DOT Gazette

FBR PAKISTAN

Asymmetric Initiatives for Revenue Mobilization



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Revenue mobilization is a taxing proposition in the best of times. Given an extremely narrow base, poor tax consciousness, serious anomalies in the underlying legal framework, corruption, (largely) manual work procedures, workforce 'mindset' problems, a huge, very poorly understood, informal sector, inadequate workforce compensation, deficient automation in the workplace, highly skewed sectoral tax contribution to the exchequer etc the task is made that much more difficult.

However, that is not to say that nothing can be done to increase government revenues. Infact looking to the peculiar environment of developing countries, apart from the routine initiatives like tinkering with tax rates and exemptions and enacting new tax levies, unconventional measures can and should be taken to bring about fundamental changes in the underlying causal factors seen as germane to revenue mobilization in a holistic context.

What can be done:

Invest in training the workforce.

An army is as good as the quality of its' fighting men. Proper training is hugely important. In a complex environment in which tax evasion is a significant issue, those who evade taxes are getting ever more sophisticated in the techniques that they employ to dodge the tax authorities. They have access to top flight tax counsel and usually also have good connections within the establishment which they often use to telling effect through pressure tactics that are very difficult for the taxman to counter. The only way the tax officers can deal with the problems that beset them is through good training.

There has undoubtedly been a significant improvement in the quality of specialized training provided by the training arms of FBR **[the 2DOTS]** to it's workforce on both the direct and indirect taxes side. Training methodologies have improved, as has the content, and information technology is being used much more systematically than ever done before as a teaching aid for both officers as well as support staff, which is an unprecedented development as in the past support staff hardly ever had any access to the regular training establishments of the then CBR for training purposes.

For the new entrants, training does not end with the specialized training program [STP]. Since 2003 probationary officers of both the Income Tax and the Customs, Federal Excise and Sales Tax groups go on to the Institute of Business Administration at Karachi to complete the customized MBA in Tax Administration, getting credit for the training received at the Civil Services Academy [Common Training Program CTP] and the Income Tax and Customs, Federal Excise and Sales Tax Directorates General of Training and Research **[DOT(DT) and DOT(Customs, Federal Excise & Sales Tax]** at Lahore and Karachi, respectively. Beyond the IBA MBA, there is the Capacity Building program for officers at IBA Karachi and LUMS (Lahore). Additionally, there is the mandatory, promotion related training [for ALL Civil Servants] at the National Institute of Public Administration [NIPA] and the National Management College, previously, the Pakistan Administrative Staff College, Lahore.

All in all, on the face of it, this is a pretty stiff training regime that should turn any raw recruit into an accomplished tax sleuth. But is that really the case?

Unfortunately, hard facts do not support such a conclusion. Many of the problems that beset tax administration in Pakistan like the chronically poor, tax to GDP ratio are relatable, to a significant extent, to deficiencies in high level training that in turn are the result of weaknesses in training infrastructure. Take for instance, the art and science of forensic investigation in cases involving tax fraud and in the use of computers by taxpayers to store tax relevant data [computer forensics]. Presently there are no specialized Forensic laboratory facilities at the **2DOTs.** There is no specialized Simulation Lab to recreate real life scenarios in a simplified, artificial, 'virtual', environment, using dedicated software and hardware.

Countries like Malaysia that have made great advances in enhancing the effectiveness of their Tax Administration, have

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-ICT prowess-

During fiscal 2006 the IRS (USA) electronically processed 168,808,955 Direct Tax Returns [All categories] collecting $ 2.2 trillion in taxes net of refunds issued. This translates into a tax base of 56% + !

