

Initial and dynamics of conventional and Islamic economic thoughts

Agustan¹, Siradjuddin^{2*}, Misbahuddin³

¹Department of Postgraduate

Universitas Islam Negeri Alauddin Makassar

H. M. Yasin Limpo Street No. 36, Gowa, Indonesia, 92113

²Department of Management, Faculty of Islamic Economics and Business,

Universitas Islam Negeri Alauddin Makassar

H. M. Yasin Limpo Street No. 36, Gowa, Indonesia, 92113

*Email: siradjuddin@uin-alauddin.ac.id

³Department of Dakwah Management, Faculty of Da'wah and Communication

Universitas Islam Negeri Alauddin Makassar

H. M. Yasin Limpo Street No. 36, Gowa, Indonesia, 92113

Abstract: Islamic economic thought is often negatively viewed due to unfairly reserved in the historical account. People tend to treat conventional economics as the best application for the betterment of human beings. This article tries to provide both economic thoughts aiming at positioning both in the views of their adherents. This research applies library one using descriptive analytical methods and normative-economic approaches by delving into the concept of conventional economy in both capitalist and socialist system. It can be said that Islamic economics is a representation of a middle way between both systems which applies the good principles of the two economic systems, and removes the aspects incompatible with Islamic system.

Keywords: conventional, capitalist, Islamic economic thought, socialist

Abstrak: Pemikiran ekonomi Islam sering dipandang negatif karena dicadangkan secara tidak adil dalam catatan sejarah. Orang cenderung memperlakukan ekonomi konvensional sebagai aplikasi terbaik untuk kemajuan umat manusia. Tulisan ini mencoba menyajikan pemikiran ekonomi yang bertujuan untuk memposisikan keduanya dalam pandangan penganutnya. Penelitian ini menggunakan metode kajian pustaka dengan metode analisis deskriptif dan pendekatan ekonomi normatif dengan menggali konsep ekonomi konvensional baik dalam sistem kapitalis maupun sosialis. Dapat dikatakan bahwa ekonomi Islam merupakan representasi jalan tengah antara kedua sistem yang menerapkan prinsip-prinsip yang baik dari kedua sistem ekonomi tersebut, dan menghilangkan aspek-aspek yang tidak sesuai dengan sistem Islam.

Kata Kunci: kapitalis, konvensional, pemikiran ekonomi Islam, sosialis

Introduction

The word economy or economics in various economic literatures is stemming from the Greek word 'oikos' which means 'household' and 'nomos' which means 'rule'. So in simple terms, the word economy can be understood as a form of managing household affairs. In Wikipedia, it is stated that the economy is 'household rules' or 'household management'. Thus, it can be said that the economy is everything related to household life, even though in its development, the meaning of household here is not only limited to the narrow scope of the meaning of households such as husband, wife and children, but more than that, the notion of household in this sense extends to the households of the nation, state and world.

When referring to the economic understanding above, it can be said that the field of economic studies refers to efforts to manage individual, community and state material resources in the context of advancing the welfare of human life. This is because economics is a branch of knowledge whose main focus is on human behavior and actions in an effort to fulfill the varied and dynamic needs of life based on the availability of goods and wealth resources in various choices of production, consumption and distribution activities.

In the development of human life today, activities that have economic value are based on various concepts, which are not only vis a vis or face to face, but also go hand in hand, according to the entities of development and economic development and the environment that shape them. Looking at the Islamic economy on the one hand, it is often confronted with non-Islamic economic development and development on the other hand. The behavior and actions of Muslims in an effort to fulfill their needs

Submitted: 26 January 2023; Accepted: 15 May 2023; Published Online: 30 June 2023

How to cite: Agustan, A., Siradjuddin, S., & Misbahuddin, M. 2023. Initial and dynamics of conventional and Islamic economic thoughts. *Journal of Islam and Science*, 10(1), 55-64.
<https://doi.org/10.24252/jis.v10i1.35600>

Copyright © 2023. The authors. This is an open access article under the CC BY NC SA license (<https://creativecommons.org/licenses/by/4.0/>)

are often confronted with the logical consequences of the existence of equivalent economic behavior and actions, originating from entities that are considered un-Islamic, or known as conventional economics.

