



Analysis of supply and demand from the perspective of Islamic thinkers from the classic to the contemporary age

**Nahlah¹, Irwan Misbach², Arfin Hamid³, Muslimin Kara⁴, Harbani Pasolong⁵,
& M. Abdut Tawwab⁶**

^{1,5}Politeknik Negeri Ujung Pandang

^{2,3,4}Universitas Islam Negeri Alauddin Makassar

⁶PT. Bank Rakyat Indonesia, Makassar

Correspondence Email: nahlah@poliupg.ac.id

ABSTRACT

This study aims to find out how supply and demand are in Islamic economics according to Islamic thinkers from the classic to the contemporary age. The research method is library research with a qualitative approach. Data sources were obtained from the Al-Qur'an, hadith, national and international journals, books, and web pages that discuss topics related to supply and demand in Islamic economics. The research results show that the concept of supply and demand existed long before the emergence of this concept in conventional economics. Several Islamic scholars have discussed these concepts, such as Abu Yusuf, Al-Juwayni, Al-Mawardi, Al-Ghazali, Ibn Khaldun, Ibn Taimiyah, Rasyid Ridha, Sayyid Qutb, Muhammad Taqiyuddin, Mannan, Monzer Kahf, Baqr Al-Sadr, and Umer Chapra. The concept is the same as that found in conventional economics: the higher the price of goods or services, the demand for these goods and services decreases, and from the seller's point of view, the higher the price of goods and services, the greater the quantity supplied. The government does not intervene in prices unless market distortions occur, requiring regulation to stabilize prices. The difference lies in several values, ethics, product halalness, and pricing motivations in Islamic economics, which do not exist in conventional economics. In maintaining the balance of supply and demand, three main factors must be considered: aqidah, sharia, and morals. Aqidah is a way of life; sharia is a law that helps regulate practices in everyday life that shape behaviour, while morality is an ethical way of life that arises from explicit beliefs and established rules.

Keywords: Islamic economics; supply; demand

1. INTRODUCTION

Suggestions for Islamic economic thought have developed dynamically over a long time with different characteristics according to the times, causing some experts to divide the periodization of the history of economic thought into several phases. Among them, the division into 4 phases Nejatullah Siddiqi, namely, the basic phases of Islamic economics starting from the early period of Islam by Rasulullah SAW until 1058 AD, the progress phase (1058-1446 AD), the stagnation phase or the decline phase of Islamic economic thought (1446-1932 AD) and the contemporary phase (1932 AD–now) (Najmuddin, 2021; Qayum, 2021). When referring to the history of the development of Islamic civilization, three periods were found, namely the classical (661-1258 AD), medieval (1258-1800 AD), and modern (contemporary) periods (Adam et al., 2022; Nasution, 2018; Yamani et al., 2022). Apart from being based on the time phase, there is also a classification of Islamic economic thought based on methodology; there is a normative methodology (a methodology that focuses on developing the principles of Islamic economics based on the Qur'an and Sunnah), a positive methodology (a methodology that seeks to use scientific methods of analysis through empirical by internalizing Islamic principles) and comparative methodology (comparing the Islamic economic approach with conventional economic theories and models to find differences and differences then strengthen the understanding of economics with Islamic principles). Based on a different methodological approach, it also gave birth to several different schools of economic thought. There is nothing wrong with the division or classification. It depends on where the scientists will start and where or on what basis as long as it can be scientifically justified. Differences in ways of thinking form various groups or schools of thought. However, this is not a shortcoming of our Islamic thinkers. The same thing is also found in conventional economics or other fields. "Difference is mercy"; that is how Islam responds to a difference. Each is unique and contributes to the development of Islamic economics.

Talking about Islamic economic thought cannot be separated from talking about periodization based on time because current economic thinking results from the legacy of previous economic thinking that has developed along with the times. Economic thinking emerges due to people's efforts to solve the economic problems they face, which are increasingly complex from time to time. Islamic economic thought that has been well developed started from the time of the Prophet Muhammad, who provided solutions and policies for the economic problems faced by his people at that time. This policy is based on the Al-Qur'an as revelation and Divine decree, and the Prophet SAW did not decide a matter but based on what Allah SWT sent down (Q.S. Al-Maidah: 49).