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EDITORIAL

The DOT administration has always prioritized the genuine needs and requirements of the staff associated with this institution. Since the initiation of process of Internal Job Postings (IJP), some officials of DOT had not been selected for IJP pay positions. The DOT organogram as prepared by the HRM wing, FBR recommended a certain officers to staff ratio. This ratio fell short of the actual staff requirements for a sprawling campus like DOT. It was through the personal efforts of the Director General DOT, Mr. M. Munir Qureshi that the HRM wing was convinced of the reasonable staff/officers ratio needed to run the administration effectively. Thus, a major achievement in the month of March was the IJP selection of the support staff at DOT through the tireless efforts of the DOT administration. It is hoped that the support staff continue to perform their duties diligently and honestly.

Meanwhile the training calendar at the Directorate remained busy with two successive computer training programs for officials (BS 5-16) posted at RTO, Lahore. Similarly a three days training cum workshop on "AUDIT OF DIRECT TAXES" was held from 24th-26th March 2008 at the Directorate. In this training cum workshop officers from the Audit wing of the Audit & Accounts Department and Income Tax group were sensitized to the changes brought through reforms introduced in FBR. This training was arranged by DOT (DT) Lahore in collaboration with the Direct Taxes Audit wing of Audit & Accounts Department and was a successful effort in collaborative interface between two different departments.

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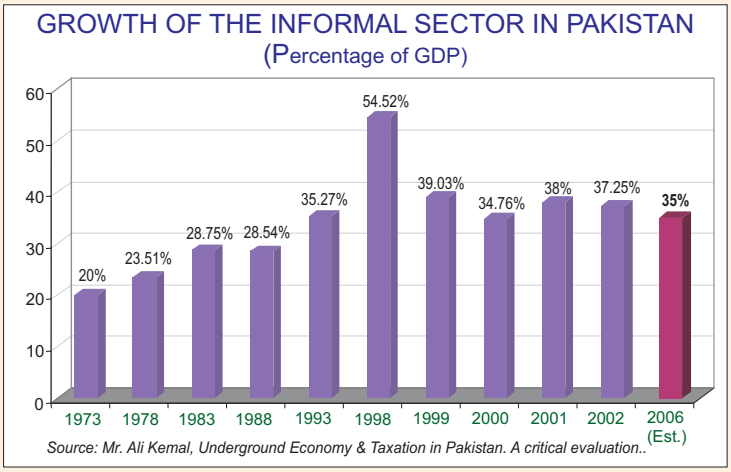
invested hundreds of thousands of dollars (US) in setting up such specialized facilities and they continue to invest in improving the quality of their specialized technical infrastructure. Ofcourse, highly developed countries like the United States take such facilities for granted. But as the example of Malaysia shows, even countries that are not as highly developed also recognize the importance of building up their prowess in imparting meaningful training to their tax personnel in these new areas seen as very important to enhancing their skills at detecting tax evasion.

The difficulties of training tax personnel in Pakistan effectively are compounded by the fact that we continue to induct generalists into the Civil Services through the Central Superior Services [CSS] Exam conducted by the FPSC. Many of the new entrants have no technical background at all in Economics, Accountancy or Business Administration having earned their Master's Degree in subjects like History, Political Science, Literature etc [and many have only a Graduate Degree the minimum entry level requirement] and have a hard time coping with the rigors of going through these technical subjects for the first time at the training academy. True, generalists *can* be trained as tax specialists but in order to be able to do so effectively in a reasonable timeframe, modern, state of the art training infrastructure, is a condition precedent. Second best is just not good enough. And, as explained, in Pakistan, presently, we do not have these specialized facilities at all.

But, given continued, strong, executive support, this could change in the near future.

The Tax Administration Reform Program [TARP] launched in 2002 has World Bank funding [long term soft loan] of $ 150 million expressly to modernize Tax Administration in Pakistan.



And there can be no better use of these resources than to acquire the latest training infrastructure, notwithstanding the skepticism that still exists in some quarters as to the need and more importantly, the efficacy, of (expensive) modern technology in improving Tax Administration.

