising of the Arab Empire. Arabs thought that they could not survive without the religion and unity. Schumpeter (1951, p.36) provides this explanation for what Ibn Khaldun calls solidarity:

Inner communion gave way to the call for war on behalf of the faith...as the most important practical demand, the normal outward attitude of the faithful. Partly as a cause of this ideological orientation, partly as its consequence, there came into being a practical fighting organization, which reduced the element of inner communion to the role of a means for self-discipline on the part of the warrior, and to which the Bedouins took like ducks to water. Both ideology and organization proved their vitality and grew with the task for which they had been created—the struggle for Mecca and the unifying conversion of the Arab tribes.

The second stage, which is called the stage of the ruler's selfishness, occurs when the ruler controls his own people and claims all the dynastic achievements for himself, or his legacy. Ibn Khaldun (1969, p.141) describes the situation as: the "ruler gains complete control over his own people, claims royal authority all for himself, excluding them, and prevents them from trying to have a share in it." As a result of the ruler's selfish behavior (or poor leadership) a division (or conflict) between the people and the government is created. This argument is valid in a divided society where the top portion of the community receives the largest share of the society's income, a portion of wealthy individuals that forces the rest of the community to defend its global interests. Surly, selfishness whether by leaders or by a dominating social class will create internal contradiction in the society.

The third stage is the stage of leisure and tranquility. The ruler builds large buildings and monuments, and initiates big construction projects and spacious cities. He inspects soldiers and presents gifts to ambassadors, and does a variety of things to impress friendly dynasties and frighten others. This stage, according to Ibn Khaldun (1969, p.142), "is the last during which the ruler is in complete authority." In other words, this is the peak of his power in a divided society.

The fourth stage deals with another weakness of the political leadership. The ruler imitates his predecessors, because he "thinks that to depart from tradition would mean the destruction of his power" (Ibn Khaldun, 1969, p.142). Andic (1971, p.31) describes this stage "as one of stagnation characterized by contentment, peacefulness and imitation." Essentially, the leader's capacity to provide new innovations [or creative responses to use Schumpeter's (1947) terminology] becomes very weak within a situation of internal conflict, as he faces oppositions from other social groups who sacrificed for the dynasty but have been excluded by the government.

The fifth stage is the stage of waste and squandering. The ruler wastes resources on pleasures and amusements, and acquires parasitical followers. The ruler seeks to destroy the people (his original followers) who helped him to establish the dynasty. Ibn Khaldun (1969, pp.146-47) explains:

In order to prevent [his followers] from seizing power, and in order to keep them away from participation in it, the ruler needs other friends, not of his own kin, whom he can use against (them) and who will be his friends in their place....This, then, announces the destruction of the dynasty and indicates that chronic disease has befallen it, the result of the loss of the group feeling on which the (dynasty's) superiority has been built....Thus, the dynasty came to belong to people other than those who had established it. Power went to people other than those who had first won it.

This behavior causes the first foundation, the group feeling on which the dynasty was based, to break down. In fact, this argument is similar to Schumpeter's (1941) contention that capitalism will be transformed into a different system because at a certain point of its evolution it does not support the groups that established it.

Similarly, the second foundation on which the dynasty was built, money from tax revenues, is weakened over time. The shortage of tax revenues usually results from the extravagant expenditures practiced by the ruler and prominent citizens and the heavy taxes imposed by the government on business enterprises. Essentially, once these foundations are weakened, the dynasty will collapse.

Surprisingly, this analytical argument makes Ibn Khaldun's explanation consistent with the modern fundamental literature on the phenomenon of the rising and falling of a great power. As indicated Ibn Khaldun's analysis is based on various causes of which the business (economic) cause is a very important one. This analytical approach is similar to Veblen's analysis of the rising of the German Empire, where he emphasizes the economic, psychological, technological, and military causes. The approach of the German Empire was based on protectionism and interventionism; where as, the approach of the Arab Empire was based on free international trade and factor movement. Both empires used patriotism or solidarity, though in a different aspect (religious for the Arab and race for the German) to motivate people to defend their empires. Ibn Khaldun and Veblen's explanations are similar to Schumpeter's explanation, because for both innovations, technology, and business and political leadership (or entrepreneurs) are the crucial causes for the rising empire. Olson's and Kennedy's explanations can be considered special cases of Ibn Khaldun's analysis because both use causes such as economic wealth and durability, military overstretch, and vested interests behind the decline of a great power, causes that were also used by Ibn Khaldun's integrated theory.

