



Main Economic Problems: Conventional and Islamic Perspectives

Yosi Mardoni¹, Muhammad Fauzi², Duhriah³, Faisal Efendi⁴,
Kusnadi²

¹Universitas Terbuka, Indonesia

²Institut Agama Islam Negeri Kerinci, Indonesia

³Universitas Islam Negeri Imam Bonjol Padang, Indonesia

⁴STAI Balaiselasa YPPTI Pesisir Selatan Sumatera Barat, Indonesia

 yosimardoni@ecampus.ut.ac.id*

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Abstract

This research aims to analyze the main economic problems from conventional and Islamic perspectives. This is based on the fact that conventional economists view the main problem of economics as scarcity. Scarcity occurs as a result of an imbalance between society's needs. However, Muslim economists have different views from conventional economists, even within Muslim economists they still have different opinions regarding the main economic issues. This research is qualitative research, with the data search method being literature. Data sources are taken from conventional and Islamic economic theory, expert opinions and previous literature which discusses this theme in related contexts and issues. All data was analyzed using content analysis techniques. The findings show that there is a fundamental difference in the perspective on the main economic problems between conventional economic views and Islamic economics. Conventional economics focuses more on product objects so that the focus of problems is centered on the limitations and scarcity of products in order to meet human physical needs only. This perspective is different from Islamic economics which places greater emphasis on human objects so that the focus of problems is not only focused on products alone, but also on human empowerment to be able to prosper themselves, their families, society and the country. This is one of human efforts in realizing/maintaining Maqashid Sharia (Mashlahah) and achieving Falah. Islam views that human dignity is an essential thing, so that every human being plays a role in achieving happiness in life. This research has looked at how the main economic problems really are from a conventional and Islamic economic perspective, so that scientifically this has implications and has the potential to attract attention to fill gaps in existing literature, which may open up areas and/or invite research in the future.

INTRODUCTION

The literature reveals that the main economic problems are problems that will inevitably occur in every individual, society, country and even the world. The economic problem that has been understood so far is that human needs are unlimited while the means of satisfying needs are limited (Anto, 2023; Lestari, 2023). Conventional economists call this the scarcity problem. Scarcity occurs as a result of an imbalance between community needs and the factors available in society (Mankiw, 2020; Mankiw & Taylor, 2020).

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Muslim economists differ from the views of conventional economists, even among Muslim economists there are still disagreements on basic economic issues, for example the contemporary Muslim economist Baqir As-Sadr (the founder of the *iqtishaduna* school) with the mainstream economists. Economic problems will always be present and often these problems are not new problems. The problems faced today may have occurred in the past. Therefore, it is necessary to know how economists (conventional vs Islamic) solve this problem. They can be the foundation for developing solutions to the economic problems currently being faced (Pusat Pengkajian dan Pengembangan Ekonomi Islam, 2008; Mursal et al, 2022). Therefore, this research aims to analyze the main economic problems from the perspective of conventional economics and Islamic economics.

This study argues that the main economic problems should refer to Islamic economic views. Islamic economics, which has emerged since ancient times until contemporary times, has become a good space and/or step for the world economy. Even though a lot of literature that explains the main economic problems still borrows conventional economic terms, it is always criticized in Islamic economics.

METHODS

This research is qualitative research, with the data search method being literature (library research) (Arzam et al., 2023). Data sources are taken from conventional and Islamic economic theory, expert opinions and previous literature which discusses this theme in related contexts and issues. In collecting this data, the author is the main instrument or research tool in this research. Even though the writer is an instrument, the writer must also be 'validated' as to how far the researcher can carry out the research. All data was analyzed using content analysis techniques, namely the technique of making inferences that can be replicated and valid data by paying attention to the context.

