

## ABU YUSUF AND THE DEVELOPMENT OF ISLAMIC ECONOMIC THOUGHT

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### ABSTRACT

This study examines the contribution of the classical Islamic economic thought of Abu Yusuf as presented in his monumental work, Kitab al-Kharaj. The primary objective of this study is to explore his concepts of public finance, taxation, and state intervention in market mechanisms to achieve social welfare. This study employs a qualitative approach using library research. The findings indicate that Abu Yusuf's economic thought is grounded in the principles of justice, governmental accountability, and public welfare. The study reveals that Abu Yusuf pioneered the transition from a fixed tax system (misahah) to a proportional taxation system (muqasamah) based on taxpayers' actual ability to pay. He also emphasized the state's responsibility to develop public infrastructure and regulate markets to prevent monopolistic practices (ihtikar). In conclusion, Abu Yusuf's economic thought laid the foundation for a fiscal policy framework oriented toward public welfare, transparent management of the state treasury (Bayt al-Mal), and social justice. These ideas remain highly relevant and applicable to contemporary economic systems.

#### Keywords:

Islamic Economic, Abu Yusuf, Fiscal Policy, Justice.

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## 1. INTRODUCTION

The mid-eighth century CE marked the transition of political power from the Umayyad Dynasty to the Abbasid Dynasty. This period was characterized by internal conflicts among Muslims, creating an unfavorable environment for various aspects of social and political life. As

a result, the Islamic world experienced a period of instability and temporary decline. Scholarly activities, which constituted a vital component of the development of Muslim civilization, also stagnated due to these adverse conditions. (Roziq & Ilma Ahmad, 2024).

Nevertheless, amid this turbulent period, a beacon of intellectual progress emerged through the contributions of Abu Yusuf, a prominent Muslim scholar who remained steadfast in pursuing scholarly endeavors despite the unfavorable circumstances for the advancement of knowledge, particularly within the Islamic world.

Abu Yusuf's most influential work, *Kitab al-Kharaj*, made a significant contribution to the development of economic thought, particularly in the field of Islamic economics. In this seminal work, Abu Yusuf comprehensively articulated economic principles from a macroeconomic perspective, with particular emphasis on public finance, including the sources of state revenue and the allocation of public expenditures. His economic ideas provided practical guidelines for rulers in administering fiscal affairs while simultaneously establishing a theoretical foundation that has continued to influence the development of Islamic economic thought.

Although *Kitab al-Kharaj* was commissioned by the Abbasid Caliph Harun al-Rashid, Abu Yusuf maintained scholarly independence throughout its composition. This is evident from his objective analysis of state revenues and prevailing economic practices, including the fiscal policies implemented by the ruling authorities. His work demonstrates a commitment to impartiality and intellectual integrity despite being prepared at the request of the caliph. (Z. I. Ahmad et al., 2024).

The significance of *Kitab al-Kharaj* extends beyond its historical function as a fiscal manual for the Abbasid administration. The work represents one of the earliest systematic treatises on public finance in Islamic civilization, integrating legal, ethical, and economic principles into a coherent framework for state governance. Abu Yusuf emphasized that fiscal policies should not merely serve as instruments for maximizing state revenue but should also promote social justice, protect individual property rights, and ensure the equitable distribution of public resources. This normative approach distinguished his economic thought from purely revenue-oriented fiscal systems and reflected the broader objectives (*maqasid al-shariah*) of promoting public welfare (*maslahah*).

Abu Yusuf also demonstrated remarkable insight into the relationship between taxation and economic productivity. He argued that excessive or arbitrary taxation could discourage agricultural production, reduce commercial activity, and ultimately diminish state revenues. Consequently, he advocated replacing fixed land taxation with a proportional tax system that corresponded to the productive capacity of the land. This principle illustrates an early understanding of economic incentives and sustainable fiscal policy, emphasizing that government prosperity depends on the prosperity of its citizens. His recommendations reveal a sophisticated appreciation of the interaction between public policy, economic behavior, and

long-term fiscal stability, concepts that remain relevant in contemporary public finance literature.

The enduring relevance of Abu Yusuf's economic thought is evident in its compatibility with modern discussions on fiscal governance, accountability, and sustainable economic development. His emphasis on transparency, justice, efficient public expenditure, and responsible taxation continues to resonate with contemporary principles of good governance and Islamic public finance. As governments and Islamic financial institutions increasingly seek policy frameworks grounded in ethical and sustainable values, Abu Yusuf's contributions provide an important intellectual foundation for addressing present-day fiscal challenges. Consequently, his legacy extends beyond the historical context of the Abbasid era and continues to serve as a valuable reference for scholars and policymakers engaged in the advancement of Islamic economics.