EARLY COMPETITIVE CAPITALISM AND THE RISING OF A GREAT POWER

The early competitive capitalist system under which a dynasty becomes great is characterized by the private ownership and free market operations. Ibn Khaldun (1969, p.276) explains the process of price determination according to market mechanism, or demand and supply: "If...the inhabitants of a city have more food than they need...the price of food is low....[When] a city has a highly developed, abundant civilization...there is a very large demand for those conveniences....This results in a very great shortage of such things....Thus, as one can see, prices come to be high." He (1969, p.277) continues if there is "no demand for conveniences, because the inhabitants are few and their condition is weak...little business is done by them, and the prices there, consequently, become particularly low."

Ibn Khaldun demonstrates the significance of freedom of choice by arguing that individuals should do what they know best in order for a dynasty to rise. Forcing workers to do things outside their fields makes them lose their income and leads to the destruction of civilizations (Mouhammed 2004). He (1969, p.241) points out:

...if they are obliged to work outside their own field and are used for forced labor unrelated to their (ordinary ways of) making a living they no longer have any profit and are thus deprived of the price of their labor, which is their capital (asset). They suffer, and a good deal of their livelihood is gone, or even all of it. If this occurs repeatedly, all incentive to cultural enterprise is destroyed, and they cease utterly to make an effort. This leads to the destruction and ruin of civilization.

With respect to the idea of free international trade, Ibn Khaldun points out that as labor increases, the production of goods and services will increase. This production can satisfy the needs of a country's people, and the surplus may be exported to other countries through free trade, countries that were found by the early capitalist entrepreneurs. This surplus of production (and free trade) will generate more wealth. He (1969, p.273) argues:

If the labor of the inhabitants of a town or city is distributed in accordance with the necessities and needs of those inhabitants, a minimum of that labor will suffice. The labor (available) is more than is needed. Consequently, it is spent to provide the conditions and customs of luxury and to satisfy the needs of the inhabitants of other cities. They import (the things they need) from (people who have a surplus) through exchange or purchase. Thus, the (people who have a surplus) get a good deal of wealth.

Free international trade, for Ibn Khaldun, increases people's satisfactions, enhances business profits, and augments the wealth of trading nations; hence, it supports the rise of a dynasty.

Productivity, for Ibn Khaldun, creates more prosperous economic conditions which represent the basic foundations for a rising dynasty. He (1969, p.238) argues, "Civilization and its well-being as well as business prosperity depend on productivity and people's efforts in all directions in their own interest and profit. When people no longer do business in order to make a living, and when they cease all gainful activity, the business of civilization slumps and everything decays." In other words, without continuous increases in productivity a dynasty will be on the decline. For

him, skilled labor, division of labor or specialization, and technology can significantly augment productivity.

The previous elements generate profit, which is explained by labor and risk. If profit is higher than what is needed, capital accumulation will continue. Ibn Khaldun (1969, p.297) points out, "Profits will constitute his [the entrepreneur's] livelihood, if they correspond to his necessities and needs. They will be capital accumulation, if they are greater than (his need)." And capital accumulation, which is initiated and expanded by the entrepreneurs whose leadership and motivation are important factors for national greatness, generates rapid economic growth and a strong dynasty.

With respect to the relationship between government and capitalists, Ibn Khaldun's view is that a strong dynasty provides public protection to the capitalists. This is because a capitalist may possess a great deal of property and rulers become jealous of him: "They envy him and try every possible trick to catch him in the net of a government decision and to find an obvious reason for punishing him, so as to confiscate his property" (Ibn Khaldun, 1969, p.281). In essence, confiscation of property according to Ibn Khaldun is an unjust act. He (1969, p.240) states, "Those who take away property commit an injustice...Those who, in general, take property by force, commit an injustice." He also argues that expropriation is self-defeating for any government because it is a form of oppression, and oppression ruins societies and civilizations.