Some examples of the economic policies of the Prophet Muhammad's time were the brotherhood of the Muhajirin and the Ansar to form the distribution of wealth, the obligation to acquire wealth legally, collection of zakat for Muslims and jizyah for non-Muslims, prohibition of usury, justice, distribution of wealth, determination of dinars and dirhams as a substitute for the barter system, and others. The policies of the Apostle were continued by the Caliph after him, followed by Umayyad and Abbasid dynasties, scholars

during the three great empires, and have continued to the present, where each period has a higher and more complicated level of complexity of economic issues than the previous period. Islamic economic thought continues to develop alongside conventional economic developments, which are based on the notions of Capitalism and Socialism, which have developed since the publication of Adam Smith's book entitled "The Wealth of Nations" in 1776 AD. Until now, Adam Smith and Keynes' economic theory has become a reference for economic studies in the world. So where is the role and position of the economic system exemplified by the Prophet SAW and which was continued by the Islamic kingdoms after him? How can a gap exist between conventional economic growth and Islamic economics, termed by Muslim thinkers *iqtishadi* (economics)?

Hundreds of years of the Muslim world studying economics with a conventional economic perspective that does not involve revelation and spirituality have failed Muslims to interpret knowledge correctly. According to Al-Attas, it is said to be the leading cause of the decline of Muslims (Yasmansyah & Sesmiarni, 2021). This condition needs to be corrected immediately before Muslims get further away from the spiritual values of their religion or so that this generation can recognize the history of Islamic scholars who have triumphed in the past.

Today's scientists are beginning to dig back into the treasures of economic knowledge that Muslim scholars have produced in the Middle Ages, looking for common ground between conventional economic theory and economics from an Islamic point of view and trying to formulate Islamic economic positions and their implementation. They realize that we Muslims have triumphed with the work of our Muslim scholars. Moreover, our system differs from capitalism and socialism, so Muhammad Baqir Sadr, born March 1, 1935, wrote a book entitled "*Iqtishaduna*" (Our Economy). Previously, Imam Taqiyuddin An Nabhani, born in 1909 AD, had also written a book entitled *An Nizhamul Iqthishadi fil Islam* (Islamic Economic System). Likewise, Al-Ghazali, Abu Yusuf, Al-Mawardi, and other scholars have written many things about economics in Islamic principles. However, this study will discuss one small part of their writing: the theory of supply and demand (demand) in Islamic principles. According to several Islamic thinkers (Ulama), how is this theory from generation to generation?

2. METHODS

This type of research is qualitative with a literature approach or study of literature from various national and international journals, books, or websites that discuss several matters related to the problem under study. The information obtained was analyzed and then described qualitatively. The primary data source comes from the results of several books, and secondary data comes from journals, books, and websites. Secondary data does not directly provide data to data collectors but looks at the results of other people's research or documents (Ratihiningsih, 2022). First, data was collected from several journals and books related to the research objective: "to analyze the law or theory of supply and demand according to Islamic thinkers or scholars from classical times to the present. After that, a conceptual framework is created. Then, the main discussion points

are arranged based on the earlier framework. Information from journals or books is then described and placed on the appropriate subject matter. Finally, conclude from the analysis results.

3. RESULTS AND DISCUSSION

The Need to Study the History of Islamic Economic Thought

The word economy is not found in the Qur'an and hadith. However, Islamic economic practices have been enforced since the descent of Prophet Adam on this earth. Although, of course, it is still straightforward. It is said so because Islamic economic activities, which mean human activities in fulfilling their life needs principled in Islamic values, have been taught to Prophet Adam by Allah SWT. This economic practice with Islamic values is continuously conveyed through His messengers to the last messenger, Rasulullah SAW. One example is the story of the Prophet Shu'aib, who ordered his people to be honest in selling, not to harm people, and not to reduce the balance (Q.S. Hud: 84-85). During the Prophet SAW, the economic system was better developed. Followed by Khulafa Ar-Rasyidin, then the Umayyad dynasty (661-750M), and developed rapidly during the Abbasid dynasty (750 – 1258M). Thus, it is not true that the "Great Gap" analysis by Schumpeter (1883-1950M) said that economic analysis was started by the Greeks (300 BC) and stopped for approximately five centuries until the reappearance of St. Thomas Aquinas (1225-1274M) (Qoyum, 2021). Even though the vacancy period he meant was actually a period of intellectual heyday in the Eastern world, especially in the Abbasid kingdom, this story and historical truth are essential to be known by the current and future generations, especially the Muslim generation, so that they have pride in the intellectual heritage of their predecessors and are passionate about creating their best works based on Divine revelation, namely the Al-Qur'an, and Sunnah.

We return to the initial aim of this study, which is to describe the "theory of supply and demand" according to Muslim scholars from the 4 phases as explained above. However, first, we will explain the concept of supply and demand in conventional economics.