## **2. LITERATURE**

### **2.1. Intellectual Biography and Methodological Foundations of Abu Yusuf**

Abu Yusuf's full name was Abu Yusuf Ya'qub ibn Ibrahim al-Ansari (113–182 AH / 731–798 CE), a distinguished disciple and close companion of Abu Hanifah, the founder of the Hanafi school of Islamic jurisprudence. He belonged to the Arab tribe of Bujailah. His family was known as al-Ansari because his maternal lineage was connected to the Ansar—the early Muslims of Madinah who supported the Prophet Muhammad. Abu Yusuf grew up in Kufa, a renowned center of Islamic scholarship that inherited the intellectual legacy of Abdullah ibn Mas'ud (d. 32 AH), one of the Prophet Muhammad's most eminent Companions. (Zakiyyah Ilma Ahmad, Nur Laily Hidayati, 2025).

As a follower of the Hanafi school, which is closely associated with the rationalist tradition (Ahl al-Ra'y), Abu Yusuf employed legal reasoning in addressing matters related to worldly affairs whenever the primary sources of Islamic law—the Qur'an and the Sunnah—did not provide explicit rulings. However, his legal reasoning was not exercised without methodological constraints. According to the rationalist approach, independent reasoning becomes necessary only when no clear legal ruling can be found in the Qur'an, the Sunnah, or the consensus (ijma') of the Prophet's Companions. In such cases, legal judgments should be derived through analogical reasoning (qiyas), juristic preference (istihsan), and consideration of the public interest (istislah).

The Hanafi approach, and more broadly the rationalist methodology, is clearly reflected in Abu Yusuf's *Kitab al-Kharaj*. When discussing controversial issues, he frequently prefaced or concluded his arguments with the phrase, "In my opinion." Moreover, when proposing policies that differed from earlier views, Abu Yusuf often employed expressions such as, "if this brings benefit to the community," indicating the influence of the principle of public welfare (istislah) in his legal and political reasoning. Nevertheless, Abu Yusuf did not hesitate to disagree with his

teacher, Abu Hanifah, on several occasions. In *Kitab al-Kharaj*, he sometimes acknowledged Abu Hanifah's opinion before presenting an alternative position that he considered more appropriate. These differences did not diminish his adherence to the Hanafi school; rather, they demonstrate his intellectual independence and illustrate that substantial scholarly disagreement did not create division or controversy between teacher and disciple. (Shiddiq et al., 2022).

As a distinguished scholar and respectful student, Abu Yusuf frequently concluded discussions with the phrase, "Allah knows best," whenever his opinion differed from that of his teacher. Regarding the role of the caliph, Abu Yusuf consistently emphasized that the final decision rested with the ruler. Throughout *Kitab al-Kharaj*, he repeatedly employed expressions such as: "I have explained this matter to you, O Commander of the Faithful (Amir al-Mu'minin), and it is for you, through your wisdom, to adopt whatever course of action best serves the interests of the Muslim community." This statement reflects both his scholarly humility and his recognition of the caliph's executive authority.

Abu Yusuf's intellectual independence, as reflected in his willingness to differ from his teacher, was largely shaped by his professional career as a judge. Serving first as a judge and later as the Chief Judge (Qadi al-Qudat) during the reign of Caliph Harun al-Rashid, he was required to cultivate impartiality, objectivity, and independent judgment in order to administer justice fairly. His judicial responsibilities accustomed him to considering diverse perspectives, evaluating competing legal arguments, and ultimately reaching decisions based on his own reasoned analysis. (Budi Santoso et al., 2024).

This method of legal reasoning is one of the defining characteristics of *Kitab al-Kharaj*. Throughout the work, Abu Yusuf raises legal questions, examines relevant evidence from the Qur'an and the Sunnah, reviews the practices of previous caliphs, presents the opinions of other jurists, and subsequently formulates his own conclusions supported by detailed arguments and legal justification. Consequently, the structure of the book reflects a highly systematic and educational approach to legal and economic analysis.