Government involvement in the economy is erroneous, according to Ibn Khaldun, because it drives private business out of economic activity and reduces tax revenues; hence, civilizations are destroyed (Ibn Khaldun, 1969, pp.232-33). In addition, government contributes to business slumps if it is corrupted and serves the vested interests, or people of rank. He (1969, p.237) explains:

Dynasty and government serve as the world's greatest market-place, providing the substance of civilization. Now, if the ruler holds onto property and revenue, or they are lost or not properly used by him...business slumps and commercial profits decline because of the shortage of capital.

Once profit declines, accumulation of capital weakens so does economic growth; hence, the dynasty becomes powerless. Explicitly, Ibn Khaldun is suggesting that the government should be honest and should not intervene (with one exception explained later) in the capitalist economy, because the hands-off behavior of the government will help the dynasty to rise and expand. Moreover, Ibn Khaldun (1969, p.238) argues, "If government business slumps and the volume of trade is small, the dependent markets will naturally show the same symptoms, and to a greater degree." In contrast, if government spending (and expenditures by the ruler's entourage) is sufficient, it may be very helpful for the business activity in that the expenditure of the ruler's entourage "provides more of the substance of trade than that of any other (group)" (Ibn Khaldun, 1969, p.237).

For Ibn Khaldun, lower optimal tax rates develop and expand the dynasty. He (1969, p.230) explains: "At the beginning of the dynasty, taxation yields large revenues from small assessments. At the end of the dynasty taxation yields small revenue from large assessments." Also, "When tax assessments and imposts upon the subjects are low, the latter have the energy and desire to do things. Cultural enterprises grow and increase, because the low taxes bring satisfaction. When cultural enterprises grow, the number of individual imposts and assessments mount. In consequence, the tax revenue, which is the sum total of (the individual assessments),

increases" (Ibn Khaldun, 1969, p.230). He (1969, p.234) believes that tax exemption will augment the stock of capital and profits: "Exemption from taxes and custom duties is more likely than anything else to cause one's capital to grow, and it brings quick profits." This in turn establishes a strong dynasty.

The social cohesiveness which reflects *Asabiyya* and *Ijma'* and the availability of financial resources under the early competitive capitalism allow the dynasty to expand further at the expense of its neighbors for more profitable opportunities. For the Arabs Ibn Khaldun explains the expansion to include Syria, Egypt, Persia, North Africa, and the rest of the map. The empire was able to achieve its goals by obtaining more economic resources and support from a variety of people. Schumpeter (1951, pp.42-43) calls this expansion and conquest popular imperialism, whose goal was "not spreading of the faith but the spreading of Arab rule—in other words, war and conquest for their own sake." Ibn Khaldun's argument is more compelling than Schumpeter's in that wars and conquests under the Arab rule were driven by the motive of profitability.

Ibn Khaldun explains very important issues about the imperial expansion and domination of other nations. First, he (1969, p.112) outlines various characteristics of imperialists who occupy other nations and states:

Whenever we observe people when possess group feeling and who have gained control over many lands and nations, we find in them an eager desire for goodness and good qualities, such as generosity, the forgiveness of error, tolerance toward the weak, hospitality toward guests, the support of dependents, maintenance of the indigent, patience in diverse circumstances, faithful fulfillment of obligations, liberality with money for the preservation of honor, respect for the religion law and for the scholars who learned in it..., acceptance of the truth..., fairness, humility toward the poor..., avoidance of fraud, cunning, deceit, and shirking of obligations, and similar things.

Having stated these high qualities, Ibn Khaldun discusses his second issue which is related to the different types of imperial domination. He divides the latter into just (or kind) and unjust domination. For the first type, he points out, "If the domination is kind and just and the people under it are not oppressed by its laws and restrictions, they are guided by the courage or cowardice that they possess in themselves. They are satisfied with the absence of any restraining power. Self-reliance eventually becomes a quality natural to them" (Ibn Khaldun, 1969, p.95). For the second type, "If...the domination with its laws is one of brute force and intimidation, it breaks [people's] fortitude and deprives them of their power of resistance as a result of the inertness that develops in the soul of the oppressed" (Ibn Khaldun, 1969, pp.95-96).