Supply and Demand in the Conventional Economy

Demand means a consumer's desire to buy an item at various price levels during a specific period. Meanwhile, supply means the amount of goods producers want to offer (sell) at various price levels during a specific period (Muawanah, 2017). In economics, there is a law of demand: "For goods and services, a higher price causes a decrease in the quantity demanded while a lower price causes an increase in the quantity demanded". The law of supply reads: "For goods and services, a higher price causes an increase in the quantity supplied while a lower price causes a decrease in the quantity supplied". However, price is not the only variable that determines the level of demand or supply. Other variables affecting demand are consumer preferences, income increases, demographic changes, the presence of competitive and complementary goods, future price forecasts, and so on. Likewise, with supply, the price can be determined by other

variables such as production costs, technology, competitors, natural conditions, etc. However, all of these variables are considered constant (*ceteris paribus*). In that case, the price remains an important variable influencing the demand for and supply of goods and services (Askari et al., 2015). The following is a picture of the law or demand function and the law or supply function.

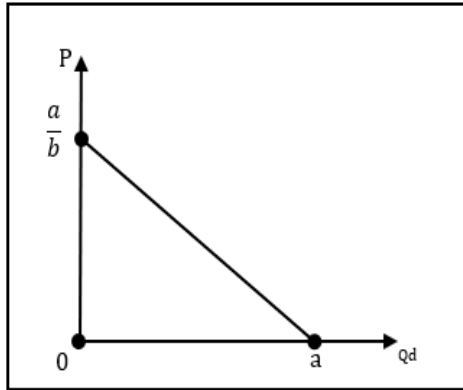


Figure 1. Demand function

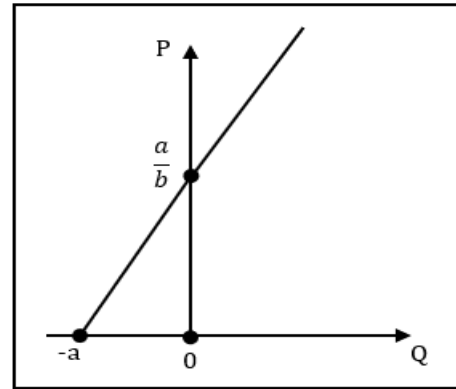


Figure 2. Supply function

For example, if rice production costs rise, the quantity supplied at a given price will decrease. The rice supply decreases when profits from producing other goods, such as tea, increase. If oil producers expect the price of oil to rise in the future, the quantity supplied in the current period will decrease because they expect high profits. As technology improves, production costs decrease, which increases the quantity of goods or services supplied. Natural events, such as droughts and storms, affect agricultural production and reduce the supply of agricultural goods. When the number of sellers of a good or service increases, the quantity supplied also increases.

When a change in one of these variables increases the quantity supplied, the supply curve shifts to the right, and when a change in a variable decreases the quantity supplied, the supply curve shifts to the left:

- Q_d : The number of requests
- Q_s : Bid amount
- E : Balance Point
- P_e : Balance price
- Q_e : Balance amount

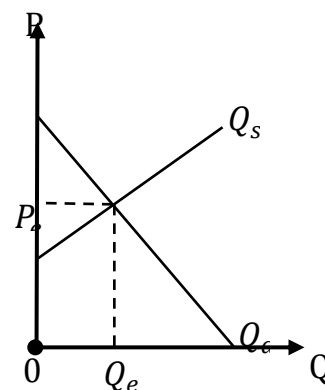


Figure 3. Demand and Supply Interaction

The meeting between demand and supply, which is interactive, is called the market. The market mechanism is the interaction between demand and supply to produce an agreed price level between sellers and buyers. In other words, the market mechanism is the process of determining the price level based on the supply and demand forces that occur in the market. Furthermore, this agreed price is called the equilibrium price (J. et al. Mubarak, 2021). Figure 3. explains the equilibrium price level, namely when producers and consumers have a price agreement and buying and selling transactions occur.

Demand and Supply in Islamic Economics

As with conventional economics, even in Islamic economics, prices are determined by the balance of supply and demand. This balance only occurs if the seller and buyer give up on each other. This willingness is determined by the seller's and buyer's ability to defend their interest in the item. For sellers or buyers who do not follow Islamic instructions, offering high prices to get significant profits or demand for buyers at meager prices is possible. However, by understanding and having the desire to get the grace of Allah SWT, both the seller and the buyer will make it easier for each other so that a price agreement with an appropriate value is quickly reached. The reference is the Hadith of the Prophet SAW:

حَدَّثَنَا عَلِيُّ بْنُ عَيَّاشٍ حَدَّثَنَا أَبُو غَسَّانَ مُحَمَّدُ بْنُ مُطَرِّفٍ قَالَ حَدَّثَنِي مُحَمَّدُ بْنُ الْمُنْكَدِرِ عَنْ جَابِرِ بْنِ عَبْدِ اللَّهِ رَضِيَ اللَّهُ عَنْهُمَا أَنَّ رَسُولَ اللَّهِ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ قَالَ رَجِمَ اللَّهُ رَجُلًا سَمَحًا إِذَا بَاعَ وَإِذَا اشْتَرَى وَإِذَا اقْتَضَ

ى

Shahih Bukhari 1934: Has told us 'Ali bin 'Ayyasy has told us Abu Ghassan Muhammad bin Muthorrif said: Muhammad bin Al Munkadir has told me from Jabir bin 'Abdullah radliyallahu 'anhu that the Messenger of Allah shallallahu 'alaihi wa sallam said: " Allah has mercy on those who make it easy when selling and when buying and also those who ask for their rights."