Abu Yusuf also appeared to appreciate the confidence and respect bestowed upon him by the caliph. This is evident from two observations in the introductory section of *Kitab al-Kharaj*. First, when referring to the caliph's request that he compose the work, Abu Yusuf consistently employed expressions indicating that the Commander of the Faithful had "requested" or "asked" him to undertake the task, rather than stating that he had been "ordered" to do so. The term implying a command appears only toward the conclusion of the introduction. This linguistic choice reflects Abu Yusuf's courtesy, diplomacy, and profound respect toward the caliph, while simultaneously indicating the high regard in which jurists and judges were held as authoritative interpreters of Islamic law. (Syahni & Nasirin, 2023).

Second, throughout *Kitab al-Kharaj*, Abu Yusuf assumed not only the role of a jurist but also that of an adviser, legal consultant, and educator to the caliph. In the introductory chapters,

he repeatedly reminded the ruler of his responsibilities and obligations toward his subjects, emphasizing Allah's commands and the teachings of the Prophet concerning leadership and stewardship over the people. He also consistently highlighted the divine accountability awaiting rulers for every decision affecting the welfare of the Muslim community, thereby underscoring the ethical and religious foundations of governance in Islam.

## **2.2. Abu Yusuf's Economic Thinking**

Abu Yusuf's economic thought is comprehensively presented in his monumental work, *Kitab al-Kharaj*. Accordingly, the following discussion of his economic ideas is primarily based on this seminal text. The principal aspects of Abu Yusuf's economic thought may be summarized as follows.

### **2.2.1. Public Expenditure and Revenue Distribution**

The distribution of war booty (*ghanimah*) serves as the starting point of Abu Yusuf's discussion on public finance. This issue appears to have attracted his attention for at least two reasons. First, he examined the proportion of war booty allocated to the Prophet Muhammad (peace be upon him) and his relatives, who were ineligible to receive zakat but were entitled to a share after the Prophet's death. Second, he considered whether the administrative practices adopted by the Rightly Guided Caliphs (*al-Khulafa' al-Rashidun*), particularly Umar ibn al-Khattab, could continue to be implemented. Regarding the first issue, Abu Yusuf argued that the Prophet's designated share should be distributed among his relatives. Concerning the second, after reviewing several issues that emerged following the Prophet's death and during the period of the Rightly Guided Caliphs, he proposed a distribution mechanism that differed slightly from the policy adopted by Umar ibn al-Khattab. (Z. I. Ahmad et al., 2025). Abu Yusuf identified three fundamental principles governing the distribution of zakat revenues:

- a) Zakat revenues must not be commingled with other sources of state income.
- b) Zakat revenues must be distributed strictly in accordance with the categories of beneficiaries prescribed in the Qur'an.
- c) Zakat revenues should be distributed locally to eligible recipients within the locality, city, or region where the zakat was collected.

### **2.2.2. Land Taxation**

In discussing land taxation, Abu Yusuf distinguished between two categories of land tax: *kharaj* and *'ushr*. His analysis begins by explaining the meaning of and distinction between these two forms of taxation. *'Ushr* refers to the tax imposed on land owned by Muslims, whereas *kharaj* denotes the tax levied on land owned by non-Muslims following the Islamic conquests. Nevertheless, Abu Yusuf emphasized that this distinction was not absolute. Land owned by non-Muslims could also be subject to *'ushr* under certain circumstances. This provision applied to lands belonging to the *Ahl al-Kitab* (People of the Book), namely Christians and Jews residing in Arabia, as well as to other non-Arab communities that had concluded peace agreements with

Muslim authorities stipulating 'ushr as a form of tribute. Likewise, land owned by Muslims could remain subject to kharaj if it had originally been classified as kharaj land and was subsequently purchased from a non-Muslim owner. (Abidin & Ilma Ahmad, 2023).

- **Administration of Land Taxation**

Abu Yusuf also provided a concise yet significant discussion of land tax administration. One of the most notable aspects of his analysis is the principle that no governmental authority has the power to alter the legal status of land arbitrarily. Land designated as kharaj land cannot simply be reclassified as 'ushr land, nor can 'ushr land be converted into kharaj land. According to Abu Yusuf, a change in tax status is permissible only under specific circumstances. For example, when the owner of 'ushr land purchases kharaj land and merges the two into a single property, the combined land may subsequently be subject to 'ushr. Conversely, when the owner of kharaj land acquires adjoining 'ushr land and consolidates both properties, the unified estate remains subject to kharaj taxation. (Dimiyati et al., 2022).

- **Taxation on Produced Goods**

Abu Yusuf classified taxable products into three main categories:

- a) Agricultural products,
- b) Products extracted from the earth; and
- c) Products obtained from the sea.