RESULT AND DISCUSSION

As is known from many literatures, the core of the economic problem that we understand so far is that human needs are unlimited while the means of satisfying needs are limited (Anto, 2023; Lestari, 2023). Conventional economists call this the problem of scarcity. Scarcity or deficiency occurs as a result of an imbalance between community needs and the factors available in society (Mankiw, 2020; Mankiw & Taylor, 2020). On one side in society there is always a relatively unlimited desire to enjoy various types of goods and services that can meet their needs. Therefore, people cannot obtain and enjoy all the goods they need or want. They have to make choices (Anto, 2023; Lestari, 2023). This concept is different from the concept of problems raised in Islamic economics, as are the solutions offered. Many Muslim economists have researched and expressed their ideas in the development of Islamic economics, for example the contemporary Muslim economist Baqir As-Sadr (the founder of the *iqtishaduna* school) with the mainstream economists. Therefore, in accordance with the objectives of this research, the following discussion will describe in detail the main economic problems, both from the perspective of conventional and Islamic economists.

Conventional Economic Perspective on Main Economic Problems

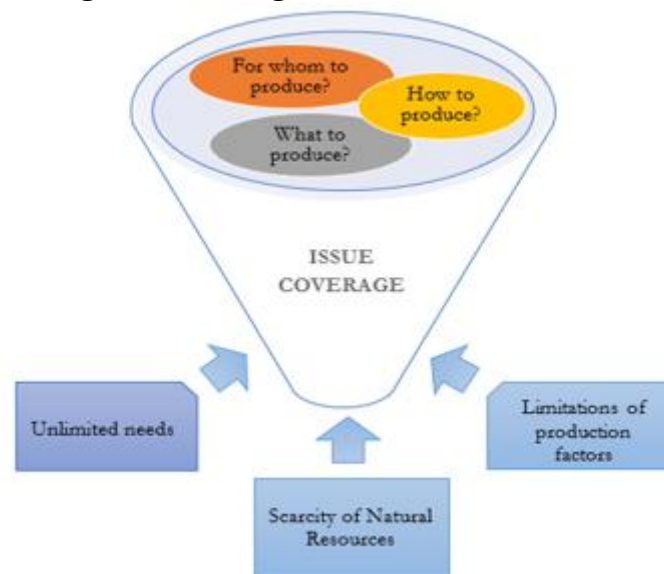
Economics in the conventional view is the study of the use of scarce or limited resources to meet unlimited human needs (Mankiw, 2020; Mankiw & Taylor, 2020). This understanding has the implication that there is a gap between the availability of limited amounts of resources and unlimited human needs. From this concept it can be seen that the main economic problem in the conventional economic view is the scarcity of resources to meet human needs. The consequences of this gap have implications for partial individual poverty and communal state

poverty. This concept then developed to such an extent that the issue of unlimited human desires was considered to be normal, natural, reasonable, and taught in schools and universities high, so it doesn't seem to be a problem (Anto, 2023; Lestari, 2023).

In detail, the main problems in the economy are caused by three interrelated factors, namely: (1) resource scarcity is the result of an imbalance or gap between the limited availability of production factors and the unlimited level of need. (2) unlimited needs are a reflection of human needs for basic things that are used to sustain life. In conventional economics, humans are described as creatures who have unlimited desires so that they do not correspond to the amount of resources available. (3) limited factors of production are things that already exist (provided by nature) or are created by humans that can be used to produce goods and services, such as land and natural resources, labor, capital and skills. These production factors are not always available in abundant quantities so humans have to think of ways to carry out production efficiently.

The three factors as explained above can be described in three main issues, namely: (1) What to produce?. The first major economic problem is deciding what types of goods and services need to be produced followed by decisions about how much to produce. These decisions are based on people's preferences and priorities. (2) How to produce?. The second major problem of economics is deciding how to produce these goods. Society must decide on the best combination of factors to create the desired output of goods and services. (3) For whom to produce?. The third major it can be said that it is a decision on the allocation of goods among members of society.