Based on the brief introduction above, it is necessary to examine how far the conception of conventional economic thought is understood when confronted with the increasingly dynamic conception of Islamic economic thought. It should be understood that sometimes what happens is that two different things collide, not because they have very distant essences, but because the two concepts have not been or are still lacking in dialogue. It is at this level that this initial review is deemed necessary.

Materials and Methods

The method applied in this research is library one. This research is aimed at examining the initial thoughts and the dynamics of conventional and Islam economic thoughts. by using descriptive analytical methods and normative-economic approaches. While the data used is secondary data obtained from relevant sources in the form of books, journals and so on.

Result and Discussion

A. Conventional Economic Thought

Conventional economics is an economic system such as production activities, exchange distribution and acquisition and consumption of goods and services that give full freedom to everyone who carries out these economic activities. Because of this, conventional economics is sometimes also defined as a view of the economic system that is focused on worldly affairs alone, some even regard it as an economic system that does not consider the existence of God. This conventional economic system is an economic system that has been widely practiced in a society. Conventional economics is closely related to human ability to meet the needs of their lives. The conventional economic system is also the basis of the first emerging economy.

In many countries, many have implemented this conventional economic system, including one in Indonesia. The use of the economic system has an impact on the prosperity of the country, the use of conventional economics from various countries is due to the many advantages gained by using a conventional economic system. In practice, conventional economics positions a person with his portion for personal gain and is an economic system that limits the role of government in practical economics. Personal gain is a top priority over anything else. Implementation of economic activities within the scope of the market can set certain prices in accordance with the wishes of producers. The most famous conventional economy is the capitalist and socialist economy.

Socialist and capitalist economies are of course supported by various well-known theories with figures who have extraordinary thoughts. All of these theories become a very solid basis in the application of conventional economics. According to Adam Smith, conventional economics is the study of human behavior in managing existing resources, these resources are limited with the aim of meeting certain needs. While M. Manullang defines conventional economics as a science that studies how to achieve prosperity. This prosperity is expected to meet the demand for goods and services.

In the following parts are some of the characteristics of conventional economics: (1) The basis of economic law is of positive one. All existing economic systems certainly have a legal basis as a guideline for their implementation. In the conventional economic system, the legal basis used is positive law. This means that as long as the activities carried out in this system are positive, this is acceptable. The legal umbrella used in this system is based on banking law. Funding applies to all business applications, in that business has a positive value for the country's economy; (2) People have the right to possess their financial rights. The conventional economic system gives every individual full guarantee so that they can carry out their economic activities freely. It is expected that each individual or group of units will be able to develop a legitimate business and obtain legal licenses for the business they manage. In addition, giving freedom is expected to stimulate more creative and innovative thinking in doing business; (3) The government cannot directly intervene in economic activities. Government power is very limited in this system. The government's role is only as an observer and supervisor of economic policy. This means that the government is prohibited from interfering with people's economic activities. Under these circumstances,