With regard to agricultural products, Abu Yusuf devoted particular attention to commodities such as honey and legumes, explaining the appropriate tax treatment for each. He argued that no taxes should be imposed on sugarcane, firewood, grass, straw, or palm branches, with the exception of cinnamon, which, although inedible, possesses significant economic value, and sugarcane, which is a consumable agricultural product. Likewise, he maintained that no taxes should be levied on petroleum, tar, mercury, or asphalt extracted from beneath the earth.

Regarding products obtained from the sea, including pearls, gemstones, and other marine minerals, Abu Yusuf prescribed a tax rate of one-fifth (khums). More generally, he concluded that all products derived from the sea, regardless of their type, should be subject to khums, equivalent to 20 percent of the value or income generated from such resources. (Umam & Nasiruddin, 2021).

### **2.2.3. Zakat**

Abu Yusuf's discussion of taxation extended beyond land taxation to include zakat. In examining the tax base and applicable rates, he reaffirmed the legal provisions established by the Qur'an and the Sunnah. The thresholds (nisab), rates, and categories of zakat beneficiaries are explicitly prescribed in these primary sources of Islamic law. Therefore, both the government and the Muslim community are required to implement zakat regulations in accordance with the provisions stipulated in the Qur'an and the Sunnah. (November et al., 2025).

Furthermore, Abu Yusuf emphasized several important aspects of zakat administration. First, with respect to zakat on livestock, he highlighted three fundamental principles:

- Tax officials should neither increase nor decrease the taxable base in order to obtain personal advantage from the nisab threshold.
- Zakat on jointly owned livestock should be apportioned fairly among the co-owners.
- No zakat should be imposed on animals used primarily for agricultural purposes.

Second, Abu Yusuf stressed the importance of administrative efficiency in the collection and distribution of zakat. In this regard, he proposed the following principles:

- Individuals appointed to collect and administer zakat must be trustworthy and officially appointed by the caliph.
- Honest and competent central zakat administrators should appoint trustworthy representatives in every locality to oversee the collection of zakat.
- Zakat administration should be managed independently from other forms of taxation. The proceeds of zakat must be distributed exclusively according to the categories of beneficiaries specified in the Qur'an.
- Zakat revenues collected from different regions should be consolidated and allocated specifically to eligible beneficiaries (mustahiq).
- The collected zakat should be distributed in sufficient amounts to adequately support the needs of its rightful recipients. (Al Azhar et al., 2023).

#### **2.2.4. Jizyah**

In addition to discussing zakat imposed on Muslims, Abu Yusuf also examined jizyah, the poll tax levied on non-Muslim citizens. He reaffirmed the principles of Islamic law governing its tax base and rates, emphasizing that although jizyah is a per capita tax, the taxpayer's ability to pay must always be taken into consideration. According to Abu Yusuf, the annual jizyah rates were set at 48 dirhams for the wealthy, 24 dirhams for the middle-income group, and 12 dirhams for laborers and low-income earners, unless they possessed substantial wealth. Children, women, the poor, recipients of zakat, and monks were exempt from paying jizyah, except in cases where monks possessed considerable wealth. (Shiddiq & Wakhid, 2021).

In cases where disputes arose regarding an individual's financial status and no conclusive evidence was available, Abu Yusuf required the individual to take an oath in accordance with the teachings of his or her own religion. He further maintained that jizyah should not be regarded as a debt deductible from the deceased's estate. Likewise, if a non-Muslim embraced Islam before or after the completion of the taxable year, the legal consequences should be determined in accordance with the relevant provisions of Islamic law. Abu Yusuf also stressed that tax collection should be carried out with leniency and compassion. He cited a hadith in which the Prophet Muhammad (peace be upon him) declared that he would stand as the advocate of any jizyah payer who had been subjected to oppression on the Day of Judgment.

### **2.2.5. Special Contributions**

Abu Yusuf's contribution to fiscal theory extends beyond the discussion of individual taxes to broader principles concerning tax rates, tax bases, taxable thresholds, and taxable events. He recognized that tax administration often depends on subjective judgment; therefore, he emphasized that public officials should uphold justice, integrity, and a profound sense of accountability before God when carrying out their responsibilities. Furthermore, Abu Yusuf established minimum taxable thresholds for taxpayers, distinguishing his approach from many modern tax systems in which taxes are generally imposed on an annual basis regardless of minimum thresholds.

