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Market Mechanism in the View of Ibn Taymiyyah

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ABSTRACT

The advancement of the economy is heavily dependent on market conditions. The market brings together the sellers and buyers, to conduct transactions on goods and services (supply and demand). Balance in supply and demand is needed to maintain economic stability. Market urgency attracts the characters to put forward their theories of both Islamic and western thinkers. Islam is a divine religion that brings the benefit of the afterlife. Islam has different views and thoughts about market mechanisms. This thinking precedes what western thinkers have expressed. Ibn Taymiyya reveals five concepts in the development of market mechanisms, namely fair prices, fair markets, fair profit concepts, the concept of fair wages and aims for society. The essence of Ibn Taimiyyah's thought is about the justice of the ummah. Broadly speaking Ibn Khaldun thought of concept on justice.

Keywords: Ibn Taimiyyah, Market Mechanism, History of Islamic Economics.
JEL Classification: A11, A13, B00, E20

PRELIMINARY

The market is the heart of the nation's economy. The advancement of the economy is heavily dependent on market conditions. He brings together the sellers and buyers, to make transactions on goods and services (supply and demand). Balance in supply and demand is needed to maintain economic stability. Surplus supply can be detrimental to the producer because the goods are not absorbed by the market. Conversely, excess demand without adequate production leads to an increase in prices, and if it continues it will reduce the welfare of society as a consumer. The Great Depression of 1930s is a historical witness of how excessive quantity of supply is the main cause of economic downturn. Many producers are out of business, millions of unemployed workers.

Recognizing the urgency of the market, many figures devote their attention to this. The mercantilist flow seeks the advantage of trade through the protection of foreign products by the enforcement of expensive import tariffs and colonization of the Asia-Africa

weakest countries. In 1776, Adam Smith through his phenomenal work the Wealth of Nation, reveals that the most appropriate market system is a free market mechanism. This theory received sharp criticism from Karl Max (in Didin Damanhuri), Karl Max mentions that the liberal system is a process of impoverishment and mass proletarianization by the bourgeoisie through the transfer of surplus values of production (theory of surplus values). In his communist Manifesto, he included ten programs to bring about economic justice, all of which led to the centralization of property in the hands of the State and the equality of all citizens. Various theories put forward to run the function of the market as the wheels of the economy. However, has the economy today achieved a just welfare?

According to data from Bank Indonesia, Indonesia's "gini ratio" continued to grow from 0.288 in 2002 to 0.340 in 2005 and rising to 0.345 in 2006 means that Indonesia's economic gap is very large. And when compared with developed countries, our market value is still very low (Bank Indonesia, 2002-2005). Islam is a divine religion that brings the benefit of the afterlife. Islam has different views and thoughts about market mechanisms. This thinking precedes what western thinkers have expressed. At that time, Muslims achieved a glory that was never achieved by another civilization, a golden age that is considered as "the Dark Age" by the West. This is what drives writers to learn how to see Muslim figures about the market. However, along with the number of thinkers of Muslim economists, the author limits this penitiation to the view of Ibn Taymiyyah?

LITERATURE REVIEW

Research of Iu Rusliana and Husni Shabri (2009) entitled "History of Economic Thought of Ibn Taymiyyah, Ibn al-Qayyim, Syathibi, Ibn Khaldun, Al-Maqrizi and Shah Waliyullah" convey that the essence of the economic concept of Ibn Taimiyyah is socio-economic justice. This justice must be felt by all people, without exception. Despite emphasizing the normative approach in economics, Ibn Taymiyyah is also a brilliant economist figure and understand the economic conditions that occur. The perfect market concept he offers shows a positive approach to understanding the economy. Although the frame is accompanied by morality and Islamic values.

Oweiss's research says that in his economic mind Ibn Taymiyya discussed about compensation. In defining equivalent compensation ('iwadh al-mitsl), Ibn Taimiyyah states that what is meant by equality is the same amount of the particular object referred to in general usage (urf). It is also related to price level (si'r) and habits ('adah). Furthermore, he argues that the correct evaluation of fair compensation is based on the analogy and the estimation of the goods with other equivalent items.

METHODOLOGY

Analysis method used is descriptive method. Descriptive method for explaining at a glance about biography and some concepts of economic thinking proposed by Ibn Taymiyyah associated with market mechanisms.

DISCUSSION

Market Mechanism in the View of Ibn Taymiyyah

His full name is Taqiuddin Ahmad bin Abdul Halim. Born in Harran on 10 Rabiul Awwal 661 H / 27 January 1263 AD Life in Caliph al-Hakim I to Khalifah al-Mustakfi. Ibn Taymiyya's economic thought is derived from his numerous writings, among others Majmu 'Fatawa Shaykh al-Islam, as-Siyasah asy-Syar'iyah fi Ishlah ar-Ra'i wa ar-Ra'iyah i and al-Hisbah fi al- Islam. Ibn Taymiyyah said: "The rising and falling prices are not always related to the tyranny (zulm) committed by a person. Occasionally, the reason is the lack of production or the decrease in imports of goods that are inked. So, if it requires an increase in the quantity of goods, while its ability decreases, the price by itself will rise. On the other hand, if the supply capability increases and demand decreases, the price will drop. Scarcity and abundance are not necessarily caused by one's actions. It could be related to causes that do not involve injustice. Or, occasionally, it can also be due to injustice. Great God, who created the will of the human heart. (Ibn Taimiyah, Majmu 'fatawa) is quoted from A.A Islahi.