Luxemburg (1964) contends that the Arab rule (although ruling others is not a civilized way of helping people) did not humiliate, intimidate, and intervene in the ruled people's internal affairs and customs; consequently, the ruling Arabs did not face resistance. The opposite had happened to the British and the French imperialists, because they tried to humiliate and to oppress the ruled people and intervened in their customs and habits. All types of domination cannot be justified, because it intends at destroying the ruled people's group feeling by humiliation, oppression, and force in order to control them. But humiliation and oppression may create a strong group feeling among the ruled to fight back in order to gain power and royal authority: "Group feeling...is strong. Their force cannot be broken...[and] their hopes of

achieving royal authority...are high. Their superiority is recognized, and, therefore, no one disputes their claim to royal authority. They seize power” (Ibn Khaldun, 1969, pp.115).

EARLY COMPETITIVE CAPITALISM AND THE COLLAPSE OF A GREAT POWER

The collapse of the dynasty comes in this sequence: selfishness of the leadership, deterioration of social cohesiveness, wasteful (luxurious) expenditures, higher taxes, destruction of the business enterprises, lower spending on exhausted army, and internal and external resistance. Selfishness of the leader provides disincentive to all people who established the dynasty. Usually, leaders do that when they are in complete control, but the negative aspect of selfishness is the loss of supporters. A similar outcome is generated when the leader and his entourage try to obtain most of the benefits of the dynasty, particularly economic resources and financial benefits such as the exemption from import duties and taxes.

Leaders of the dynasty try to exclude some people from participation in the dynastic affairs. Usually, these individuals are the original supporters who established the dynasty. In other words, leaders start practicing an undemocratic method of people exclusion, which alienates those individuals and their supporters. All these individuals become outsiders and interested in fighting back for their power and status. Of course this creates division that causes the first foundation, the group feeling on which the dynasty was based, to break down.

Ibn Khaldun (1969, p.114) writes the following to demonstrate his opposition to luxury which destroys a great power. People “who support the dynasty indulge in a life of ease and sink into luxury and plenty.” This environment of luxury attracts their attention and leaves the dynastic affairs to other individuals whose competence is weak in political affairs of the dynasty. “Luxury wears out royal authority and overthrows it” and luxury destroys group feeling, and “power is taken away from the dynasty” (Ibn Khaldun, 1969, p.115). Moreover, Ibn Khaldun (1969, p.109) contends, “The greater their luxury and the easier the life they enjoy, the closer they are to extinction, not to mention their lost chance of securing royal authority”. In short, “When group feeling is destroyed, the [dynasty] is no longer able to protect itself....It will be swallowed by other nations” (Ibn Khaldun, 1969, p.109).

Psychologically, when people are meek and docile their group feeling is broken: meekness and docility break the vigor of group feeling (Ibn Khaldun, 1969, p.110). When people are characterized as such, they become too weak to oppose and to press their claims. In addition, humiliation, oppression, and force destroy group feeling, as they force people to escape reality. But for Ibn Khaldun (1969, p.111) oppression and meekness are not tolerated by “proud souls”, and he considers higher taxes as a sign of oppression and meekness.

When a dynasty becomes isolated and has no contact with other civilizations its people become weak and cannot oppose other strong nations. This idea may explain the fact why isolated social groups and countries become weak. This is because isolation creates underdevelopment by depriving people and nations from obtaining new knowledge and technological advances. Hence, nations are weakened and cannot control its affairs and become an instrument of someone else: “The group that has lost control of its own affairs thus continues to weaken and to disintegrate until it perishes” (Ibn Khaldun, 1969, p.117). Eventually, people lose their group feeling. He (1969, p.117) thinks, “When group feeling has disappeared under the impact of defeat, civilization decreases and business and other activities stop.”

Similarly, the second foundation on which the dynasty was built, or tax revenues, becomes weak. The shortage of tax revenues usually results from the extravagant expenditures practiced

by the ruler and prominent citizens and from the heavy taxes imposed on businesses. Ibn Khaldun (1969, p.249) explains: "The expenditure of the ruler and of the people of the dynasty in general, grows. This (tendency) spreads to the urban population. It calls for increases in soldiers' allowances and in the salaries of the people of the dynasty. It spreads to the subjects, because people follow the (ways) and customs of the dynasty." In order to get the necessary money (tax revenues), the ruler "must invent new kinds of taxes. He levies them on commerce. He imposes taxes of a certain amount on prices realized in the markets and on the various (imported) goods at the city gates....In the later (years) of a dynasty, taxation may become excessive. Business falls off, because all hopes (of profit) are destroyed, permitting the dissolution of civilization....This situation becomes more and more aggravated until the dynasty disintegrates" (Ibn Khaldun,1969, p.232). Clearly, higher tax rates reduce profitability and incentives to work and invest. Consequently, employment and income decline, which cause the tax revenues to decline. Finally, government will become bankrupt as well.