In determining taxable assets, Abu Yusuf excluded property that was not intended for commercial purposes. Such assets included livestock—such as sheep, cattle, and camels—not raised for trade; seeds reserved for cultivation rather than sale; and other agricultural products produced for personal use rather than commercial exchange. To verify that such assets were genuinely intended for personal use rather than trade, the owner was required to take an oath in accordance with his or her religious beliefs. Moreover, Abu Yusuf emphasized that tax officials should exercise prudence and fairness when determining whether particular assets qualified as personal property exempt from taxation. (Umam & Nasiruddin, 2021).

### **2.2.6. Other Economic Issues**

In addition to taxation, Abu Yusuf addressed several other important economic issues in *Kitab al-Kharaj*, including leasing arrangements, public works and public goods, externalities, as well as the concepts of price, scarcity, and economic value.

- **Leasing**

With regard to leasing, Abu Yusuf focused primarily on the leasing of agricultural land and date-palm plantations, particularly the cultivation of uncultivated (*mawat*) land under sharecropping arrangements. He explained that the jurists of the Maliki school in the Hijaz held views that differed from those of the scholars of Kufa. Scholars in the Hijaz and Madinah generally prohibited leasing uncultivated land under profit-sharing arrangements, arguing that barren land differed from orchards and gardens, where such contracts were considered permissible. By contrast, some scholars in Kufa permitted sharecropping agreements for orchards and other cultivated lands, while opinions differed regarding uncultivated land.

Those who opposed such transactions based their arguments on the principle of legal uncertainty (*gharar*), maintaining that the agricultural output of uncultivated land was uncertain and that such contracts could unfairly disadvantage one of the contracting parties. Conversely, scholars who permitted these leasing arrangements relied on the precedent established by the Prophet Muhammad (peace be upon him), who entrusted the lands of Khaybar to its inhabitants under a profit-sharing agreement. (Habibi & Jombang, 2025).

- **Public Works**

Abu Yusuf emphasized the strategic importance of government investment in public works to enhance agricultural productivity. He argued that the state should undertake projects such as constructing irrigation canals, building bridges, and maintaining public roads. According to Abu Yusuf, these public investments would generate three major benefits:

- a) Reducing the deterioration of productive agricultural land;
- b) Increasing agricultural productivity; and
- c) Enhancing state tax revenues

To reinforce this argument, Abu Yusuf maintained that the provision of public infrastructure constitutes one of the state's fundamental responsibilities because such projects require financial resources far beyond the capacity of individual landowners.

In discussing Islamic economic principles, Abu Yusuf also referred to the concept of public ownership of certain natural resources. He identified three categories of resources—water, fire, and pastureland—as public goods that should not be subject to exclusive private ownership. Individuals are not permitted to prevent others from benefiting from these resources, provided that such use does not cause harm or impose losses upon the landowner. (Hidayati & Ahmad, 2025).

- **Price, Scarcity, and Economic Value**

Abu Yusuf also emphasized the general principle that prices are determined by market forces. He referred to the well-known tradition in which the Prophet Muhammad (peace be upon him) declined requests to impose price controls, indicating that market prices should generally be allowed to adjust naturally.

Nevertheless, Abu Yusuf offered an important observation regarding price formation. He argued that the availability of goods alone does not necessarily determine market prices. Supply may be abundant while prices remain high, whereas scarce goods may sometimes be sold at relatively low prices. He extended this reasoning to the circulation of money, suggesting that monetary conditions also influence prices. However, Abu Yusuf did not elaborate further on this issue, nor did he explicitly formulate the interaction between supply and demand in the manner later developed in classical economics, such as Adam Smith's well-known analytical framework. His discussion appears to concentrate primarily on the supply side of the market. (Z. I. Ahmad & Arifin, 2021).

Furthermore, Abu Yusuf addressed one of the fundamental concepts in economics: the relationship between goods, scarcity, and economic value. To illustrate this idea, he used the example of river water. He argued that water flowing naturally in a river may possess little or no economic value at its source. However, once the water is transported to another location where it is scarce, it acquires economic value. Through this illustration, Abu Yusuf implicitly identified three principal determinants of value: scarcity, the cost of production or extraction equipment,

and transportation costs. This analysis reflects a remarkably sophisticated understanding of the fundamental determinants of economic value and is broadly consistent with later theories of value developed in economic thought. (Abidin & Ilma Ahmad, 2023a).