The phrase indicates that there was a prevailing practice in Ibn Taimiyah's time that price increases were often caused by the injustice of market participants. This view was rejected by ibn Taimiyah by revealing that the price increase is not always due to zulm (injustice). There are other factors that influence the market forces between supply and demand. In the book of Fatawa. Ibn Taymiyah explains the factors that affect demand: (Islamic economics) and its consequences on price:

1. Ar-Raghabah (desire) for different and often changing things. This is also influenced by the abundance or scarcity of a good. The more rare the more he is in demand by society. In conventional this factor is known as preference (interest).
2. Number of people asking. The more people who ask in one type of merchandise, the more expensive the price of the goods.
3. Strong or weak demand. Needs are high and strong, prices will rise higher than if the increase in needs is small or weak.
4. Quality buyers (al-mu'awid). Prices also change, according to whom the transaction is done. Purchasers with poor credibility, frequent bankruptcy, stalling payments will cost a higher price than well-rated buyers.
5. The type of money used. Prices are also influenced by the form of payment instruments (money) used in buying and selling. If the used is a naqd raji, the price will be lower than paying with money that is rarely in circulation.

The above can happen because the purpose of a transaki must be profitable to the seller and buyer. If the buyer has the ability to pay and can keep his promise, then the transaction will be easier / smoother. The same application applies to someone who borrows or hires. Any additional costs will result in price changes. Renting the land in the condition of many robbers or wild animals will increase the burden for tenants, so the rental price is lower than the land that does not require additional cost.

Ibn Taymiyya craved a well-equipped society, organized on the basis of freedom of effort, and personal wealth with boundaries established by moral judgment and overseen by a just provision that upholds shari'a and works for society.

Several concepts of economic thinking related to market mechanism that developed, among others:

A. Fair Price

The law of demand and supply seems to have become one of the concepts offered by Ibn Taymiyyah. According to him, prices are determined by the strength of demand and supply. The ups and downs of prices are not determined by the unfair actions of some people involved in the transaction. It could be that the supply is declining due to production inefficiency, decrease in the amount of imported goods demanded or market pressure. Nevertheless, he reminded the importance of a fair price. Ibn Taymiyya seems to be the first person to pay particular attention to this matter.

In discussing price-related issues, he often uses two terms, namely equal compensation ('iwadh al-mitsl), and the equivalent price (tsaman al-mitsl). He states, "Equal compensation will be measured and assessed by equal things, and this is the essence of justice (nafs al-'adl)." Ibn Taimiyyah also distinguishes between two types of prices, namely unfair and prohibited prices and fair and favored prices. Ibn Taymiyya considered the equivalent price to be a fair price. Therefore, he uses both of these terms in turn. Ibn Taymiyah's concept of equal compensation ('iwadh al-mitsl) is not the same as the fair price (tsaman al-mitsl). The question of fair or equal compensation ('iwadh al-mitsl) arises when it examines the question of moral obligation and law.

In defining equivalent compensation ('iwadh al-mitsl), Ibn Taimiyyah states that what is meant by equality is the same amount of the particular object referred to in general usage (urf). It is also related to price level (si'r) and habits ('adah). Furthermore, he argues that the correct evaluation of fair compensation is based on the analogy and the estimation of the goods with other equivalent items.

Ibn Taimiyyah distinguishes between legal-ethics and the economic aspects of a fair price. It uses the equivalent term of compensation when examining from the side legal ethics and an equivalent price when reviewing the economic aspects. He stated, "There is often an ambiguity among the jurists and they argue about the characteristics of an equal price, especially with regard to kind (jeans) and quantity (miqdar)." ⁶

Because it is a legal and moral concept, Ibn Taymiyya puts forward the concept of equal compensation based on the rule of law that must be at least met and the very high moral rules. He states: "Compensating for one thing with another equivalent is compulsory justice ('adl is obligatory) and if voluntary payments are raised, it is much better and is the expected good deed (ihsan mustahab). However, if reducing such compensation, then it is the forbidden tyranny (zhulm muharram). Similarly, exchanging defective goods with the other is permissible justice ('adl jaiz). Increasing the damage is against the law (muharram) and reducing it is the expected good deed (ihsan mustahab).

On the difference in compensation equal to a fair price, he explained: "The amounts listed in a contract are of two kinds. First, the number that has been well known in the community. This type has been generally accepted. Second, the unusual type as a result of an increase or decrease in willingness (rugbah) or other factors. This is expressed as an equivalent price. "

It seems clear to Ibn Taimiyah that equivalent compensation is a relatively long-lasting phenomenon due to habit formation, while the equivalent price varies, determined by the forces of demand and supply and is influenced by the needs and desires of society.