of course, conflicts are easily sparked. The reason is that the lower classes are easily exploited by the more powerful groups. In addition, resolving conflicts that occur are relatively time consuming. The injury is important because there is no neutral party that can act as a mediator like the government or other authorities; (4) The means of production are in the hands of the individual. Previously, the economy was described as being in the hands of the people. All production methods must be in the hands of individuals. This means that as a business person, everyone must provide their own tools to support the business they manage. Therefore, all the tools available to support a business are the power of individuals, not groups; (5) Consumption, production and distribution activities are based on profit motivation. In a conventional economic system, the main objective of all production, consumption and distribution activities is to obtain maximum profit. Profit is the main motivation for all economic activities carried out. The main point of each of these activities is to focus on getting the best benefits. In other words, existing activities focus more on results than processes; (6) There is free competition in the market. This system can lead to free competition among all economic factors and agents. Free competition is about competition between sellers to sell similar goods, competition between buyers to get the desired goods, and competition between employers to get talented workers. Basically, the existence of free competition has a positive effect. In other words, everyone has to work hard to achieve maximum capital; (7) The availability of capital is important in the economy. In this case, of course, capital is the main driver of managed business. Conventional economics requires people to have a motivational tendency to make the least amount of sacrifices to get the most. Therefore, economic activity is expected without the risk of bankruptcy because people can balance investment capital with returns. Even better is when less capital is spent, but the profit is higher. This of course can improve the welfare of society; (8) Prices are formed in the free market. In the conventional economic system, prices determined in the free market are influenced by three types of prices: The first is the production price. This production price structure is formed by the ability of producers to bear the costs that must be incurred in production activities. The production rate has three factors: what kind of product to produce, how many parts to produce, and for whom. Of course, these three factors ultimately affect the free market price. The second is the distribution price. Distribution is the process of linking production and consumption activities. This process is arguably very important because it affects whether a product is sold. If it is sold, there must be benefits, and if the product is not sold, it will certainly result in cost losses. The third is the consumption price/Consumption price is formed when an agreement is reached between consumers and producers. Consumers have the right to negotiate for goods to be purchased. From this negotiation process, the end result is in the form of the price of consumption of goods; (9) There is a free market. The next feature of the traditional economic system is the existence of a free market. The free market here is where sellers can sell goods in large quantities without affecting the price. Second, in the free market between sellers and buyers, where they can trade freely without government influence; (10) Ease of getting a loan. The traditional economic system also provides accessibility to business people. The convenience provided is a form of convenience when getting a loan in the form of capital funds. As you may know in Indonesia alone, there are many traditional bank providers and lenders. So you don't have to worry about how to get capital.

Objectives of Conventional Economics. As for some conventional economic goals are as follows:

(1) Humans are motivated by self-interest, which is expressed primarily through the pursuit of financial gain; (2) Actions that bring maximum economic benefits to individuals and businesses most benefit society; (3) Competitive behavior is more rational for individuals and companies than cooperative behavior, so the community must be built around competitive motives; (4) Human progress is best measured by increasing the value of what members of society consume, and higher levels of consumer spending promote societal well-being by stimulating greater economic production.

Advantages of Conventional Economics. One example of the application of conventional economics is the existence of conventional banks. Here are some of the benefits of conventional economics, including: (1) Ease of transaction. It is believed that all forms of transactions applied to conventional economics provide convenience for economic actors involved in these economic activities; (2) Obtaining profits. One of the very interesting benefits of transactions at conventional banks is that

when customers save at conventional banks, the profits are greater while adhering to the provisions of the financial services authority; (3) More planned financial management. The benefit that many customers have experienced is that conventional banks have demonstrated their role in managing customer finances in a more organized and planned manner; (4) Ease of disbursement. The benefits of conventional bank offers are that when an urgent need arises, the procedure for withdrawing stored funds feels easier; (5) Security guarantee from risk. Another offer that is also attractive to conventional banks is the guarantee from the bank of the safety of the funds saved from various unexpected risks.

Principles of Conventional Economics. The difference between conventional economics and Islamic economics lies in the principles applied. The following are some of the principles of conventional economics, including: (1) The Capitalist Principle, namely an economic system which in practice gives full freedom to everyone to carry out a series of economic activities from production, sales to the distribution of goods; (2) Socialist Principles, namely an economic system which in its application provides considerable freedom to everyone to carry out economic activities but government interference is more dominant.

Examples of Conventional Economics. The application of conventional economics can be seen in various economic practices. One of the most prominent is the process of crediting and debiting from conventional banks. In practice, when someone borrows a certain amount of money from a conventional bank, there must be an agreement between the borrower and the bank providing the funds, in this case the bank, before the funds are disbursed there will be an agreement between the two parties. When determining between the maturity date of the loan payment and also the interest that has been set by the bank, if the borrower is unable to pay when the maturity date, the bank will provide greater interest to the borrower.

B. Islamic Economic Thought

Islamic economics is one type of economic system that is currently developing in the world, especially countries with a majority Muslim population. The application of Islamic economics as a system is based on Islamic values originating from the Koran and hadith. The development of the Islamic economic system so far has been followed by the emergence of the thoughts of many experts, especially from Muslim circles, regarding this field. Therefore, in terms of understanding Islamic economics, a number of experts have also offered various definitions. During this time, Islamic economics is also often referred to as sharia economics. These two terms refer to the same meaning and differ only in the usage of the word.