### **3. RESEARCH METHODS**

This study on Abu Yusuf's Islamic economic thought employs a qualitative research design using a library research approach. A qualitative approach was selected because the primary objective of the study is to understand, interpret, and critically explore Abu Yusuf's intellectual contributions through an in-depth analysis of his writings within their socio-historical context. Accordingly, all data were collected from written sources that are directly relevant to the subject under investigation. (Hidayati et al., 2024).

The data sources used in this study are classified into two categories: primary and secondary sources. The primary source, which serves as the principal object of analysis, is *Kitab al-Kharaj* by Abu Yusuf, a classical treatise on law and public finance composed in the eighth century at the request of the Abbasid Caliph Harun al-Rashid. Secondary sources consist of supporting literature, including textbooks on Islamic economics, peer-reviewed journal articles, academic publications, and previous studies examining Abu Yusuf's biography, legal thought, and economic concept. (M. Z. Ahmad et al., 2023).

Data were collected using the documentation method, whereby relevant materials were systematically identified, reviewed, recorded, and classified from both primary and secondary sources. The collected data were subsequently analyzed using descriptive-analytical and critical content analysis techniques. The researchers conducted a close reading of *Kitab al-Kharaj* to capture the fundamental principles underlying Abu Yusuf's economic thought. The data were then reduced by selecting concepts directly related to public finance, taxation, and the role of the state in economic management. Finally, these concepts were contextualized and critically examined to assess how Abu Yusuf's ideas addressed the economic challenges of his time and to evaluate their relevance to the principles of contemporary fiscal economics. (M. Z. Ahmad et al., 2023).

### **4. RESULT AND ANALYSIS**

Based on an in-depth analysis of *Kitab al-Kharaj*, this study demonstrates that Abu Yusuf developed a classical Islamic economic framework grounded in the principles of fiscal justice, administrative efficiency, and public welfare. One of his most significant contributions was his proposal to reform the agricultural taxation system. At that time, the prevailing tax system was *misahah*, a fixed land tax assessed according to the size of cultivated land without considering the actual agricultural yield. Abu Yusuf regarded this system as inherently unjust because farmers were required to pay the same amount of tax even when crop failures occurred as a result of natural disasters or pest infestations. As an alternative, he proposed the adoption of

muqasamah, a proportional taxation system in which tax liabilities were determined as a specified percentage of the farmers' actual harvests. (Z. I. Ahmad et al., 2025).

The concept of muqasamah reflects a principle that closely resembles the ability-to-pay principle recognized in modern public finance. Abu Yusuf strongly maintained that the government should never impose taxes exceeding the taxpayers' actual economic capacity. He argued that all forms of coercion, oppression, and discriminatory treatment in tax collection must be eliminated because such practices undermine social justice while simultaneously reducing people's incentives to engage in productive economic activities, ultimately diminishing state revenues in the long run. In Abu Yusuf's view, the sustainability of a nation's economy depends fundamentally on the welfare and productive capacity of economic actors at the grassroots level. (Abidin & Ilma Ahmad, 2023).

Beyond advocating tax reform, Abu Yusuf also articulated a progressive perspective on the role and responsibilities of the state within the market economy. He neither supported an absolute laissez-faire system that allowed markets to operate without oversight nor endorsed complete state control that would excessively restrict individual economic freedom. Instead, he argued that the state bears both moral and economic responsibilities to intervene whenever market distortions harm the public interest, particularly in cases of hoarding essential commodities (ihtikar) and monopolistic trading practices. Furthermore, Abu Yusuf emphasized that the government should assume direct responsibility for financing and providing public infrastructure. Investments in irrigation systems, bridges, and transportation facilities were viewed as essential public investments capable of improving economic efficiency, facilitating the movement of goods, and promoting sustainable economic development.

The entirety of Abu Yusuf's economic thought is founded upon the principles of transparency and accountability in the management of the public treasury, known as the Bayt al-Mal. He emphasized that the wealth held in the state treasury does not belong personally to the ruler or caliph and therefore must not be used for political interests or personal luxury. Rather, the Bayt al-Mal represents a public trust (amanah) entrusted to the government on behalf of society. Consequently, its resources should be returned to the community through the provision of public services, social protection for the poor, and financing for strategic sectors that contribute to national development. Thus, Abu Yusuf's economic thought extends beyond abstract theoretical discourse; it constitutes a practical framework for public policy that integrates Islamic ethical values with principles of economic efficiency to achieve equitable social justice. (November et al., 2025).