This is one of the principles of Islamic economics that distinguishes it from conventional economics. In Islam, apart from making profits in trade, another goal is the mercy of Allah SWT and the blessings of the world and the hereafter so that with little profit, he will give up his goods according to the buyer's ability. In addition, several Islamic ethics that Rasulullah SAW has taught in supply and purchase will help maintain a balance of prices, for example, prohibition on buying goods that other people are offering, prohibition of fraudulent elements in buying and selling, prohibition of monopoly and hoarding with the excuse of seeking their profit in the future, prohibition of selling fruit on trees before their perfect shape appears, prohibition of competing by dropping other people's selling prices, the prohibition of bartering goods that are not worth it, and the prohibition of picking up traders on the outskirts of town to benefit from the traders' ignorance of prices in the city (Nahlah et al., 2023). Meanwhile, monopoly, duopoly, and oligopoly are not prohibited as long as they do not take profits above-average profits (Sudarsono, 2004).

Next is a description of the thoughts of Islamic economists, which come from 4 phases, according to Nejatullah (Qoyum, 2021):

1. The First Phase (The Age of Prophet SAW – 1058AD)

According to Nejatullah, the first phase was economic thought during the Umayyad and Abbasid dynasties. Some of the Islamic economic scholars or thinkers at that time included Hasan Al-Basri, Zayd bin Ali, Ja'far as-Sadiq, Abu Hanifah, Abu Yusuf, Muhammad bin Hasan Al-Saibani, Yahya bin Adam, Shafi' I, Abu Ubaid, Ahmad bin Hambal, al-Kindi, Junaid Al-Baghdadi, Al-Farabi, Ibn Maskawayh, Ibn Sina, and Al-Mawardi. Among these scholars, recorded in history, Abu Yusuf has introduced the concept of "demand" as one of the factors causing price increases.

Abu Yusuf (731-798AD) was a Muslim scholar who first wrote about market and price mechanisms with detailed descriptions. His first article describes the rise and fall in production that can affect prices. He was the first to speak or propose a theory regarding the amount of demand and supply (demand and supply) and its effect on prices. The condition of society at the time of Abu Yusuf understood that the price of an item was only determined by the number of bids. When there is a shortage of goods, prices tend to be high, whereas when goods are abundant, prices tend to fall or be lower. In other words, the price is determined by the power of supply. Abu Yusuf later criticized this general phenomenon. Abu Yusuf disputes this understanding because, in reality, it only sometimes happens that if the supply of goods is low, then the price will be high, and if the supply of goods is abundant, the price will be low. He stated, "Sometimes food is abundant but still expensive, and sometimes food is scarce but cheap". This statement implicitly states that prices are determined by supply and demand for these goods. Abu Yusuf indicated that other variables also influenced prices, such as the amount of money in circulation in the country, hoarding, and monopoly.

Al-Saibani discusses more work obligations, the concept of poor and rich, sources of income, and work specialization (A.B. et al., 2022).

Ahmad bin Hambal (780-855 AD) maintained healthy competition in the market. He denounced sellers who lowered their prices to prevent others from buying the same goods from their neighbours. He demanded government regulations to prevent monopoly cases (Siddiqi, 1882).

2. The Second Phase or Phase of Progress (1058 – 1446 AD)

At this time, Muslim scholars have developed economic concepts based on the Al-Qur'an and Sunnah. Simultaneously, at this time, corruption and moral decadence increased, living in luxury among officials and the rich with high poverty levels on the other hand. Islamic thinkers at this time were Al-Ghazali, Ibn Khaldun, Mrs. Taimiyah, AL-Maghrizi, Abdul Qadir Jaelani, Ibn Bajah, Ibn Qayyim, Ibn Tufail, Ibn Rushdi, and others (Ahmed, 2002).

Al-Juwayni (1028-1085AD) said that the seller or buyer does not control the price formed due to supply and purchase. They are price takers, not price makers (Islahi, 2005). Al-Juwayni's intention results from a tug of war between the seller and the buyer, creating an agreed price that is Allah's will. Because Allah SWT controls the hearts of His servants, He who gives feelings and will to His servants.