An important fact should be stressed again in that Ibn Khaldun emphasizes the contribution of luxury for the collapse of a great power. Luxury corrupts people's character. He (1969, p.135) points out: "People lose the good qualities that were a sign and indication of royal authority. They adopt the contrary bad qualities." He (1969, p.134) also argues, "When people get accustomed to a great number of things, their expenses are higher than their allowances and their income is not sufficient to pay their expenditures." As luxury increases, government has to accommodate people and has to increase tax revenues. "And when the tax revenues must go to pay for recently increased allowances....the militia decreases in number....Eventually, the army is reduced to the smallest possible size. Thus, the military defense of the dynasty is weakened, and the power of the dynasty declines" (Ibn Khaldun, 1969, pp. 134-35).

Lack of environmental protection accelerates the collapse of the dynasty. As the dynasty rises, population density increases, and the phenomenon of overpopulation emerges. Ibn Khaldun thinks that overpopulation, which results from economic development and prosperity of the dynasty, will corrupt the air and create putrefaction which causes illness and diseases. He (1969, p.256) points out, "The principal reason for the [...plague] is the corruption of the air by overpopulation and the putrefaction and the many evil moistures with which the air has contact (in a densely populated region)". He continues, "If the corruption is strong, the lung is afflicted with disease. This results in epidemics, which affect the lung in particular. Even if the corruption is not strong, putrefaction grows and multiplies, resulting in many fevers that affect the tempers, and the bodies become sick and perish." He provides additional ideas about the deterioration of the environment, ideas that have been studied in detail by Diamond (2005).

With respect to the army (or militarism), Ibn Khaldun (1969, p.129) explains: "Each dynasty depended on the numerical strength of its supporters. When its numbers were exhausted through expansion, no further conquest or extension of power was possible." This exhaustion of the army happened to the Arabs at the beginning of Islam. After the Arabs penetrated Syria, Iraq, North Africa, Western India, Spain, etc., their "numbers were exhausted by that expansion [and] no further conquests could be made by them, and the Muslim empire reached its farthest expansion"(Ibn Khaldun,1969, p.129). Consequently, the exhaustion of the army becomes an important source for the disintegration of the great power.

IBN KHALDUN'S INFLUENCE ON AN AMERICAN VIEW OF GREATNESS

There are some indicators, which Ibn Khaldun's analysis of the rising of a great power includes, have influenced the dominant American view in its vision for achieving greatness. In modern time President Reagan while campaigning in Chicago, Illinois in 1979 was promoting supply-side economics as the best economics for solving the stagflation problem which the U.S. economy had suffered from during the 1970s. One of the basic ideas of supply-side economics is the imposition of an optimal low tax rate on people and businesses. This is because the low tax rate will enhance business incentives for enlarging the business activity, which generates more profits, employment, and income. Hence, more tax revenues will be generated.

President Reagan stated at that time that the idea of tax reduction was introduced by a great Muslim philosopher, and that philosopher is Ibn Khaldun. In fact, all the basic components of the neo-liberal model such as deregulation, government support of private property, competitive capitalist economy, free international trade, and the tax cut can be found in Ibn Khaldun's political economic philosophy. His model for the rise a great power is more superior compared to the current American model, because the early capitalist system that Ibn Khaludn explains is not dominated by large corporations that are able now to determine prices, output, and employment. Nor does early capitalism have other institutions that impede the operations of the market system such as tariffs and patent system.

It is also true that Ibn Khaldun's model allows for free international trade and free mobility of factors of production, including workers. For him, the free international trade is useful and important for satisfying people's needs. Immigrant workers bring skills which are needed by the growing economy. But in the United States of America the dominant sentiment is to restrict foreign immigrants, and many American leaders believe that immigration should be curtailed. In contrast to the immigration, the majority of the American people do advocate the idea that foreign capital in the United States is important for the U.S. economy because it creates employment for American workers. That is, free mobility of factors of production is contaminated in the United States of America in that free movement of capital is allowed but free movement of labor is restricted. It is reasonable to state that free international trade in commodities, while it may be the freer in the world, is still restricted, as many tariffs are imposed on imported foreign commodities.