#### **4.1. Historical Context and the Intellectual Background of Abu Yusuf's Economic Thought**

To comprehensively understand Abu Yusuf's economic thought, it is essential to examine it within the socio-historical context of his life during the golden age of the Abbasid Dynasty, particularly under the reign of Caliph Harun al-Rashid. As the first Qadi al-Qudat (Chief Judge)

in Islamic history, Abu Yusuf functioned not only as a theoretical scholar but also as a legal practitioner directly involved in the realities of state administration. During this period, the rapid territorial expansion of the Islamic empire resulted in increasingly complex public financial management. Administrative systems inherited from previous dynasties and influenced by Persian and Roman traditions frequently produced overlapping regulations, bureaucratic corruption, and exploitative taxation practices. (Azhar et al., 2025)

Kitab al-Kharaj was composed in response to a direct request from Caliph Harun al-Rashid, who sought a comprehensive legal framework for managing state finances in accordance with Islamic law while ensuring justice for the population. Consequently, Abu Yusuf's economic thought is characterized by its pragmatic, policy-oriented, and solution-driven nature, firmly grounded in the principles of Islamic jurisprudence (fiqh al-mu'amalat and fiscal jurisprudence). He integrated the primary sources of Islamic law—the Qur'an and the Sunnah—with contextual ijtihad to formulate practical solutions to the macroeconomic challenges confronting the Abbasid state. (Maulana et al., 2025).

#### **4.2. Tax Reform: From Misahah to Muqasamah**

Abu Yusuf's most significant and transformative contribution to public finance was his proposal to reform the land taxation (kharaj) system. Prior to his proposed reform, the state employed the misahah system, under which land taxes were assessed solely on the basis of the size of cultivated land, regardless of whether the land produced abundant harvests or suffered crop failure. Abu Yusuf strongly criticized this system, arguing that it embodied a substantial degree of injustice (dhulm) toward farmers. When natural disasters, pest infestations, or prolonged drought resulted in poor harvests, farmers were nevertheless required to pay the same fixed amount of tax. This often forced them into debt or compelled them to abandon agricultural production altogether. In Abu Yusuf's assessment, such a policy not only imposed severe hardship on cultivators but also weakened the agricultural sector—the backbone of the state's economy—in the long run.

As an alternative, Abu Yusuf proposed the full adoption of the muqasamah system. Under this proportional taxation system, the tax liability was determined as a fixed proportion of the farmer's actual agricultural output. Consequently, tax payments increased when harvests were abundant but decreased—or were entirely waived—when production declined because of crop failure or other unavoidable circumstances. Through this reform, Abu Yusuf successfully incorporated economic flexibility into fiscal policy, ensuring that tax burdens were distributed in a manner consistent with the principles of justice, proportionality, and social welfare. (Umam & Nasiruddin, 2021).

#### **4.3. Internalization of Modern Fiscal Justice Principles: The Ability-to-Pay Principle**

From the perspective of modern economics, Abu Yusuf's concept of muqasamah represents an early formulation of the ability-to-pay principle, one of the fundamental pillars of

contemporary fiscal justice. He consistently emphasized that tax collection should never exceed the taxpayer's actual financial capacity. In *Kitab al-Kharaj*, Abu Yusuf explicitly argued that tax collection involving coercion, physical abuse, or the confiscation of agricultural production assets constituted reprehensible practices that violated the principles of Islamic law (Shariah). (Santoso et al., 2024).

Abu Yusuf perceived a strong causal relationship between fiscal justice and a nation's economic productivity. He maintained that when citizens perceive the tax system as fair and are free from the fear of arbitrary taxation or oppression, their incentives to work, cultivate land, invest, and engage in productive activities increase substantially. Conversely, excessive and oppressive taxation discourages entrepreneurship, reduces the taxable base, and ultimately lowers national output while weakening long-term economic resilience. Conceptually, this proposition closely parallels the Laffer Curve in modern macroeconomics, which suggests that tax rates exceeding their optimal level eventually reduce total government tax revenues by diminishing economic incentives. (Hidayati et al., 2024).

