

CRITICAL ANALYSIS OF THE CONVENTIONAL ECONOMIC SYSTEM

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Abstract

Critical analysis of conventional economic systems is an important study in understanding the challenges and weaknesses that may exist in the dominant economic models used today. Often conventional economic systems are based on the principles of capitalism and neoliberalism, which place a primary focus on economic growth, corporate profits, and market competition. However, this approach also faces criticism for causing economic inequality, environmental damage and worsening social inequality. Critical analysis of conventional economic systems includes in-depth evaluation of economic power structures, distribution of wealth, and their impact on society and the environment.

Keywords: Economic System, Conventional, Capitalism

INTRODUCTION

An economic system is a collection of components or elements consisting of economic units and agents, as well as economic institutions that are not only interconnected and interact but also to a certain degree that support and influence each other (Itang & Adib, 2017). Conventional economics is a science that studies human behavior in meeting unlimited needs, using limited production factors. This means that there is a conflict between human needs and desires, which are unlimited, and limited resource capacity. Therefore, the main problem in an economic system according to conventional economic theory is scarcity and unlimited human desires.

The economic systems currently known to the wider community are capitalist and socialist economic systems. The capitalist economic system is a system that provides considerable freedom for economic actors to carry out activities that are best for individual interests regarding economic resources or production factors. In this economic system, there is freedom for individuals to own resources, such as competition between individuals to meet life's needs, competition between business entities in seeking profits. The principle of "fairness" adopted by the capitalist economic system is that everyone receives rewards based on their work performance. In this case, government intervention is very minimal, because the government has the position of "observer" and "protector" in the economy. From the explanation above, it cannot be separated from the main teachings of this economic system, namely Adam Smith, through his work contained in the book entitled *An Inquiry into the nature and Cause of the wealth of nations*, published in 1776, which requires that everyone be given the freedom to work and endeavor in perfect competition by completely eliminating government intervention.

Meanwhile, a socialist economic system is an economic system that requires equal prosperity in society and the absence of economic oppression. The socialist economic system is also a form of resistance to the capitalist economic system which is accused of being the cause of not achieving equal prosperity. If the capitalist economic system completely surrenders the economic cycle to developing market mechanisms. So in a socialist economic system, the government has a big role in regulating the wheels of the economy in a country. Starting from planning, implementation, to monitoring the community's economic chain.

The difference between capitalist and socialist economic systems is not only in applicable matters, but there are fundamental differences in the philosophy used which is also different. Therefore, understanding the differences between these two systems is very necessary, to know and determine the best economic system to apply in our lives. As well as looking at the views of other economic systems in solving problems that occur in capitalist and socialist economic systems, because human life is always related to economic problems, both to meet needs and welfare.

METHODOLOGY

This research uses the library study method, this was done because literature sources were obtained from journals, research reports, information from print media, online and other sources (Marzuki, 2010). The approach in this research uses descriptive qualitative. In this research, the researcher attempts to provide a critical analysis of conventional economic systems, both capitalist and socialist economic systems.

RESULTS AND DISCUSSION

1. Fundamental Concepts of Conventional Economics

a. Capitalist Economy

Historically, the economic pattern of capitalism was founded and gained influence starting from the transition from the feudal era to the modern era. The birth of capitalism was led by three major figures, including; Adam Smith, Martin Luther, and Benjamin Franklin. Capitalism as a world economic pattern is closely related to the colonialism system. Based on Karl Marx's discoveries, the capitalist system began to be practiced at the end of the XIV century and the beginning of the XV century. Benjamin Franklin provided the philosophical foundations, Martin Luther King provided theosophical principles and Adam Smith provided the basic theory in economics. Adam Smith's essay, which has become a reference for economists after him and even to this day, is; two monumental works that talk about market mechanisms are *The Theory of Moral Sentiments* as his first work which was published in 1759 and followed by *An Inquiry Into The Nature And Causes Of The Wealth of Nations* or better known as *Wealth of Nations* in 1776). This work confirmed Adam Smith's character as the founding father of economics (Deliarnov, 2015).