In addition to the above understanding, there are also a number of definitions of Islamic economics that have been formulated by a number of experts. In the following, the meaning of Islamic economics (sharia economics) according to experts in this field.

Yusuf Qaradawi, as quoted from the book *Concept of Economics* (2020), formulates the notion of Islamic economics (sharia economics) is an economy based on divinity. So, the essence of this economic system is based on God's rules. Where is the purpose and how to use the means based on God's law. Veithzal Rivai and Andi Buchari again refer to the book above, Veithzal Rivai and Andi Buchari argue that the notion of Islamic economics (sharia economics) is a multidimensional or interdisciplinary, comprehensive and mutually integrated science, originating from the Qur'an and sunnah as well as the rational sciences. Moh. Abdul Mannan, still quoted from the same book, defines Islamic economics (sharia economics) is a social science that studies the economy of people who adhere to sharia values. In the book *Islamic Economics: Theory and Practice*, the definition put forward by Muhammad Abdul Mannan, more precisely Islamic economics is a social science that studies economic problems inspired by values in Islam. Khursid Ahmad Khurshid Ahmad in his book *Studies in Islamic Economics (Perspectives of Islam)* conveys an explanation that Islamic Economics is a systematic attempt to understand economic problems and human behavior relationally in an Islamic perspective. M.M. Metwally said very clearly that Islamic economics is a science which studies how a Muslim behaves in an Islamic society and follows the Koran, Ijma, Qiyas and Hadith. Zainuddin Ahmad, an economist from Pakistan, said that Islamic economics is an attempt to allocate resources, from producing goods and

services to distributing them. Everything is done based on instructions from Allah, with the aim of getting Allah's pleasure in every process. M. Syauqi Al-Faujani said that Islamic economics, also known as sharia economics, is all activities related to the economy and its rules refer to Islamic teachings regarding the economy itself. So simply, all economic activities that refer to Islamic teachings are called Islamic economics. S.M. Hasanuzzaman said that Islamic economics is a knowledge that applies the teachings and rules of sharia. So that by doing so it will prevent injustice in finding and spending resources. This all cannot be separated from the goal to satisfy humans and carry out their obligations to God and fellow human beings. Also read: Impact of Riba on the Economy

So, it can be concluded that, the Islamic economic system or Islamic economics refers to activities within the scope of the economy related to production, distribution, finance, industry, and trade, related to goods or services that are material in nature, and are based on Islamic law and are based on monotheism as summarized in the pillars of faith and pillars of Islam.

In principle, Islamic economics is a representation of a middle way between the capitalist economic system and the socialist economic system. Therefore, the Islamic or sharia economic system applies the good principles of the two economic systems, and removes the bad sides of both.

In the field of economics, the contribution of the clergy in general has not received much attention. Although their works have occasionally been translated and circulated in Europe, especially during the 19th century (Ibn Khaldun, 1862-1842), historians of economic thought have not acknowledged their existence for a long time. From the beginning, writers on the history of economic thought tended to ignore the contributions of Muslim scholars. Those works began with the Greek philosophers and Roman jurists. They also mentioned the opinions of several Christian priests and religious leaders who lived in the early centuries of the Christian era. Then without looking at the civilizations in the East, these historians jump to the Middle Ages when Europe came out of the Dark Ages towards the Renaissance where thoughts about various natural and social sciences began to develop. This led to a wide gap (Great Gap) in the development of economics for about five centuries. This gap occurred to coincide with the Golden Ages of Islam, namely the period when Muslims controlled most of the known world, established powerful empires, progressed in the economic field and contributed to the development of culture and science including the economy.

Joseph Schumpeter in his monumental *History of Economic Analysis*, which was published in 1954, wrote about the "Great Gap" in the evolution and development of economic thought. Ten years after the publication of Schumpeter's work, an article entitled "Economic Thought of Islam: Ibn Khaldun" by the leading Western economist, Spengler (1964), attracted the attention of historians of economic thought to explore further about Muslim economic thought. Siddiqi (1982) also enriches the literature by surveying past Muslim economic thought up to 1975.