Al-Ghazali (1058-1111AD), a student of Al-Juwayni, believes that there are two significant forces in economic activity: supply and demand. For a supply curve that "rises from the bottom left to the top right," he stated, "if the farmer does not find a buyer and his goods, he will sell them at a lower price". Meanwhile, for the demand curve that "falls from the upper left to the lower right," he explained, "the price can be lowered by reducing demand. The rise and fall of prices or the high and low prices show the movement and behaviour of supply and demand. Furthermore, Al-Ghazali said "reduce demand" when prices start to soar (Islahi, 2005).

Al-Ghazali also introduced "elasticity of demand" in his words, namely: "reducing profit margins by selling at lower prices will increase sales volume, and this in turn will increase profits" (Irawan, 2015). The definition of elasticity of demand in economics is a measure of how much demand or supply changes with changes in prices. It is said to be elastic if the change in demand is > 1 if the price changes by 1%. Inelastic if the value < 1 . This concept follows the opinion of Al-Ghazali, who has identified that the demand for food products is inelastic because food is a basic need. Because in the food trade, the motive for seeking high profits must be minimized; if you want to get high profits from trade, you should look for goods that are not basic needs (Fahlefi, 2012; Thohir, 2016). That means that if there is an increase in the price of staple food, it is likely that the change in demand for this staple food will not be more significant than 1% or 1, so in this case, it is said to be inelastic.

Furthermore, Ibn Taimiyah (1263-1328AD) argued that the legal balance of demand and supply would function as it was if the market was free from fraud, monopoly, hoarding, and acts of corruption. The state must uphold the Islamic code of ethics so that producers, traders, and other economic actors conduct honest and fair transactions. The market must be freed from coercive and exploitative practices on weak and needy groups. The state is obliged to meet the needs of each individual. The state has the power to limit excessive individual property rights, and the state needs to oversee production and distribution processes. This opinion of Ibn Taimiyah existed before the birth of Keynes's theory of the role of the state (Siddiqi, 1882). However, like Abu Yusuf (731-798M), Ibn Taimiyah also argued that the government may not intervene in market prices except through enforced regulations when prices are unstable due to someone's actions. Ibn Qayyim and Al-Maghrizi also followed this opinion. Pricing depends on the forces of supply and demand playing in the market. Offers may change due to several factors, such as changes in production quantities and imports. Meanwhile, demand is largely determined by taste and income.

Ibn Khaldun (1332-1406AD) also held the same opinion as his predecessors that price fluctuations were caused by supply and demand. The supply itself, according to Ibn Khaldun, is influenced by demand, the level of relative profit, the level of human effort, the size of the labour force, including the knowledge and skills possessed, peace and security, technical ability, and the development of society as a whole. At the same time, demand is affected by income, population, habits, and customs of the community as well as society's general development and prosperity (Muzakkir, 2019). Another observation from Ibn Khaldun is that an increase in wages past a certain level will cause a decrease in the supply of labour (Siddiqi, 1882).

Regarding whether or not government intervention is necessary, according to Ibnu Khaldun (1332-1406 AD), prices are not solely left to the market mechanism, but government intervention in the form of regulation is also necessary if there are unstable prices. The combination of market mechanisms and government regulations shows the social conditions of society and the law in determining prices in conditions of unstable prices. Furthermore, Ibnu Khaldun said that prices are determined by an area's productivity level (Novia, 2014) as well as the strength of supply and demand. He describes it this way: prices will decrease as development and production increase. However, if demand continues to increase while supply cannot keep up with it, scarcity will occur, causing an increase in the prices of goods and services. As a result, prices for necessities tend to increase faster than prices for luxuries, and prices in urban areas climb more rapidly than in rural areas.

Furthermore, further, labour costs also go up along with rising taxes. That causes development to decline, as well as prosperity and civilization. This process is a natural process. However, when market distortions occur, the government's role is needed.

3. The third phase or decline phase (1446-1932AD)

At this time, the door to *ijtihad* was closed so that the thinking and implementation of Islamic economics were only based on the legacy of the thoughts of previous scholars or *fuqaha* (Najmuddin, 2021). One of the causes of this condition was the destruction of the great Islamic empire, namely the Abbasid dynasty, in 1258M due to the attack of the Mongol army. After that, Islam revived with the formation of 3 large empires, namely, The Ottoman Empire (1299– 1924AD), the Safavid Empire in Persia (1501 – 1722AD), and the Mughal Empire (1526 – 1858AD) in India. However, the three great empires could not match the greatness of Islam during the Abbasid dynasty. The development of science and technology was underdeveloped in this third phase because the Islamic kingdoms at that time prioritized the development of military power. However, the three kingdoms ended again (Adam et al., 2022; As'adurrofik, 2017) until, towards the 19th century, the entire Muslim world was subdued to the West. Political adherence brings intellectual stupidity (Khan, 2017).