Forensic and Simulation Labs are not the only areas in which investment is required to upgrade FBR's training establishment. Faculty and Program development are equally important. We need adequate numbers of well qualified teaching staff. Presently, DOT(DT) main campus at Lahore has a teaching faculty of [14] in all- including the Director General and the Director and two 'visiting faculty members from the private sector- , out of which [3] are permanent faculty members while the rest are departmental officers on temporary assignment or visiting faculty from private sector professional institutions. Only two faculty members have had any foreign training of significance. And although DOT(DT) faculty enjoys an enhanced compensation package (double the basic salary), it is still nowhere near the market salary for equivalent positions. Contrast this with the [100] strong permanent, teaching faculty at the Malaysian Tax Academy- all highly trained (many of them abroad) and recruited expressly as Instructors- at "market salaries."

Besides reasonable numbers of suitably trained permanent faculty, specialized training programs for trainees at the academy are essential in order that they derive optimum benefit from the specialized facilities referred to above. These programs include financial investigative techniques course, financial forensics techniques training program, digital evidence acquisition specialist training program, computer network investigation training program, transfer pricing, international taxation courses and workshops and management courses including leadership and motivational courses.

Naturally, physical infrastructure would also be required to install the specialized laboratory facilities. Classrooms, hostel and mess facilities, gym and other sports and recreational facilities, conference room, admin block etc would also be required. While all this will take up significant resources there can hardly be any doubt that these are all necessary for a training institution to have any credibility.

Monitor Financial Data.

There are more than [80] million

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bank accounts of individual customers in Pakistan and only [2.2 million] taxpayers who file annual Returns of Income. While it is not at all axiomatic that anyone who operates a bank account would definitely be earning taxable income, and one individual may be maintaining several bank accounts, it is indeed very odd that there are so few bank account holders out of the total population of [80] million who do earn taxable income in Pakistan.

There is practically no systematic monitoring of financial data in Pakistan. In the United States all financial transactions above $ 10,000 are monitored and details logged in a central data base to build up a profile and conduct analysis. Besides, Banks are required by law to formally report all suspicious deposits and they do send periodic reports. In Pakistan, the State Bank of Pakistan requires Commercial Banks to report similar deposits under a "Know Your Client [KYC]" policy but there has hardly been any significant reporting to date.

Deal decisively with the Informal Sector.

The informal sector, characterized by 'unreported,' undocumented or more aptly, improperly documented- (business) transactions, robs the exchequer of much needed tax revenue that has increased significantly over time.

Pakistan has a burgeoning informal sector whose size has variously been estimated at between 35 to 50 percent of GDP and even higher by some economists. All this "unreported and undocumented income" is a veritable treasure trove for the plethora of commercial banks that dot the economic landscape in Pakistan currently. The horde of "black money" entrepreneurs placed in the vast and growing informal sector do not stash their liquid wealth at home as some of us are wont to believe. They do not have to do so. "Laundering of black money"is a profitable enterprise and has many "facilitators", institutional and otherwise. Courtesy a legal embargo, details of bank accounts of even existing taxpayers cannot be routinely requisitioned by the income tax authorities. And those who do not "exist" on the tax rolls, live blissfully, secure in the knowledge that "out of sight"- of the FBR- (usually) also means, "out of mind."

An effective way of dealing with the informal sector is to create systems that make some form of documentation inevitable for as many economic transactions as possible. And using technology and the law, the system has then to be policed by the tax authorities. FBR must be empowered "to look at" a great deal more of the financial data held by the banking system than is presently possible. This is not to say that such empowerment will automatically lead to investigations being launched in the case of the many millions operating bank accounts who do not file Returns of Income. But over time "intelligent" automated systems, may be used to gradually generate profiles that could eventually suggest whether or not taxable income is indicated in an individual case. A blanket amnesty for past years will decisively remove the fear of being saddled with huge tax liability for any tax evasion in those years while maintaining deterrence in the future.