In 1987, Mirakhor wrote a well-documented paper in which he questioned the Schumpeterian Great Gap thesis and pointed out serious omissions in economic history of the enormous contributions made by Muslim scholars. He points out that medieval European scholars were influenced by the economic ideas and institutions developed in medieval Islam. He also stated that based on the available evidence, these Western economists utilized the knowledge available from these Muslim economists to advance their ideas.

Ghazanfar (1995) further strengthens it in his paper 'History of Economic Thought: The Schumpeterian 'great gap', the Lost Arab-Islamic Legacy and the Literature Gap'. He shows through an analysis of several major works, that the literary gap is manifested in almost all relevant works in the field of economics. Meanwhile, a number of works appeared in English and Arabic which discussed the economic ideas of individual scholars who lived in a period which is considered to be the empty century of economic thought. The works related to that period are sufficient evidence of the existence of previous Islamic economic thought.

Muslim civilization and its intellectual and political power, after reaching its apogee, in the early 10th/16th centuries began to show clear signs of decadence while the Western renaissance was in full swing. It was then that writing about how to achieve economic progress and strengthen the country through foreign trade took the form of a movement in the West known as mercantilism in economic

literature. This was a reaction to the Muslim conquest of the battlefield. At that stage of history, Muslim scholars, having spread Greek ideas along with their own additions and interpretations, to the world at large, slowly began to disappear.

Muslim philosophers translate 'oikonomia' as *ilm tadbir al-manzil* (science of household management). It was one of the three branches of Greek practical philosophy, and the other two being ethics (*ilm al-akblaq*) and politics (*ilm al-siyasah*). As noted above, Muslim scholars extended this branch of knowledge far beyond the household, embracing the phenomena of markets, prices, monetary, supply, demand, and hinted at some of the macro-economic relationships emphasized by Keynes. Throughout the course of analyzing the history of economic thought, there are many examples where an idea mentioned by several authors reappears later in greater detail and clarity. Moreover, certain ideas were developed simultaneously by different authors in different places without being aware of each other. Similarities between two people's ideas do not necessarily mean that one has plagiarized or copied from the other unless sufficient documentary evidence is available.

The history of Islamic economic thought can be a bridge connecting the past with the present, in covering the development of Muslim economic thought since the emergence of Islam until economics became a separate scientific discipline. Studying the history of Islamic economic thought means knowing the contributions of Muslim intellectuals and their work in contributing to the development of Islamic economics. This concern includes economic issues that preceded the development of analytical tools related to the economy itself, and this is evident in the writings of early *fiqh* scholars in in practice interpreting naqli propositions originating from the Qur'an and sunnah using the *ijtihad* method. Islamic economics is part of the study of *fiqh muamalah*, which is flexible and not static. This shows that Islamic economic thought develops along with the times. this is possible from the methodology used in studying Islamic economics, namely *ushûl al-fiqh*.

Islamic scholars or intellectual figures have a very important role in formulating Islamic economic thinking. They not only wrote down various Islamic economic practices of their time, but also played a role in interpreting naqli propositions originating from the Qur'an and Sunnah into economic practices using the *ijtihad* method. The teachings of the Koran on economic issues are specific and few in number. The Qur'an mostly makes the reader give principles and emphasizes the use of logical thinking. In this case, it encourages the emergence of *ijtihad* scholars in deriving rules to solve new problems and creating legal logic (*ushûl al-fiqh*) that can be applied to various social patterns. In solving various problems, including the economy, the scholars prioritized the Qur'an and the sunnah of the Prophet as a reference, as well as various practices that had been carried out by the companions which were sourced directly from the Prophet. Furthermore, if they do not find related laws in these sources, they apply analogies (*qiyâs*) and other deduced rules to deduce *shari'ah* orders to the new situation. With this, a number of schools of *fiqh* emerged.