The Protestant Ethic of Spirit Capitalism, by Max Weber, explains that the theory of capitalism was initiated and motivated by religious enthusiasm,

especially Protestant groups. Weber's thoughts were strengthened by Martin Luther who explained that through actions and creating better works, humans could free themselves from curses forever. Not only Luther, Benjamin Franklin also strengthened Weber's opinion with his very famous motto, namely Time is Money, that human life works hard to increase wealth. Economic experts provide an explanation in this case that capitalism as a world economic pattern began in the 16th century. In the classical era, there were actually economic forms after the 16th century. Dudley Dillard divides capitalism into three stages, including: early capitalism, classical capitalism and late capitalism (Sukirno, 1985).

A capitalist economic system is an economic system in which the productive assets and/or production factors are mostly owned by the individual or private sector. an economy that gives complete freedom to everyone to carry out economic activities such as producing goods, selling goods, distributing goods and so on.

The capitalist system views that humans are the sole owners of the assets they have cultivated. There are no other people's rights in it. He has the absolute right to spend as he wishes. Individual figures are seen as having the right to monopolize the means of production according to their power. He allocates his assets only to areas that have material use value (profit oriented) (Effendi, 2019).

The concept of a capitalist economy is a system that gives individuals the widest possible freedom to carry out the economy. This concept is the result of the thoughts of Adam Smith, a figure from the classical school, where world economists consider that classical school thinking is the basis of the capitalist economic system. Adam Smith in his theory wanted everyone to be given the freedom to strive in perfect competition (Zainal & Mahyudi, 2020).

This concept was born as an economic order using a *laissez faire* compass, if the capitalists in cooperation try to achieve the maximum profit, the workers also try to get the highest possible wages, the workers are organized into workers' unions and the employers are employers' organizations. Apart from that, there should be absolutely no intervention from the government in economic affairs. In contrast to the socialist economic system raised by Karl Max, it requires maximization of the role of the state. The state must control all economic zones to provide justice to the people starting from creation, consumption to redistribution to workers, so that they also enjoy the results of their efforts (Parakkasi & Kamiruddin, 2018).

Capitalist economics also has several principles, including:

1) Freedom to own property individually

Each individual can own property individually, buy and sell their property as they wish without limits. Individuals have full control over their assets and are free to use economic resources in the way they wish. Every individual has the right to enjoy the benefits obtained from production and distribution and is free to do work (Afzalurrahman, 1995).

The theory that forms the basis of this principle is that the individual is the sole owner of what he produces, while other people do not have any rights to the results of their hard work. He has the right to monopolize all means of production

obtained through his efforts, he has the right not to spend them except on sectors that bring profit to him (Rozalinda, 2014).

2) Economic freedom and competition

Every individual has the right to establish, organize and manage the company they wish. Individuals also have the right to engage in all fields of business and obtain as much profit as possible. The state may not intervene in all economic activities aimed at making a profit as long as these activities are legal and in accordance with applicable regulations.

This is acknowledged by adherents of the capitalist economic system by stating that it is impossible for there to be an urge to increase productivity without being accompanied by open opportunities for business. Because the narrower the opportunity to try, the lower the desire and seriousness to increase productivity. But unrestricted free competition results in excessive accumulation of wealth by some individuals. This results in an unequal distribution of wealth in society and causes damage to the economic system. Free competition results in the emergence of a competitive spirit among individuals. However, it creates disharmony in society.

b. Socialist Economy

Karl Marx began to explain the Socialist Economic System in his book *Das Kapital* which conveyed a criticism of the Capitalist Economic System which was considered to have failed to create a stable economic system. Apart from Karl Marx, another figure who was also a contemporary was Friderich Engels. Central intervention is the original idea adopted by the Socialist System where the center (centralized management) distributes assets that are considered common property. Towards the 1930s, the Socialist System led to Market Socialism which began to consider the role of individuals and markets so that central intervention began to decrease (decentralized management) because it was considered that market inclusion was a planned socialist system. In this case, the income distribution process considers the designer as the most important element.