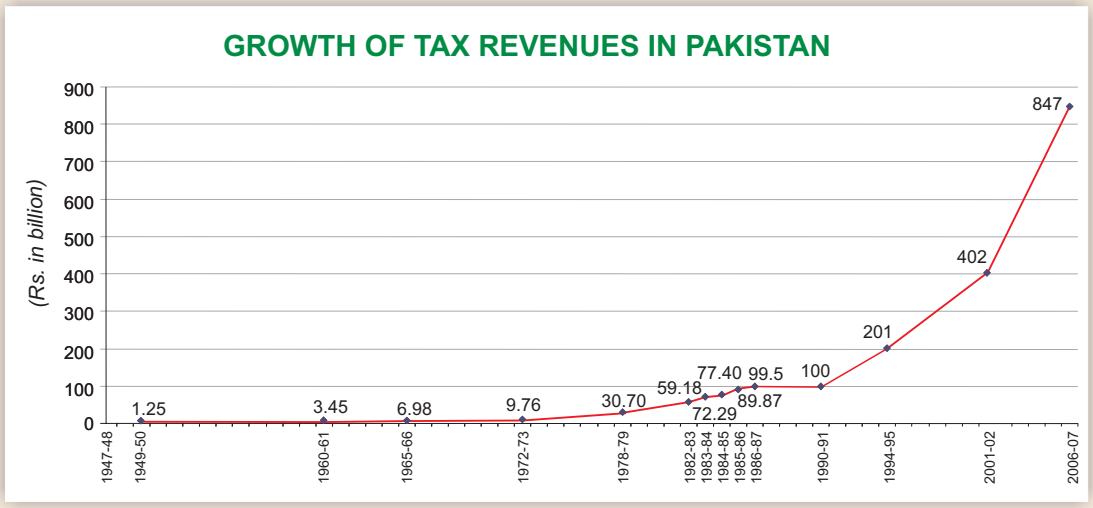
Presently, the data required to be appended with the Return of Income in the case of non-corporate taxpayers, who form the great majority of the taxpayer population, is, at best, 'minimal' and will thus generate very few "leads" for tax authorities to follow. In the Pakistan environment, it is certainly not advisable to demand "copious data" to be appended with the Return of Income. However a meaningful reporting of data is essential if any meaningful analysis is to be conducted.

Use Technology to monitor Turnover.

Information and communications technology is the great "force multiplier" of our times and tax people must learn to put it to use effectively.

The wholesale and retail sector in Pakistan contributes more than 17% to GDP and just over 4% by way of tax revenue to the federal exchequer. A major loss to revenue here emanates from the systematic underreporting of turnover. The underreporting is especially serious in the case of major wholesale and retail outlets. One way of dealing with the problem that is already in use in as many as [18] countries at the present time is the installation of electronic tax registers [ETR] in select wholesale and retail outlets.

This device is a variant of the ordinary electronic cash register [ECR] with which we are all familiar and is already being used in many retail outlets. The ETR has a special, so called, secure, "fiscal memory" chip that records all tax relevant transactions and displays turnover on the machine as each transaction is made. The 'fiscal memory' itself can only be directly accessed by the tax authorities to download particulars either in real time or, periodically, at the end of a given timeframe. The device in conjunction with suitable additional, peripheral equipment, authenticates all transactions using a secure hash algorithm and stamped with this electronic signature, copies of the sales invoices



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Training cum Workshop on Audit of Direct Taxes

at DOT (DT), 24th March to 26th March, 2008

By:
Dr. Yasmin Fatima
Deputy Director



With the implementation of Tax Administration Reform Program (TARP), Federal Board of Revenue has emerged as an automated, modern and transparent organization. One proof of the above claim is that Transparency International in its latest report has lowered the ranking of FBR in its list of corrupt departments. FBR however like all other Government departments is liable to regular audits by the Federal Audit Wing. For the effective Audit of a reformed organization like FBR it was, essential to update and reform the audit methodology. Hence, a training cum workshop was arranged by DOT (DT) Lahore in collaboration with Direct Taxes Audit Wing of Audit & Accounts Department from 24th to 26th March, 2008.