Exploring the history of Islamic economic thought also means tracing the contributions of Muslim scholars in the development of modern economics. Although often hidden, Western economists are heavily influenced by the thoughts of Muslim scientists. One of them is Thomas Aquinas, who was heavily influenced by the works of al-Ghazâli and Ibn Rushd, as well as Adam Smith and other classical figures. In the quite popular work by Western economist Adam Smith in his book *The Wealth of Nation*, he said that the most advanced economy of his time was the economy of the Arab nation led by Muhammad bin Abdullah and those after him. Thus understanding Islamic economic civilization, as well as understanding history, so that it can be said that straightening history precisely and accurately.

C. The Differences between Conventional dan Islamic Economic Thoughts

The differences may be classified into several aspects, namely:

1. Sources (Epistemology)

As a religion that contains various aspects (*syumul*), Islam is based on absolute sources, namely the Quran and hadith. This absolute source position makes Islam a special religion compared to other created religions. Al-Quran and hadith tell us to practice the teachings of revelation in all aspects of life including muamalah. The basic matters of muamalah are explained in the revelations which include commands and

prohibitions. Commandments such as eating and drinking explain the demands of human needs. Allah swt's explanation of His events to be used by humans, shows that this world is prepared to be built by humans as Allah's caliphs.

Allah's prohibitions such as usury, pig trading, gambling, alcohol and others because these things damage the function of man as the caliph earlier. Therefore, the reference for humans in all situations including economic issues is complete. All of that leads to a goal which is the spiritual and physical balance of humans based on monotheism. While conventional economics is not sourced or based on revelation. Therefore, it is born from human thought that can change based on time or time so that new information is needed. That is the difference between the source of revelation and the source of human reason or also known as philosophy that is free from the bonds of revelation.

2. Life directions

The goal of Islamic economics leads to the concept of *al-falah*. *Falah* comes from Arabic from the verb *aflaha-yuflihu* which means success, glory or victory. In the literal sense, *falah* is glory and victory, namely glory and victory in life. The term *falah* according to Islam is taken from the words of the Qur'an, which are often interpreted as long-term luck, the world and the hereafter, so that it does not only look at material aspects but instead places more emphasis on spiritual aspects. In the world context, *falah* is a multi-dimensional concept. It has implications for aspects of individual/micro behavior as well as collective/macro behavior.

Different goals will give birth to different implications. Conventional economics does not consider the aspects of divinity and the hereafter but prioritizes the convenience of humans in this world. Therefore, this secular economy aims only for satisfaction in the world.

3. The concept of wealth

In Islam, property owned by humans is not the goal of life but has several aims and objectives, namely: 1. Assets as a mandate (as a trust) from Allah SWT. Humans are only trustees because they are unable to create objects from nothing. In Einstein's terms, humans are incapable of creating energy; what humans can do is change from one form of energy to another form of energy. The initial creator of all energy is Allah swt. 2. Wealth as a living decoration that allows humans to enjoy it well and not exaggerate. Humans have a strong tendency to own, control and enjoy wealth. 3. Wealth as a test of faith. This is especially related to how to get and use it, whether it is in accordance with Islamic teachings or not. 4. Wealth as a provision for worship, namely to carry out His orders and carry out muamalah among fellow human beings, through zakat, infaq and alms activities. The real purpose of life is as the word of Allah swt. in QS. Al-An'am/6: 162.

قُلْ إِنَّ صَلَاتِي وَنُسُكِي وَمَحْيَايَ وَمَمَاتِي لِلَّهِ رَبِّ الْعَالَمِينَ

Meaning:

“Say: Verily my prayer, my worship, my life and my death are only for Allah, the Lord of the universe.”

Realizing this true command of God will lead to true peace of life. Every Muslim believes that Allah swt is the Creator who is able to provide real peace. Therefore, wealth is not the main purpose of life but is a way to achieve the peace of life in this world until the afterlife. This is different from the conventional economy that places worldliness as a goal that has nothing to do with God and the afterlife at all. In order to realize the purpose of life, they form systems that follow their lustful appetites in order to satisfy their material needs only, without caring about normative dogmatic values. They prioritize the interests of individuals and certain groups and oppress weak groups or individuals with the principle of survival of the fittest. In addition, in the conventional economic system, people are free to do economic activities with the motivation of profit and private ownership as much as possible.