#### **4.4. Market Regulation and State Intervention**

Another significant aspect of Abu Yusuf's economic thought concerns his perspective on market mechanisms and the appropriate scope of government intervention. Unlike classical capitalism, which largely entrusts economic activities to the "invisible hand" of the market, or socialism, which advocates comprehensive state control over economic affairs, Abu Yusuf proposed a balanced middle path. He acknowledged that market prices generally fluctuate according to the forces of supply and demand, influenced by natural conditions such as scarcity and abundance. Consequently, he opposed unilateral government price controls (*tas'ir*) when markets functioned under normal and competitive conditions, arguing that such intervention could exacerbate shortages by discouraging merchants from supplying goods at unprofitable prices. (Azhar et al., 2025).

Nevertheless, Abu Yusuf maintained that market freedom is not absolute. The state bears an unequivocal responsibility to intervene whenever market distortions arise from unethical economic behavior, including the hoarding of essential commodities (*ihtikar*) and monopolistic practices that undermine public welfare. He argued that the government should take firm action against hoarders and require them to release essential goods into the market at fair prices. In this context, state intervention is not intended to restrict individual economic freedom but rather to uphold social justice, preserve market integrity, and protect consumers—particularly lower-income groups—from economic exploitation. (Ilma Ahmad et al., 2024).

#### **4.5. Public Infrastructure Provision as an Instrument of Economic Stimulus**

Abu Yusuf also advanced a remarkably progressive view regarding the role of the state as a provider of public goods. He argued that a substantial portion of state revenue should be allocated to the development and maintenance of strategic public infrastructure. In the context

of the predominantly agrarian society of his time, such infrastructure included the construction and maintenance of irrigation canals, the dredging of silted rivers, the construction of bridges, and the development of secure land transportation routes to facilitate trade. (Z. I. Ahmad et al., 2025).

According to Abu Yusuf, the costs of developing and maintaining these public infrastructure projects should be borne entirely by the state treasury through revenues derived from kharaj and the Bayt al-Mal, rather than being imposed as additional financial burdens on local communities. He regarded infrastructure development not merely as a form of government consumption expenditure but as a productive public investment capable of generating significant economic multiplier effects. Well-developed infrastructure reduces logistics costs, improves agricultural productivity, enhances market access for small-scale producers, and ultimately promotes inclusive economic growth that benefits the state through greater social stability and sustained long-term fiscal revenues. (Hidayati et al., 2025).

#### **4.6. Accountability, Transparency, and Professional Governance of the Bayt al-Mal**

Another fundamental aspect of Abu Yusuf's economic thought concerns the governance of the state treasury (Bayt al-Mal). He rejected the notion that public wealth belonged to the caliph personally, arguing from both theological and legal perspectives that all resources held in the state treasury constituted a public trust (*mal al-muslimin*) belonging collectively to the Muslim community. Consequently, rulers possessed no absolute right to utilize these funds for personal political interests, family enrichment, or the luxury of the royal court. (Z. I. Ahmad & Arifin, 2021).

To prevent corruption and fiscal mismanagement, Abu Yusuf advocated the establishment of a professional, centralized, and rigorously supervised system of tax administration. He emphasized the importance of separating the responsibilities of tax collectors from those responsible for budget management, while also recommending the appointment of trustworthy state auditors to examine financial accounts across every province. Furthermore, Abu Yusuf maintained that all public expenditures should be allocated according to priorities that advance the public interest, including national defense and security, the remuneration of professional civil servants, infrastructure development, and the provision of social protection for vulnerable groups such as the poor, orphans, and widows. His framework of fiscal governance demonstrates that many of the principles associated with modern good governance, including transparency, accountability, and sound public financial management, had already been articulated in considerable detail by Abu Yusuf more than a millennium ago. (Dimiyati & Nasiruddin, 2022).

### **5. CONCLUSION AND SUGGESTIONS**

Based on the foregoing discussion, it can be concluded that Abu Yusuf's Islamic economic thought, as articulated in *Kitab al-Kharaj*, provides a robust intellectual foundation for the development of modern fiscal policy and public finance. Through his proposal to replace a fixed

taxation system with a more equitable proportional tax system, Abu Yusuf anticipated key principles of modern fiscal theory by advocating taxation based on taxpayers' actual ability to pay and by opposing all forms of economic exploitation by those in positions of authority. His ideas emphasize that the role of the state should extend beyond tax collection to encompass the promotion of public welfare through investment in public infrastructure, effective oversight of market distortions such as monopolistic practices, and the transparent and accountable management of public finances. These classical ideas remain highly relevant to contemporary economic discourse, offering a valuable conceptual framework for developing economic systems that pursue not only material growth but also uphold the principles of justice, ethical responsibility, and the equitable distribution of social welfare across all segments of society.

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