After the Reagan administration all the other American administrations believed in a lower tax rate on business and people. Indeed, a low tax rate has become an important element for enhancing economic growth and development. For example, endogenous growth models do advocate lower tax rates as an essential long run policy to develop American capitalism. Many other economists and politicians think that a tax cut is important element for reducing the cost of production and making the American economy more competitive in the global economy. In addition, it can be argued that a low tax rate may bring foreign investors to invest in the American economy for more income and employment for the American people. The Bush administration thought that a low tax rate is the best strategy for the growth of American capitalism. In fact, each time the President was asked about the health of the economy, his response was the Congress and law makers must make his tax cut permanent. Recently, when the economy is in recession, the basic remedy provided is a stimulus package whose basic element is a tax cut for businesses and people.

The other basic element of Ibn Khaldun's analysis that affects American policy makers for national success and global greatness is militarism. Militarism is grounded in the American

culture because it is the most important factor for national protection and for global domination. Technology is developed and used significantly for producing military hardware. Soldiers are recruited to serve in various units of the army, navy, and marines. In addition to the public military units, the country has private units such as Black Waters that complements the public military units for dominating occupied countries such as the recent case of Iraq.

The demand for new soldiers has been rising because the current numbers of soldiers are not sufficient to handle new emerging events. As Ibn Khaldun believes, if the great power is extended, more soldiers are needed; otherwise, the great power starts shrinking geographically and then disintegrates. The federal government is always in needed for more military volunteers. Recently, the Secretary of Defense Mr. Robert Gates announced the extension of the army by more than seventy thousands for the future needs.

Both elements of militarism whether in terms of physical or human resources require a huge financial budget, and economic success becomes an important factor in the rising of a great power. Not surprisingly, the budget allocation for the military on the average is more than \$550 billion annually. In fact, even before the wars in Iraq and Afghanistan the allocated funds for the military was around \$300 billion, and it may have been higher than the reported figures, because it has been announced that the cost of the war in Iraq alone is more than \$3 billion a week. Of course, this cost will rise significantly in the future, as the military hardware will have to be replaced. And yet, the federal government does not have public savings to spend for militarism, and part of the fund spent for militarism is financed by borrowing rather than by taxes. It must be mentioned that some scholars such as Veblen (1934) think that U.S. military forces were used to obtain concessions for American oil corporations. Recently, the case of Iraq is another example to obtain oil concessions for oil corporations through what has been called the law of sharing oil revenues.

Historically, in the United States of America, nationalism (patriotism or the psychological cause for the rising of a great power that Ibn Khaldun explains) is very important sentiment for uniting the country against foreign enemies. In fact, nationalism was the basic force for defeating the British Empire and to obtain national independence and sovereignty. Since then, educational, religious, and political institutions have been significant sources for diffusing patriotism. For example, September 11, 2001 did unify the country and intensify the fervor of patriotism to go after the terrorists even in countries where there were no terrorists against the United States of America such as Iraq. Not only did people approve what President Bush was doing, but the Senate and the Congress also provided him with the necessary votes (a blank check) to use the military forces of the country in unspecified places to fight terrorism.

Interestingly enough, Ibn Khaldun argues that the existence of various opinions does lead to weaken a great power. This proposition may mean that in a country where people and politicians can freely provide various opinions about political and other national events may eventually contribute for the creation of many dominant ideas which are in conflict with the view of the political leadership. Hence, domestic political conflicts are generated. Recently, the Bush administration proposed the continuation of the wiretapping according to which the government could use to defend Americans from terrorists and foreign attacks. This may be true, but it can be argued that it leads to the creation of one dominant view about the war, which is the government's view.

In sum, some American leaders and nationalists are in the support of a strong economic system which is able to generate financial funds for supporting militarism. Militarism is highly important for submitting small nations. These two foundations can be strengthened significantly

by incorporating patriotism, or what Ibn Khaldun calls *asabiyya*, and competent leadership. Ibn Khaldun thinks the Arab caliphs used the religious, the economic, and the fear themes that stimulate people to fight and die for the glory of the Arab Empire. The Bush administration uses the nationalist theme whose core elements are terrorism and liberty for stimulating the American and other peoples to fight for democracy. Hence, the similarity between the American model and Ibn Khaldun's analysis is astonishing.