The fall of the Abbasid dynasty and the Islamic empires that followed and the rise of Western powers sparked the rise of Islamic political thinkers in the early 19th century

with figures such as Jamaluddin al-Afghani (1849-1897AD), Muhammad Abduh (1849-1905AD), M Rasyid Ridha (1865-1935AD), Muhammad Iqbal (1877-1938AD) to Al-Maududi (1903-1979AD), Sayyid Qutub (1906-1966AD), and Shaykh Muhammad Taqiyuddin bin Ibrahim bin Mustafa bin Ismail bin Yusuf an-Nabhani known as the name of Imam Taqiyuddin An Nabhani was born in Ijzim, Haifa in 1909M. These figures have talked a lot about the economic aspects of Islam, but they are indeed more well-known as political figures. That is because the position of the Islamic Ummah is being resolved by Western hegemony, which is reaping its glory after the 14th-century Renaissance. The fall of the Abbasid dynasty and the Islamic kingdoms after it and the rise of Western powers sparked the rise of Islamic political thinkers in the early 19th century, with prominent figures mentioned above.

Islamic thinkers at this time generally invite people to return to Islamic values and principles because they have seen much chaos that occurs with a system of life far from religious values. Jamaluddin al-Afghani, Muhammad Abduh, and Rashid Rida called for an "ishlah" or reformist movement that wanted the return of Islamic civilization to the civilization of the classical period to the early Middle Ages. The basic argument is that if properly understood and fully adhered to, Islamic teachings and moral precepts will bring success, such as strength, honour, civilization, happiness, and success hereafter. If it is not adequately understood and regulated, it will lead to weakness, decline, and barbarism, which applies to individuals and communities. The Islamic Ummah is the heart of world civilization insofar as they are genuinely Islamic.

Concerning the research topic, Muhammad Abduh requires the government to intervene in matters of public benefit, such as building factories, setting prices, increasing workers' salaries, and paying attention to workers' working hours. Muhammad Iqbal underlined the shortcomings of capitalism and communism. According to him, the spirit of capitalism, namely cultivating capital and materials as the fundamental values of this system, is contrary to the spirit of Islam. Likewise, the spirit of communism, which imposes much force on society, is also contrary to Islamic values.

Al-Maududi was born in 1903 AD in Delhi, India, to a pious and diligent Sufi family. He has written extensively in social, economic, political, cultural, and religious fields. His works include *The Economic System of Islam*, *The Economic Problem of Man and Its Islamic Solution*, and *The Way of Life* (Faizal, 2016).

At the same time, Sayyid Qutub heavily emphasises Islamic values in economic practices, such as aspects of social justice, zakat, honesty in weighing, prohibition of monopoly, accumulating wealth, and usury practices (Aravik, 2018).

Imam Taqiyuddin is a scholar who has played a significant role in the kingdom of Ottoman Turks. Some of Shaykh Taqiyuddin An-Nabhani's most famous works, which contain his thoughts and ijtihad, include *Nizhamul Islam*, *At Takattul Al Hizbi*, *Mafahim Hizbut Tahrir*, *An Nizhamul Iqthishadi fil Islam* (Islamic Economic System), *An Nizhamul Ijtima'i fil Islam*, *Nizhamul Hukm fil Islam*, *Ad Dustur*, *Ad Daulah Al Islamiyah*, *Asy*

Syakhshiyah Al Islamiyah (3 volumes), Nazharat Siyasiyah li Hizbit Tahrir, Nida' Haar, Al Khilafah, Sur'atul Badihah, and Dukhulul Mujtama. Imam Taqiyuddin An Nabhani later became the founder of the Hizbut Tahrir movement.

Imam Taqiyuddin An Nabhani, in one of his books, "A Nizhamul Iqthishadi fil Islam" said that the main factor determining the power of demand is the use value of an item. In contrast, production costs are the main factor determining the power of supply. Both are valued by price. If the price goes up, the demand goes down. If the price goes down, the demand will go up. Anti with offers. It means that price is the determining factor for supply and demand and also means determining the level of production and consumption. Prices are the balance of supply and demand, the balance of production and consumption levels. It is the capitalist economic system. They view the economy with a view that includes production goods (economic goods) and the ways of obtaining them without separating the two or discriminating between them. Their focus is only on materials and how to create as much production as possible for personal and country wealth. Not sorting out whether production goods are halal or not, what is essential is what some people want, for example, marijuana. Not knowing the term zakat from wealth results distinguishes it from the Islamic economic system (Nabhani, 2010).