Figure 1. Coverage of Economic Problems



These questions arise because of the belief that human desires are unlimited, while the available resources are limited. However, theories in conventional economics are unable to provide correct answers to the questions above. As a result, these theories cannot specifically explain human economic problems. So far, conventional economic theory defines the economic problem as "how to maximize the satisfaction of wants from the available resources which are relatives to want?". This definition contains inconsistencies, because even if the scarcity of resources variable is removed, will the economic problems faced by humans also disappear by

themselves?. The answer is of course 'no', because of the inability of materials (resources) to satisfy human desires. Even questioned “*how could the production process possibly satisfy desires if the production process itself actually creates desires?*?”. This is related to Say's law “*Say's law, or the law of markets*” which states that “*the supply creates its own demand*”. It is not surprising that the literature states that rich capitalist countries have become consumerist societies that wasteful.

Islamic Economics Perspective on Main Economic Problems

The main problems of conventional economics as explained above are different from the Islamic economic view. Islam views that the problem of scarcity of resources and unlimited human needs cannot be fully justified. Islamic teachings state that Allah provides abundant resources for humans to process and utilize for the survival of humans on earth. This can be seen in the holy verses of the Al-Qur'an, such as; Q.S. Al-Baqarah [2]: 22, 29; Q.S. Ali Imran [3]: 27; Q.S. Yunus [10]: 31; Q.S. Hud [11]: 6; Q.S. Ibrahim [14]: 32-34; An-Naml [27]: 64; and many more (Al-Qur'an Kemenag in Ms.Word, 2019).