The general difference between Islamic and conventional economics which can be explained in the following in Table 1.

Table 1. Difference between Islamic and conventional economics

Islamic Economics	Conventional Economics
Social but religious humanbeings	Social humanbeings
Handling problems by setting priorities	Handling problems according to individual wishes
Alternative choices need to be guided by Islamic values	The choice of alternative needs is guided by individual/selfish interests
The exchange system is guided by Islamic ethics	Exchanges are guided by market forces

Based on the table above, it is explained that Islamic economics does not only study social individuals but also their religious talents. Differences arise regarding the choice where Islamic economics is controlled by basic Islamic values while conventional economics is controlled by individual interests. Currently, the conventional economic system is divided into 2 types, namely capitalism and socialism. Capitalism is an economic system that is clearly marked by the control of money or capital owned by a person, while socialism is an economic system that is clearly characterized by the power of the government in economic activities that eliminates the control of privately owned factors of production. The differences between the economic systems of capitalism and socialism and the Islamic economic system can be explained in the Table 2.

Table 2. Differences between the economic systems of capitalism and socialism and the Islamic economic system

Islamic Economics	Capitalism
Sourced from the Qur'an, Sunnah, and <i>ijtihad</i>	Sourced from the human mind and experience
Holistic worldview	Secular worldview
Individual ownership of money/capital is relative	Individual ownership of capital/money is absolute
The market mechanism works according to <i>maslahat</i>	The market mechanism is left to work alone
Business competition is controlled by sharia	Business competition is free and creates monopoly
Well-being is physical, spiritual, and intellectual	Welfare is bodily
The motive for seeking profit is recognized through lawful means	The profit motive is recognized without any restrictions
The government is active as a fair supervisor, controller and arbiter in economic activities	Government as a neutral passive spectator in economic activity
Enforcement of income distribution	Not known distribution of income evenly
Islamic Economics	Socialism
Sourced from the Qur'an, Sunnah, and <i>ijtihad</i>	Derived from the results of the human mind philosophy and experience
Holistic worldview	Extreme secular or atheist world views
Individual ownership of money/capital is relative	Limiting or even eliminating individual ownership of capital
The market mechanism works according to <i>maslahat</i>	The economy is run through central planning by the state
Business competition is controlled by sharia	The price mechanism does not apply but is adjusted to the use of goods for society
Well-being is physical, spiritual, and intellectual	The state acts as the owner, supervisor, and main ruler of the economy
The motive for seeking profit is recognized through lawful means	Not admitting a profit motive
The government is active as a fair supervisor, controller and arbiter in economic activities	The government took over all economic activity
Enforcement of income distribution	Equalize income and individual earnings

Based on the Table 2, the clear differences between conventional economics are as follows:

1. Islamic economics has guidelines/references in economic activities that originate from divine revelation and the thoughts of the *mujtahids* while conventional economics is based on thinkers based on their own personal paradigm according to their wishes, in conventional economics the view that religion including sharia law does not exist relation to economic activity.
2. In Islamic economics, the state acts as a fair arbiter, meaning that at certain times the state can intervene in the economy and sometimes it is not even allowed to interfere, for example when prices rise, if prices rise because there are people who manipulate the market then the government is obliged to intervene, whereas if prices rise due to natural causes, the government may not interfere in setting

prices, as narrated in the hadith of the Prophet regarding price increases. In a conventional economy, capitalists do not recognize the government's role in the economy, in socialism the state plays an absolute role in the economy so that there is no balance between the two systems.

3. In Islamic economics it recognizes the motive of seeking profit but in lawful ways, in the capitalist economy it recognizes the motive for seeking profit but there are no certain limitations so that it is very free according to the lust of speculation and the greedy spirit of economic actors, in the capitalist economy it does not recognize the motive for seeking profit at all so that both of them cannot be fair in the economy.