Fair price issues arise when faced with real prices, purchase and exchange of goods. In defining this, he states : "An equivalent price is the standard price applicable when the public sells its merchandise and is generally accepted as equivalent to such goods or similar goods at special times and places."

Ibn Taymiyya explains that the equivalent price is the price formed by the market forces running freely, namely the meeting between the forces of demand and supply. He describes the market price changes as follows: "If the population sells its goods normally (al-wajh al-ma'ruf) without using unfair ways then the price increases because of the scarcity of goods (ie a decrease in supply) or due to an increase in the population (ie an increase in demand), the increase in prices is the will of Allah, in this case, forcing sellers to sell their goods at a certain price is a wrong imposition (ikrah bi ghairi haq)". Therefore, Ibn Taymiyya emphasized the importance of price regulation. The purpose of price regulation is to uphold justice and fulfill the basic needs of society. This is what is meant by fair pricing. Where there are emergency conditions that require it to be taken, like hunger.

Ibn Taimiyah distinguishes two types of pricing, namely unfair pricing and legal defects and fair and lawful pricing. Unfair and legally flawed pricing is the pricing that occurs when price increases occur as a result of free market competition, ie supply shortages or demand increases.

B. Fair Market

Offer exists from domestic and imported production. The demand is determined by taste and income. The nature of the market is impersonal. Market prices are determined by the intensity and magnitude of demand, the scarcity and abundance of goods, the conditions of credit / loan and cash payment discounts.

For him, forcing people to sell things he does not require to sell, or forbidding people to sell goods that may be sold is unfair and illegal. Thus, long before modern western economic thought developed, Ibn Taymiyya had offered the concept of complete freedom to get in and out of the market, perfect competition market, perfect competition. However, when there is an unjust action of the merchant by hoarding or starving, the market is imperfect, war or drought, then the government must implement a pricing policy.

In this context, Ibn Taimiyah has a clear understanding of how, in a free market, prices are determined by the forces of demand and supply. He points out: "The rise and fall of prices is not always caused by the injustice of certain people. Sometimes, it is caused by a lack of production or a decrease in the import of the goods requested. Therefore, when demand rises and supply falls, prices rise. On the other hand, if the inventory increases and the demand for it decreases, the price falls. This abundance or abundance is not caused by the actions of certain people. It can be caused by something that does not contain injustice,

or sometimes, it can also be caused by a tyranny. It is the omnipotence of God who has created desire in the hearts of men. "

Ibn Taymiyya mentions two sources of supply, local production and imports of goods requested (mayukh al-yujlab min dzalik al-mal al-matlub). To illustrate the demand for a particular item, he uses the term raghbah fi al-syai which means desire for something, ie goods. Desire is one of the most important desires of demand, the other being income. The change in supply is described as an increase or decrease in the supply of goods, caused by two factors, namely local production and imports.

C. The Concept of Fair Profit

Based on his definition of fair pricing, Ibn Taymiyyah defines fair profit as normal profit which is generally obtained from certain types of trade, without harming others. It opposes unusual, exploitative (ghaban fahish) profit levels by exploiting the public's ignorance of existing market conditions (mustarsil).

D. The Concept of Fair Wages

In medieval times, the concept of a fair wage is meant as a level of wages that must be given to workers so that they can live properly in the midst of society. As to how the wages are determined, Ibn Taymiyya explains: "Equal wages will be determined by a known wage (musamma) if any, which can be a reference for both parties. Like in the case of selling or renting, the known price (tamma musamma) will be treated as an equivalent price. "

E. The Objectives for the Community

The main purpose of fair pricing and other related issues is to uphold justice in exchange transactions and other relationships among community members. These two concepts are intended as a guide for the rulers to protect the public from various exploitative actions. In essence, this concept will further facilitate the community in bringing moral obligations with financial obligations. In Ibn Taymiyyah's view, fair for traders means that their commodities are not forced to be sold at a price level that can deprive their normal profit. The basic objective of a fair price is to protect the interests of workers and employers and protect them from mutual exploitation.

COVER

Broadly speaking Ibn Taymiyyah thought related market mechanisms are as follows:

- a. No one is allowed to set prices higher or lower than the price of ad. Higher pricing will result in exploitation of population needs and lower pricing will be detrimental to the seller.
- b. In all cases, price control is dishonest
- c. Price rangers are always allowed
- d. Pricing is only allowed in an emergency

According to Ibn Taimiyah price intervention can be divided into two, namely:

- ✓ Price intervention is zalim
- ✓ Fair price intervention

Ibn Taymiyya describes three circumstances in which price intervention should be made:

- Producers do not want to sell their goods except at a higher price than the regular market price, whereas consumers need the goods. Under these circumstances the government is forced to force producers to sell their goods and to set a fair price intervention
- Manufacturers offer at an exorbitant price by consumers, whereas consumers are asking at too low a price according to the manufacturer. Under these circumstances the government can become a mediator between producers and consumers, then the government should encourage producers and consumers to set prices.
- Service owners, for example, workers who refuse to work except at a higher price than the prevailing market price, so the government can intervene by forcing service owners to deliver their services

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