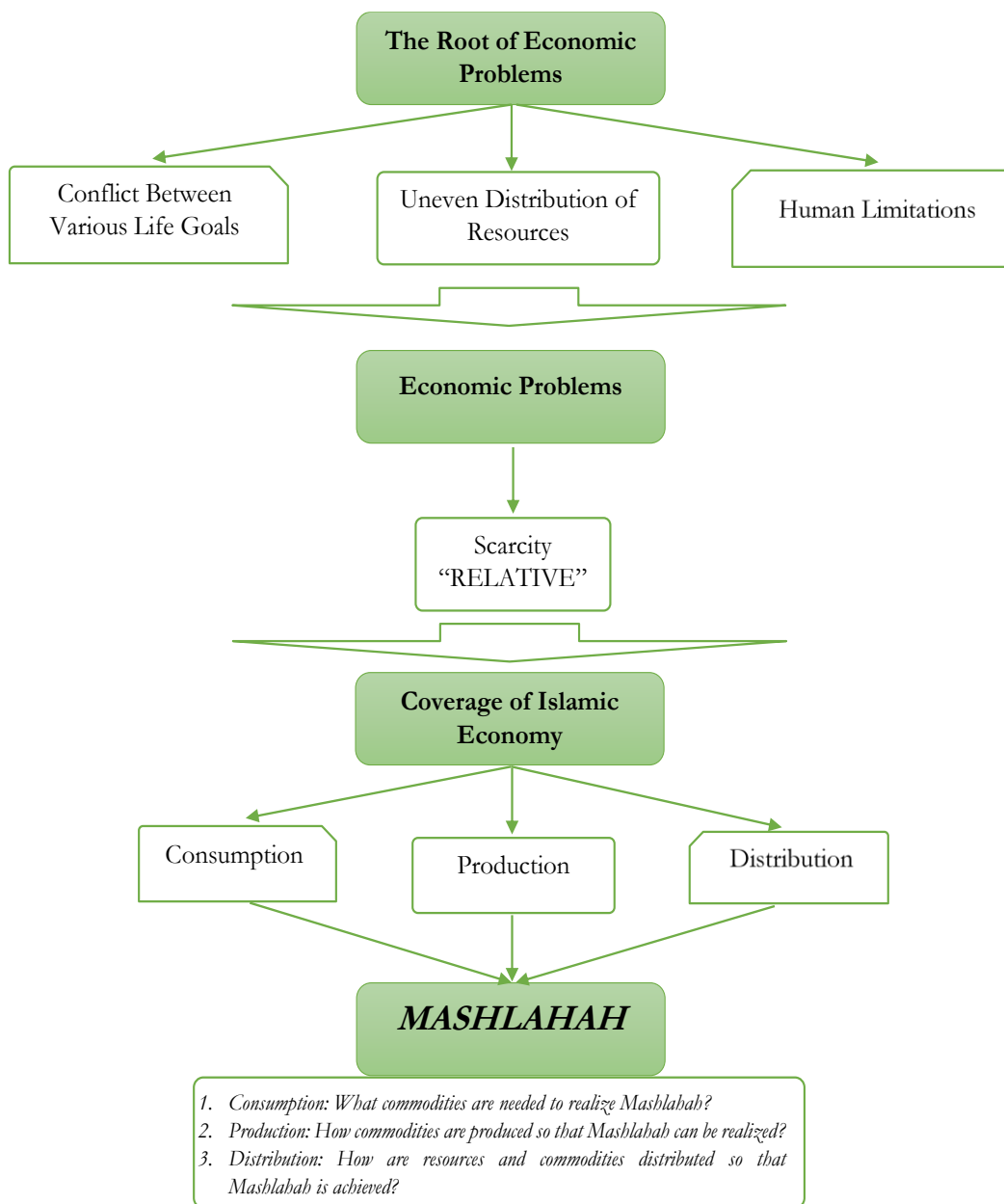
Apart from that, Islam also teaches humans to always feel sufficient by being grateful for what Allah has given. This can be seen in the holy verses of the Al-Qur'an, such as; Q.S. Al-Baqarah [2]: 172; Q.S. Al-An'am [6]: 53; Q.S. al-A'raf [7]: 10; Q.S. Yunus [10]: 60; Q.S. Ibrahim [14]: 7; Q.S. An-Nahl [16]: 14,114,121; and many more (Al-Qur'an Kemenag in Ms.Word, 2019). In this regard, Muhammad Baqir Al-Sadr stated that basically the amount of resources available on this earth is abundant and unlimited (Furqani, 2019;). This was also reinforced by Yusuf Al-Qaradawy who stated that one of the main problems in the socio-economic life of society is unequal distribution. This is in accordance with the words of Allah “... *so that it will not be a perpetual distribution among the rich from among you...*” (Q.S. al-Hasyr [59]: 7) (Al-Qur'an Kemenag in Ms.Word “*English Sabih Internasional*”, 2019). This argument is based on the proposition which states that the universe was created by Allah with the exact measurements. Everything has been measured perfectly. Allah has also provided sufficient resources for all humans. Muhammad Baqir Al-Sadr also rejected the opinion that human desires are unlimited. He believes that humans will stop consuming a good or service if the level of satisfaction with the good or service decreases or is zero. Therefore, he believes that the main problem with economics is the unequal distribution of resources among humans. This view is supported by a number of economic experts representing the *Iqtishaduna* school.