The last thing to be discussed is why it is necessary to uphold Islamic economics. Some of the considerations that underlie the need to uphold Islamic economics at this time, namely: In line with the progress of history, we find facts showing that conventional economics has failed to overcome crises such as those that occurred in 1998 and 2008. As for what caused the crisis because conventional economics contained principles that were actually prohibited in Islamic economics, that is: (1) *Riba*/usury (interest), As we know that interest has become mainstream in today's economy. As a result, we take the example of Indonesia, which has more than 1,000 trillion in debt to the IMF and is still subject to what percentage of interest. The fact is that Indonesia's state budget can only pay interest on the debt to the IMF, not the principal, so that in the end it is difficult to pay it off. This is what is the source of the crisis in European countries at the moment, so we cannot deny the harm/ugliness caused by the application of the interest system; (2) *Gharar* (transactions that contain deception/uncertainty); (3) *Maisir* (speculation-chancy transactions intended to seek vanity profit; and (4) *Risywah* (bribery) and other things that are prohibited in Islamic economics. Facts also prove that when the conventional economy is experiencing a crisis, the Islamic economy should record significant growth, for example when banks in Indonesia experience a collapse during a crisis, Islamic banks in Indonesia record growth.

Empirical evidence shows that there are many lessons that can be drawn from Islamic history for the enrichment of insights and the development of Islamic economics today. The study of the contributions of Muslim scholars in the past is not intended for enjoyment or pride in the intellectual heritage of Islam alone (apologia). However, this was a natural step in gaining their experience and to know how they solved the economic problems they faced in their day. History also provides insight that the Islamic system has the ability to provide operational norms and applicable models, as long as the surrounding environment is supportive and usable as a reference in dealing with current economic problems.

Conclusion

Conventional economics is an economic system such as production activities, exchange distribution and acquisition and consumption of goods and services that provide full freedom to everyone who carries out these economic activities. Because of this, conventional economics is sometimes also defined as a view of the economic system that is focused on worldly affairs alone, some even regard it as an economic system that does not consider the existence of God. Conventional economics in practice positions a person with his portion for personal gain and is an economic system that limits the government's role in practical economics. Personal gain is a top priority over anything else. Implementation of economic activities within the scope of the market can set certain prices in accordance with the wishes of producers. The most famous conventional economy is the capitalist and socialist economy.

The Islamic economic system or sharia economy refers to activities within the scope of the economy related to production, distribution, finance, industry and trade, related to goods or services that are material in nature, and are based on Islamic law and based on monotheism as summarized in the pillars of faith and pillars of Islam. In principle, Islamic economics is a representation of a middle way between the capitalist economic system and the socialist economic system. Therefore, the Islamic or sharia economic system applies the good principles of the two economic systems, and removes the bad sides of both.

References

- Abdullah, B. 2010. "Peradaban Pemikiran Ekonomi Islam." Bandung: Pustaka Setia.
- Antonio, M. S. 2007. "Bank Syariah: Dari Teori ke Praktik." Jakarta: Gema Insani.
- Deepublish Store. 2020. "Perbedaan Ekonomi Islam dan Konvensional." Yogyakarta: Penerbit Deepublish.
- Islahi, A. A. 2005. "Contributions of muslim scholars to economic thought and analysis." *JKAU: Islamic Econ.*, 20(2), 53-62.
- Maruta, H. 2014. "Sejarah Sistem Ekonomi." *Iqtisaduna: Jurnal Ilmiah Ekonomi Kita*, 3(1), 647-658
- Putong, I. 2010. "Economics Pengantar Mikro dan Makro." Jakarta: Mitra Wacana Media.
- Qoyum, A., Nurhalim, A., Fithriady, F., Pusparin, M. D., Ismail, N., Haikal, M., & Ali, K. M. 2021. "Sejarah Pemikiran Ekonomi Islam." Jakarta: Departemen Ekonomi dan Keuangan Syariah-Bank Indonesia.
- Safri, H. 2018. "Pengantar Ilmu Ekonomi." Palopo: Lembaga Penerbit Kampus IAIN Palopo.
- Usmani, M. T. 2005. "An Introduction to Islamic Finance." Pakistan: Maktaba Ma'ariful Qur'an.