The works of Muslim scholars in the classical to early medieval centuries provide us with information that discussions about economics and society existed before the theories of Adam Smith and Keynesian existed. However, based on a small amount of history recorded in this paper, it is also understandable why the initial steps of these Muslim economists were able to sink and be defeated by the works of Western economists, which are even being used globally by the Muslim world today. Salman Syed Ali says:

"Economics ideas and theories have different properties than physics because unless formulated into policies and implemented, they cannot be perfected and perfected. With this, writings on Islamic economics grew. However, they needed to be more mature to generate a critical consensus around various theories and ways of thinking to become an independent discipline.

Intellectual efforts are now directed toward turning theory into actionable policy and practice wherever possible. This will also result in the refinement of the idea and, hence, the development of Islamic economics as a discipline different from conventional economics. Such a strategy requires developing a mindset that can think outside the conventional economic box and developing the political will and courage to experiment with new things..." (El-Karanshawy et al., 2015).

It means that if we want the Islamic economic theories that have been developed since the time of the Prophet SAW to be applied in the present and the future, then this theory must be applied to become a policy that continues to be perfected. Thus, the government's involvement in support becomes very necessary. Cooperation between the government and Islamic economic thinkers is urgently needed to develop an economics

discipline that breathes Islamic values and aims to benefit humanity in this world and the hereafter.

4. Contemporary Phase (1932M – present)

Qoyum (2021) divides the contemporary phase into two parts, namely 1960AD – 1980AD with its Islamic economists such as Ismail Raji Al-Faruqi (1921-1986 AD), born in Palestine, Syed Muhammad Naquib Al-Attas (1931 AD), born in Bogor, Muhammad Abdul Mannan was born in Bangladesh in 1938 AD, Monzer Kahf (1940 AD) was born in Syria, Baqr Al-Sadr (1935-1980 AD) was born in Iraq, and others. Then, in 1980AD – 2000AD, the famous economist Al-Umer Chapra (1933 AD) was born in Pakistan, Nejetullah Siddiqi (1931-2022 AD) was born in India, and others (Qoyum, 2021).

The contemporary phase is famous for the idea of the Islamization of knowledge. Muhammad Iqbal started it in 1930; he wanted to convert modern science, which was not against Islam. However, this idea did not last. It reappeared in 1960 by Syed Hossein Nasr, who saw the dangers of secularism threatening the world. This idea was then socialized by Syed Muhammad Naquib Al-Attas at the first World Islamic Education Conference in 1977 in Mecca. Ismail Raji Al-Faruqi later accepted this idea, and to this day, the idea of "Islamization of Knowledge" continues to echo among scholars and academics. Suggestions or the Islamization of Science movement is one of the efforts to answer the challenges of modernity that hit Muslims. There is a kind of shock among Muslims, witnessing the reality that places them in a dark corner of history. Behind the splendour of Western civilization, which continued to advance post-Renaissance, most of the Islamic world, in contrast, was gasping for breath in something that, in the modern vision, is called decline and backwardness. What is more, it is still fresh in the minds of Muslims that several centuries ago, they once held the supremacy of civilization with firm domination in the realm of culture, politics, and the economy. With the political power symbol of the Abbassid Caliphate in Baghdad and the Umayyad Caliphate in Cordova, they were once in a superior position compared to European society, which was confined to dark historical times (Yusdani, 2007).

Syed Muhammad Naquib al-Attas is known as an educational figure because he is very concerned about the condition of Muslims, who he says are experiencing setbacks due to failure to understand knowledge. His idea of the need for the Islamization of contemporary knowledge that can overcome various problems of the ummah has been implemented through an international standard educational institution that he founded and managed, namely the International Institute of Islamic Thought and Civilization (ISTAC) located in Kuala Lumpur (Mahmudah, 2016).

A. Mannan expressed theoretically that price provisions in the Islamic context can be expressed by the emergence of a justice that comes from within the community itself, supervision, and regulation that can be influenced by Islamic values that apply to them because the basic principle is cooperation and healthy competition, not monopolistic contestation, but competition that is free from speculation, hoarding, smuggling, and

others. In this context, fair price provisions must be regulated under legal supervision. However, it needs to be emphasized that in order to create good conditions of cooperation in the long term between producers and consumers, Islamic spirit, values, and Islamic business rules are needed as an educational process for all related elements. Meanwhile, government intervention is needed in the short term to ensure fair and average prices are formed for the community (Muzakkir, 2019).