However, some experts in the mainstream school of thought believe that there is no fundamental difference in understanding the main economic problems between conventional economics and Islamic economics. According to this school of thought, economic problems lie in the scarcity of economic resources compared to human needs. Even though there is no overall gap between the amount of economic resources and human needs, relatively speaking, at a certain time and in a certain place, this scarcity will still be found. The difference lies in the mechanism for solving economic problems. According to the view of this mainstream school, the solution to economic problems must refer to the Koran and Sunnah, while in the capitalist view it is through the working of market mechanisms and classical socialism through a centralized planning system.

According to Chapra, the generally recognized economic problem of humanity is finding the best way to meet basic human needs throughout the world regardless of the scarcity of existing resources. When this did not happen, he then assumed that the main problem lay in a secular worldview that had weakened the social and ethical foundations of human life and placed primary reliance on market mechanisms to ensure efficiency and fairness in the use of resources. This, in itself, leads to support for the social Darwinis principles of “struggle for existence” and “survival of the fittest”.

The result is that the human concept of economics and serving one's own interests by maximizing wealth and desiring satisfaction has gained prominence. In sharp contrast to this, the worldview of most religions, and especially Islam, emphasizes the concept of human brotherhood and the well-being of all and places certain moral constraints on serving self-interest. While recognizing the important role of market mechanisms for this purpose, he did not consider it sufficient. It provides a moral orientation to all human activities, including market mechanisms, so that they operate within the framework of moral principles derived from Allah revelation that treats all humans as brothers and the resources they possess as a trust from Allah. This entire paper is about how such a worldview can help solve economic problems efficiently and fairly.

Figure 2. Main (Basic) Economic Problems in Islam



From the explanation above, it appears that although there are differences in views between the two schools of thought (iqtishaduna school and mainstream

school) regarding the main economic issues, they both aim at the same goal, namely to achieve *Falah*. In this effort to achieve *Falah*, humans are faced with various problems which ultimately become the root of economic problems themselves. As explained above, the source of economic problems in the conventional view is scarcity. However, if you look closely at various verses of the Al-Qur'an, such as Q.S. Al-Baqarah [2]: 22, 29; Q.S. Ali Imran [3]: 27; Q.S. Yunus [10]: 31; and many more (Al-Qur'an Kemenag in Ms.Word, 2019), this kind of scarcity implied by views is not entirely correct. This is what underlies the *Iqtishaduna* school of thought in refuting the concept of scarcity.

However, if we look closely at the various phenomena around us, lack of available resources compared to human needs and desires in order to achieve *Falah*. This fact is used as a basis by the mainstream school of thought to say that 'scarcity' is real. If you look more closely, the scarcity referred to here is not a problem that occurs continuously, but is only temporary until a replacement item is found. Therefore, this kind of scarcity is called relative scarcity as seen in Figure 2. Relative scarcity is caused by three factors.

The first factor, unequal distribution of resources. Allah guarantees the availability of sustenance for every creature in his creation, but Allah also created the world and everything in it with various variations. Each region and region has its own advantages and disadvantages. There are areas that are rich in natural resources, but poor in human resources. There are areas that are rich in oil, but poor in water, and so on. Such inequality is relative and short term. As people change, they will learn to cover their shortcomings in various ways. For example, the scarcity of fuel oil has given rise to various energy innovations using geothermal energy and electrical energy.

Next, the second factor is human limitations. In the Al-Qur'an, Allah states that humans are the best created creatures, both in terms of form and complex nature. However, with the combination of passion, instinct, reason and heart, humans are often unable to utilize their abilities to process existing resources optimally. This causes "relative scarcity". Apart from that, bad human behavior such as greed also causes this scarcity. Human instincts never cause him to use any means to control existing resources so that other people are prevented from using them.

Then the third factor, conflict between various life goals. The purpose of life between humans is very possible for differences. This can be caused by differences in priorities and an understanding of the meaning of life that is too narrow. For example, someone who prioritizes short-term goals (worldly happiness) tends not to balance them with long-term goals (afterlife happiness). In a context like this, in order to achieve short-term goals, illegally taking other people's property is considered normal. As a result, there will be a scarcity of resources for certain groups of society.

This is where economics plays a role in overcoming this relative scarcity so that the main goal of achieving *Falah* can be achieved. The role of the economy in achieving these goals can be carried out by regulating the three basic aspects of the economy, namely consumption, production and distribution. The consumption aspect regulates the types of commodities that humans need to achieve *Falah*. The production aspect regulates the procedures for producing these commodities so that *Mashlahah* can be realized. Meanwhile, the distribution aspect ensures that resources and commodities are distributed evenly.

CONCLUSION

Based on the results above, it appears that there is a fundamental difference in the perspective on the main economic problems between conventional economic views and Islamic economics.. Conventional economics focuses more on product

objects so that the focus of problems is centered on the limitations and scarcity of products in order to meet human physical needs only. This perspective is different from Islamic economics which places greater emphasis on human objects so that the focus of problems is not only focused on products alone, but also on human empowerment to be able to prosper themselves, their families, society and the country. This is one of human efforts in realizing/maintaining *Maqashid Sharia* (*Mashlahah*) and achieving *Falah*. Islam views that human dignity is an essential thing, so that every human being plays a role in achieving happiness in life.

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