The workshop was inaugurated by the Mr. Usman Khalid Mirza, Member Direct Taxes, FBR. In his speech he praised the effort made by both the departments and appreciated the innovative idea of an Interactive workshop. He then highlighted some of the important features of the Income Tax Ord. 2001, such as introduction of Universal Self Assessment Scheme (USAS), and systematic audit of selected cases. Mr. Omer Farooq (DG LTU), Lahore, Mr. Anwar-ul-Haq (Commissioner Audit LTU, Lahore), Mr. Javed Athar (Commissioner Enforcement) were amongst the guests in the inaugural ceremony. It was a first ever interactive session in which auditors were trained not only from the Audit and Accounts department but also from the Income Tax Group.

Important areas like Internal Control, Importance of Internal Controls, assessment of control risks, which processes to be selected for sampling, how to draw samples from population, financial reporting manual, accounting policies and procedures etc. were covered by resource persons coming from the Audit & Accounts department.

Similarly important topics such as IT based Tax Management System (TMS), an overview of audit of direct taxes, desk audit of tax profiles, and amendments through Finance Act, 2007 relating to Direct Taxes which the auditor must know for effective tax audit were dealt with by the Income Tax side. Surprisingly! Resource persons from both sides were young & energetic, another sign of Reform.

The closing session, of this training session cum workshop was chaired by Director General (DOT), Mr. M. Munir Qureshi. In his speech he, highlighted the importance of collaborative workshops among related government departments for exchange of knowledge & skills. Syed Imtiaz Hussain Bukhari, DG Income Tax Audit, was also present at the occasion and gave his feedback regarding the workshop. He thanked the DOT Administration for its indelible support for the workshop. In the end Mr. Khalid Ali Shah (Director General Training Audit & Accounts) distributed the certificates among the participants. Mr. Zafar Ullah Khan (DG Revenue Receipts), Mr. Tahir Mahmood (Director Audit & Accounts Training Institute, Lahore) were among the guests at the closing ceremony.

It is hoped that this effort by DOT DT shall pave the way for further collaborative workshops to improve the understanding amongst Government departments.



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Pictorial - Training cum Workshop on Audit of Direct Taxes















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issued can be safely admitted in audit and presented as reliable evidence before the tax authorities or a court of law, if the need so arises. Significantly, a real time video link can also be installed along with the ETR to ensure that the machine is actually used to record all transactions.

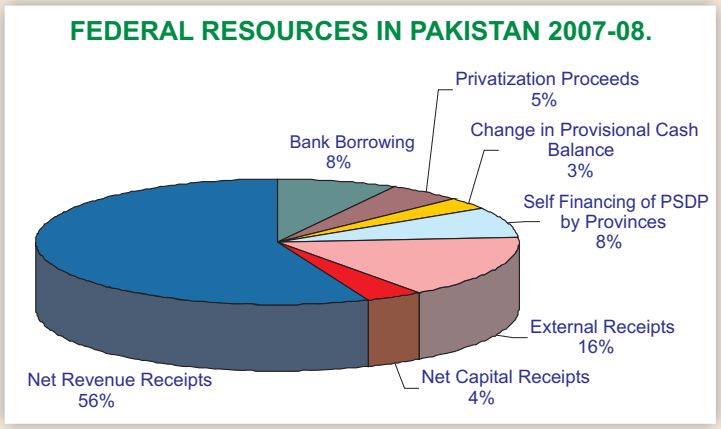
The statute (in Pakistan, the Income Tax ordinance 2001) will have to be amended to empower the Commissioner to order installation of such a device in a particular wholesale or retail outlet and amendments will also have to be made in the income Tax Rules. On- line access of the data stored on the machine by tax authorities can be enabled by linking it to a dedicated, secure, large area network [LAN].