Monzer Kahf makes the Al-Qur'an and Sunnah the basis of his thinking. He identified many differences between Islamic and conventional economics. Among them is the concept of "goods". Goods in conventional economic understanding are anything that has economic benefits when exchanged in the market. Whereas in Islam, apart from having economic value, it is also on the condition that it is morally beneficial. The moral in question is halal and Thayyib. Concerning the market structure, Kahf formulated the structure of the Islamic market, namely Free Cooperation, including responsible economic freedom and a spirit of cooperation to worship Allah SWT. Meanwhile, government involvement in the market is only temporary. However, the government is obliged to pay attention to the welfare of its people (Sriwahyuni, 2022).

Slightly different from other Islamic economic thinkers, Muhammad Baqir Ash-Sadr said that Islam does not deal with the law of demand and supply, nor does it deal with the relationship between profit and interest and the phenomenon of diminishing returns (depreciation of production output) covered in economics "The Science Of Economics". (Choiriyah, 2016). Baqir Ash-Sadr is more inclined to think that Islamic economics is a doctrine that originates from the Al-Qur'an and Sunnah rather than Islamic economics as a science that must go through an empirical testing stage.

The references of Muslim jurists or scholars regarding price fixing refer to the answer of Rasulullah SAW to someone who asked him to reduce prices when prices were high in the Medina market at that time, as narrated below: Anas bin Malik (d. 93 H) said that at that time Rasulullah SAW never happened a high increase in prices. The Companions then said to the Apostle, "O Messenger of Allah, set a price for us!" Rasulullah saw replied:

إِنَّ اللَّهَ هُوَ الْمُسَعِّرُ الْقَابِضُ الْبَاسِطُ الرَّزَاقُ وَإِنِّي لَأَرْجُو أَنْ أَلْقَى اللَّهَ وَلَيْسَ أَحَدٌ يَطْلُبُنِي
بِمَظْلَمَةٍ فِي دَمٍ وَلَا مَالٍ

"Indeed, Allah is the One who determines the price, the One who holds back, the One who extends, and the Most Giver of sustenance. I hope to meet Allah without anyone suing me for the injustice I have done in matters of blood and not in matters of wealth.

Nevertheless, the labour market's supply and demand model above is broken. Many studies have shown that the labour market is far from an equilibrium supply and demand

model. Bergmann (2007) writes, "The material on business behaviour that students read about in economics textbooks, and virtually all new theoretical material developed by mainstream professionals and published in the profession's leading journals is compiled by economists sitting in comfortable chairs and ... only making it up." (El-Karanshawy et al., 2015). Al-Maghrizi (1364-1441AD) conducted a case study of money and price increases periodically during famine and drought. Three causes were found for this event: corruption and bad administration, a heavy tax burden on cultivators, and an increase in the supply of cash currency. Discussing the third cause, he emphasized that gold and silver are the only types of money that can be used as a standard of value in terms of their nature and compatibility with the Shari'ah. The value of gold and silver rarely rises in large proportions, although the value of the money soars.

With this fact, the opinion of Islamic thinkers who call for government intervention when abnormal prices occur (market distortions) is understandable. It does not mean that the words of the Prophet SAW were wrong. The words of Rasulullah SAW are right that prices are determined from market mechanisms without government intervention as long as economic actors in the market have followed the signs set by religion. So adherence to Islamic values or principles whose truth cannot be doubted because they come from Divine revelation is believed by Ulama or Islamic economic thinkers to be able to maintain a balance of supply and demand to realize human welfare in the world and the hereafter. Things like this are not discussed in conventional economics. The conventional economic theory of supply and demand only focuses on how to get the maximum possible output without paying attention to the types of halal or haram goods, the value of justice, ethics, and the desire to get His mercy when making it easier to bid (sell) or buy.

In Islam, three main factors must be considered by actors in economic activity, including in the market: *aqidah*, *sharia*, and *morals*. *Aqidah* is a way of life; *sharia* is laws that help regulate practices in everyday life that shape behaviour, while *akhlak* is an ethical way of life that arises from explicit beliefs and established laws (Nordin et al., 2022).

Finally, the theory of supply and demand helps determine the theory of value and predict workforce size and national income. In addition, the rise and fall of prices due to the force of attraction between supply and demand can be used to determine the elasticity of a good, which goods are elastic, and which goods are inelastic, which can assist the government in making social policies. Mathematically, sometimes, the price is an independent variable that affects demand or supply through the law of demand or supply, namely, "if the price rises, the demand decreases, and vice versa. Sometimes, it is also a dependent variable influenced by the number of products supplied and the quantity demanded. For example, "if the supply of goods is ample and the demand is small, the price will decrease. Conversely, if supply is less and demand increases, prices rise.

This natural change mechanism will lead to the establishment of an equilibrium price. If this process occurs naturally, government intervention in price fixing is unnecessary.

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