SOME SIGNIFICANT IMPLICATIONS

The most significant implications of this paper are the following. The first implication is that people learn through imitation (or borrowing) rather than imposition of ideas by force. History and great scholars demonstrate that when a country or a group of people have high quality characteristics, people will imitate these good qualities. Imposition of new institutions on people will be resisted. Historically, people such as the Arabs, Vietnamese, Afghans, and the Americans included, to mention a few, have fought and defeated the British and the French imperialist occupiers. The same historical cases have also demonstrated that no great power in recent time can continue its occupation of a foreign country for a long period of time because of military and economic causes.

The second implication is that colonialism and imperialist occupation are not acceptable norm of international behavior. Many causes have been provided to justify colonialism such as morality, security and economic reasons, and development and liberation of other people. Essentially, the dominated people will reject these justifications, because they are interested in having real liberty and freedom to develop their own domestic institutions and nations. Consequently, they will resist such domination, a resistance that may create permanent animosity and hatred between the dominated and the dominating nations. Eventually, dominating and occupying nations will be defeated.

The third implication is the difficulty to find unified people for achieving some objectives. Political solidarity may take the form of class, nation, and group solidarity, and economic solidarity may provide sufficient tax revenues obtained from the business enterprises and people to achieve national goals. Most important, the national solidarity may be based on religion and self-defense through the motivating tool of patriotism, and a leader may be able to conquer the world with the wealth her country has. But modern monopoly capitalism cannot keep these conditions permanently, as it creates exclusion and vested interests for one class or a social group at the expense of others. Vested interests also eliminate motivation and destroy solidarity. A religious reason does not work either under modern capitalism, because people have various beliefs and no government can impose a single religion on other people. Patriotism and cruel methods of torture can be used to prop people under democracy and silent other opinions but these do not create social cohesion to support imperialist adventures. Propaganda is difficult to use in intellectual and computerized societies, because people will find the truth, and when they do, division and conflict are created among them. That is to say, once strong opinions are found, social cohesion is cracked. It is really difficult to find a long run theme that creates social cohesion and solidarity among people under monopoly capitalism.

The fourth implication is related to leadership. Politically and economically leaders are crucially important for a rising dynasty according to Ibn Khaldun. Politically, leaders must be innovative and able to find the best ways to lead and motivate people to be loyal to the dynasty. They should be able to include all people in the process of creating a great power without

excluding others. Economically, leadership is related to the business enterprises which represent the most important base for the rising dynasty. These enterprises must have innovative leaders or entrepreneurs that are able to produce products by using the best methods of production and to find markets to sell the production internationally. They must also take the risk for importing high quality products. It should be stated that under monopoly capitalism entrepreneurial function has been weakened as governments tend to protect big business enterprises from the global competition. Once entrepreneurs become incompetent, innovations and technological advance which are important factors for rising dynasties are deteriorated.

The fifth implication is that wasteful (or luxurious) expenditures destroy the economy and quality of people. Wasteful expenditures have to be financed by any government. In the long-run, however, this spending erodes national savings, investments, and employment, and the country has to borrow to accommodate these expenditures. This type of spending also creates people who are alienated and easily divided and can hurt each others for personal gains to finance their wasteful expenditures. These divided people have weak solidarity and cannot rule. By the same token, luxurious spending creates inefficient governments and low quality public servants (people of rank) who aim at satisfying the interests of their own loyalists at the expense of the underlying population. In other words, luxury generates corruption and kills motivation and incentives.

The sixth implication is that full employment and security must be sustained in order to create solidarity or social cohesion among people, and this requires effective public policies. Public policies which are directed to create benefits for the few will reduce employment, income, and social security. Such policies create division among people and a call for changes and transformation. Economically, loyalty of people is weakened when people are not motivated by higher incomes, security, and welfare.