This technology which is fairly straightforward will impose no great burden on the exchequer as it will be required to be 'purchased' by the outlet suspected of underreporting turnover and it would be possible for such business to claim depreciation on the machine, including accelerated depreciation. The machine itself will be sold by authorized dealers only at nominal markup over cost price and may be paid for in installments thereby imposing minimal burden on the purchaser. Alternately, the tax department may keep such machines in stock and install them, as need be, on a rental basis.

It should not be necessary to order the installation of such machines on a very large scale and it is the deterrent effect that is significant. The experience of those countries that are using the technology is positive and it appears to have had a salutary effect in curbing underreporting of turnover. And the use of such machines need not be restricted to wholesale and retail outlets only. They can be easily modified for use by professionals like practicing doctors many of whom are known to have thriving private practices but do not declare income consistent with the scale of their practice.

Monitor personal expenditure.

For obvious reasons, Income Tax Law lays down a great deal of emphasis on the earning of income. That is quite understandable given the nature of the enactment. However, it is a fact that in many cases an individuals' personal expenditure is not consistent with the Total Income reported in the Return but the mismatch generally escapes the scrutiny of tax authorities. In a universal scheme of self assessment– as is in vogue in Pakistan at the present time- it is not possible to take up each and every case for detailed scrutiny (audit) and moreover such personal expenditure as may be reported [expenditure on education of children including education abroad, on public utilities, private clubs, stay at hotels, airline travel, travel abroad, purchases through credit cards, on personal transportation etc] is not properly collated on an institutional basis by the tax authorities making it extremely difficult, if not impossible, for any quick comparison of expenditure with declared income to be made.



Given the fact that we are committed to a fully integrated tax management system for FBR, it should be possible to deploy suitable technology to collect and collate information from institutional sources on a continuous basis [from educational institutions, banks, clubs, airlines, hotels etc] on a regular basis and compare the same with Income and expenditure declared on the Return of Income . Any mismatch in either / both areas would throw up a red flag and the matter can then be taken up for scrutiny by the tax authorities.

Income and expenditure are really two sides of the same coin and by looking at expenditure carefully it should be possible to make a much better assessment of income. In the most glaring cases, thousands of Pakistanis travel abroad and in quite a few cases fail to report any extraordinary expenditure at all in many cases they may even fail to (deliberately) intimate 'any detail' of the trips made. Now with the advent of machine readable passports, every exit from Pakistan to a foreign destination is electronically logged and it should be possible to transmit details of the same to the FBR data base in real time. Once this is done on a regular basis, it would be a powerful deterrent to underreporting / non- reporting of expenditure on foreign travel.



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Ibn Khaldun is well known for his explanation of the nature of state and society and for being 'the founder of the new discipline of sociology.'

Ibn Khaldun fully realised that he had created a new discipline, 'ilm al-'umran, the science of culture, and regarded it as surprising that no one had done so before and demarcated it from other disciplines. This science can be of great help to the historian by creating a standard by which to judge accounts of past events. Through the study of human society, one can distinguish between the possible and the impossible, and so distinguish between those of its phenomena which are essential and those which are merely accidental, and also those which cannot occur at all. [30]

Ibn Khaldun's contributions to the field of history must also be noted.

He analysed in detail the sources of error in historical writings, in particular partisanship, overconfidence in sources, failure to understand what is intended, a mistaken belief in the truth, the inability to place an event in its real context, the desire to gain the favour of those in high rank, exaggeration, and what he regarded as the most important of all, ignorance of the laws governing the transformation of human society. [31]

On the development of the state, and the relationship between the state and society, Ibn Khaldun believed that

…human society is necessary since the individual acting alone could acquire neither the necessary food nor security. Only the division of labour, in and through society, makes this possible. The state arises through the need of a restraining force to curb the natural aggression of humanity. A state is inconceivable without a society, while a society is well-nigh impossible without a state. Social phenomena seem to obey laws which, while not as absolute as those governing natural phenomena, are sufficiently constant to cause social events to follow regular and well-defined patterns and sequences. Hence a grasp of these laws enables the sociologist to understand the trend of events. These laws operate on masses and cannot be significantly influenced by isolated individuals. [32]