The seventh implication is related to the United States of America. The nation is rich and very patriotic but its rising power is limited. Social cohesion among patriotic people cannot be maintained, because many social groups do not enjoy the benefits of the economic system. Twenty percent of the population receives fifty percent of the distributed income, and the other eighty percent of the population obtains the other fifty percent of the distributed national income. This inequality in income distribution is associated with about 37 million poor individuals in the country and more than 15 million unemployed workers. The economy is based on monopoly capitalism where big corporations dominate the economy. These corporations such as oil, military, and pharmaceutical industries receive most of the benefits and use many loopholes to avoid taxes. For example, the well-known practices of Halliburton do crack the social cohesion when it makes billions of dollars at the expense of the American people. Other corporations manipulate and practice dishonest behavior in making profits at the expense of the society. These practices restrict incomes and reduce government tax revenues. Consequently, the government has to borrow to finance its spending, a process that cannot be sustained in the long-run.

The other implication which is complementary to the previous one is grounded in the insufficiency of the tax revenue to finance government spending. For Ibn Khaldun's analysis the government has to tax people and business enterprises optimally to finance its spending. For the U.S. economy, the Bush administration rejected the idea of increased taxes to finance the government spending. This condition forced the federal government to borrow from domestic and foreign people to finance its deficit spending. This borrowing came partly from a process called printing money where the Federal Reserve (the Fed) has to purchase government bonds.

The other part of the borrowing came from foreign buyers of government assets such as China, India, and other countries.

When the Fed purchases government financial assets, new money will be injected in the economy and the inflation rate will be increasing. The purchasing power of the dollar will decline, affecting negatively some social groups whose incomes are fixed. The high inflation rate will weaken the exchange rate of the dollar which allows the country to export more and import less. At the same time the country's assets become cheaper in terms of strong foreign currencies, a situation that allows foreign nations to purchase U.S. assets at a low cost. Costly imported items such as oil will be translated into higher domestic prices, which will enforce the inflationary momentum. For the purpose of price stability, the interest rate will have to increase by the Fed; consequently, investment and consumption expenditures will decline, generating a recession and in some cases this recession coexists with inflation, forming a phenomenon called stagflation. At a higher interest rate, government spending for servicing its debt will be rising as well. If the Fed decides to cut (rather than increase) the short-term interest rate in an inflationary environment, then the inflation rate will be increasing significantly, destroying the reserve currency status of the dollar. But under this condition, real government spending for servicing its debt will decline.

It is also possible that the federal government has to increase tax rates on people and businesses in the future, which makes it extremely difficult for the business enterprises to compete globally. Higher taxes and cost of materials will force the business enterprises to move to foreign countries; consequently, domestic unemployment will rise and the industrial base of the country will collapse. Given these implications and the two-war condition which overstretches the U.S. military forces, an economic catastrophe seems inevitable if a new course of action does not come very soon.

SUMMARY AND CONCLUSIONS

The rising dynasty for this study must have two essential foundations: solidarity and availability of financial resources through low optimal tax rates. Both foundations, which require advanced technology, innovations, leadership, and motivation, create a strong army (militarism) to be financed by taxes mostly paid by the business enterprises. The dynasty will collapse if the tax rate increases and the business enterprises lose incentives to invest. Tax revenues will decline and the overstretched army becomes weak. Simultaneously, solidarity between people is broken down as a result of selfishness, weak leadership, and wasteful (luxurious) expenditures.

For the United States of America borrowing becomes an essential means for financing public spending and wars, a way that will generate a higher rate of inflation and a weak dollar, which will force other nations to dump the dollar as a reserve currency. Inflation along with a higher cost of production will generate a lower rate of profitability and a higher rate of unemployment. That is, stagflation will be the ultimate outcome.

The best strategy for a great power such as the United States of America is to solve the budget deficit and reduce public spending on militarism in order to reduce inflation. Therefore, the optimal policy is to end the wars in Iraq and Afghanistan, because no nation can finance wars for a long period of time. Ending the wars will reduce the price of oil and revive the economy. Consequently, the federal government will have the ability to redirect its spending towards improving technology, education, security, infrastructure, health, innovations, competition, leadership, moral standards, and employment programs. This reallocation of public spending will

correct the economic dislocation caused by the growth of the military industrial firms at the expense of the civilian industries and will increase productivity and economic growth. Leading by example rather than by force is the best course of action for the United States of America under the current global uncertain environment.

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