Ibn Khaldun proposed that

…society is an organism that obeys its own inner laws. These laws can be discovered by applying human reason to data either culled from historical records or obtained by direct observation. These data are fitted into an implicit framework derived from his views on human and social nature, his religious beliefs and the legal precepts and philosophical principles to which he adheres. He argues that more or less the same set of laws operates across societies with the same kind of structure, so that his remarks about nomads apply equally well to Arab Bedouins, both contemporary and pre-Islamic, and to Berbers, Turkomen and Kurds. These laws are explicable sociologically, and are not a mere reflection of biological impulses or physical factors. To be sure, facts such as climate and food are important, but he attributes greater influence to such purely social factors as cohesion, occupation and wealth. [33]

For Ibn Khaldun, history is a constantly changing cycle, with essentially two groups of people, nomads and townspeople, with peasants in between. He characterizes each group:

Nomads are rough, savage and uncultured, and their presence is always inimical to civilization; however, they are hardy, frugal, uncorrupt in morals, freedom-loving and self-reliant, and so make excellent fighters. In addition, they have a strong sense of 'asabiya, which can be translated as 'group cohesion' or 'social solidarity'. This greatly enhances their military potential. Towns, by contrast, are the seats of the crafts, the sciences, the arts and culture. Yet luxury corrupts them, and as a result they become a liability to the state, like women and children who need to be protected. Solidarity is completely relaxed and the arts of defending oneself and of attacking the enemy are forgotten, so they are no match for conquering nomads. [34]

With regard to the political and social cycle, Ibn Khaldun suggests the following sequence of events:

Nomads conquer territories and their leaders establish a new dynasty. At first the new rulers retain their tribal virtues and solidarity, but soon they seek to concentrate all authority in their own hands. Increasingly they rule through a bureaucracy of clients - often foreigners. As their former supporters lose their military virtues there is an increasing use of mercenaries, and soldiers come to be more important than civilians. Luxury corrupts ethical life, and the population decreases. Rising expenditure demands higher taxes, which discourage production and eventually result in lower revenues. The ruler and his clients become isolated from the groups that originally brought them to power. Such a process of decline is taken to last three generations, or about one hundred and twenty years. Religion can influence the nature of such a model; when 'asabiya is reinforced by religion its strength is multiplied, and great empires can be founded. Religion can also reinforce the cohesion of an established state. Yet the endless cycle of flowering and decay shows no evolution or progress except for that from the primitive to civilized society. [35]

Ibn Khaldun acknowledges that there are turning points in history. He wrote that in his time, he believed the Black Death and Mongol invasions were turning points, as was the development of Europe.

Ibn Khaldun's observations and research focused on the etiology of civilizational decline, "the symptoms and the nature of the ills from which civilizations die." [36]

Ibn Khaldun's thesis, that the conquered race will always emulate the conqueror in every way, [37] and his theory about asbyiah (group feeling / party spirit) and the role it plays in Bedouin societies is insightful. The genius of this work is his study of the science of human culture, the rise and fall of empires, Ibn Khaldun termed this the science of umran (civilization), and it contains many pearls of wisdom. His "Introduction" is his greatest legacy, left for all of humanity and generations to come.

[Center for Islam and Science]
http://www.cis-ca.org/voices/k/khaldun_mn.htm

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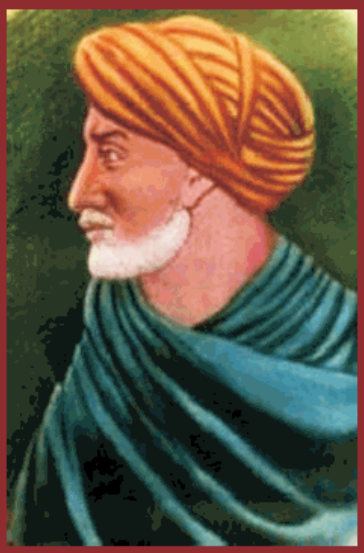
Abd al-Rahman b. Muhammad Ibn Khaldun

(1332 - 1406 A.C.E. / 732 - 808 A.H.)

Ibn Khaldun was born in Tunis on May 27, 1332 A.C.E. (Ramadan 1, 732 A.H.). [2] He received a traditional education that was typical for one of his family's rank and status. He learned first at the hands of his father, who was a scholarly person, not involved in politics like his ancestors. He memorized the Qur'an by heart, learned grammar, jurisprudence, hadith, rhetoric, philology, and poetry. He reached a certain proficiency in these subjects and received certification in them. In his autobiography, he mentions the names of the scholars with whom he studied. [3]



Primarily known for *Muqaddimah or 'Prolegomena'* which identifies the psychological, economic, environmental and social facts that contribute to the advancement of human civilization and the currents of history (in contrast to political context of history).

Analyzed the dynamics of group relationships and showed how group feelings, *al-'Asabiyya*, give rise to the ascent of a new civilization.

The other 6 volumes of his world history *Kitab al-I'bar* deal with the history of contemporary Muslim & European rulers, ancient history of Arabs, Jews, Greeks, Romans, Persians, etc.

The last volume deals largely with the events of his own life and is known as *Al-Tasrif*. This was also written in a scientific manner and initiated a new analytical tradition in the art of writing autobiography.

A book on math written by him is not extant.

Ibn Khaldun continued his studies until the age of nineteen, when the great plague swept over the lands from Samarkand to Mauritania. It was after this plague that Ibn Khaldun received his first public assignment, marking the start of his political career, and forever changing his life. [4]

HIS MAGNUM OPUS, "AL-MUQADDIMAH."

Ibn Khaldun's magnum opus, "al-Muqaddimah" can be divided into three parts. The first part is the introduction, the second part is the Universal History, and the third part is the history of the Maghrib. In this section, I concentrate on the first part. The second part is similar to the standard histories of Muslim historians, and there does not seem to be much divergence. The third part, which is concerned with the history of the Maghrib, is considered a primary source work. [27] Much of the information in this section is from Ibn Khaldun's personal travels and contacts in the area, and is replete with first hand accounts. An additional work that is not usually considered a part of this book is an appendix, which is an autobiography of the author.

The first part, the "Introduction," is popularly known as "al-Muqaddimah;" Ibn Khaldun wrote this in a span of five months. [28] It can be divided into six parts as follows:

1. Human society ethnology and anthropology
2. Rural civilizations
3. Forms of government and forms of institutions
4. Society of urban civilization
5. Economic facts
6. Science and humanity

This impressive document is the essence of Ibn Khaldun's wisdom and hard earned experience. Ibn Khaldun used his political and first-hand knowledge of the people of Maghrib to formulate many of his ideas. This document summarizes Ibn Khaldun's ideas about every field of knowledge during his day. He discusses a variety of topics, including history and historiography. He rebukes some historical claims with a calculated logic, and discusses the sciences of his time. He wrote about astronomy, astrology, and numerology, and dealt with chemistry, alchemy, and magic in a scientific way. He freely offered his opinions and well documented the "facts" of other points of view. His discussion of tribal societies and social forces is the most interesting part of his thesis. He illuminated the world with deep insight into the makings and workings of kingdoms and civilizations.

The following quotation describes his philosophy of the historical process of civilizations, including, for example, the role of economics.

...in the field of economics, Ibn Khaldun understands very clearly the supply and demand factors which affect price, the interdependence of prices and the ripple effects on successive stages of production of a fall in prices, and the nature and function of money and its tendency to circulate from country to country according to demand and the level of activity. [29]

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