Since the mid-19th century AD, transformations in the economy and society are two things brought about by the capitalist system which are considered as factors driving the rapid growth of capitalist production a. From an economic perspective, wealth and prosperity are expected to increase from the capitalist system. In fact, every seven or ten times there is a crisis of absolute excessive production so that the market becomes stagnant and not dynamic, commodity prices fall, resulting in bankruptcy and rampant crime among workers. b. From a societal perspective, the capital-owning class and the working class are the two most opposing groups in society who try to bring each other down. On the one hand, they joined defense organizations and capital owners' associations, but also joined labor unions on the other. Many crimes and injustices arise due to the heavy duties of workers imposed by capital owners and the mismatch in wages demanded by workers (Agus, 2017).

The socialist economic system is a form of resistance to the capitalist economic system which is accused of being the cause of not achieving equal prosperity. If the capitalist economic system completely surrenders the economic cycle to developing market mechanisms. So in a socialist economic system, the

government has a big role in regulating the wheels of the economy in a country. Starting from planning, implementation, to monitoring the community's economic chain.

In a socialist society, what stands out is a sense of togetherness or collectivism. One extreme form of collectivism is communism. Economic decisions are prepared, planned and controlled by central power. Communism can be said to be the most extreme form of system among the socialist left, because achieving the ideal communist society is achieved through a revolution. An economy based on a system where everything is commanded is often also called a "Command Economy" system. Likewise, because in a communist system the State is the absolute ruler, a communist economy is also often called a "Totalitarian economic system". Another term that is often used is "anarchism". This term refers to a social condition of government which does not play coercively in carrying out its policies, but rather is entrusted to individual associations freely within the existing social system.

A socialist economic system does not mean that it does not provide individual freedom in economic activities, individuals are still given freedom in carrying out economic activities but it is very limited, and with very large government interference. The characteristics of a socialist economic system are that it prioritizes togetherness or collectivity, the government has a very large role, human nature in this system is determined by production patterns, individual property rights are not recognized.

According to the socialist economic concept, sources of wealth are very scarce. Wealth must be obtained through empowering the workforce (laborers) in all fields, mining, agriculture and others. In a socialist system, all business fields are owned and produced by the state, there is no market created and there is no supply and demand, because the state provides all the needs of its people equally (Mujiatun, 2014).

The principles adhered to by socialists are as follows:

1) Ownership of property by the State

All forms of production and sources of income belong to society as a whole. Individual rights to own property or utilize production are not permitted. This system is built on the basis that the means of production are all jointly owned by members of society. Individual individuals do not have the right to own and utilize production resources. Moreover, acting on personal will. Individuals cannot possibly obtain anything except from their wages and services to society. So it is society that actually provides the necessities of life for those who are doing their work. In this system there is no such thing as "individual property rights". This is very different from the capitalist economic system which gives individuals full rights to own and enjoy production resources.

2) Economic equality

The socialist economic system states that individual rights in an economic field are determined by the principle of equality. Each individual is provided with the necessities of life according to their individual needs. To achieve the goal of economic equality, all state affairs are placed under the rule of the workers who

take over all production and distribution regulations. On the other hand, economic freedom and individual property ownership rights were abolished.

3) Political discipline

To achieve the above goal, the entire State was placed under the rule of the workers, who took over all the rules of production and distribution. Economic freedom and property ownership rights were abolished. The rules are very strict to make the practice of socialism more effective.

2. Fundamental Concepts of Islamic Economics

Economics as an aspect of human life has existed since humans were born. Islamic economics has been practiced since the Islamic religion was revealed. There are many verses in the Koran about economics and the life practices of Rasulullah SAW and his companions that reflect economic behavior in accordance with sharia, but are not archived or documented in a separate economics book because Islam does not separate economics as a separate scientific discipline. Economics was only recognized as a separate scientific discipline in the 18th century, when the classical economist Adam Smith wrote a book entitled *The Wealth of Nations* in 1776.

Basically the history of Islamic economic thought along with the development of Tasyri'. The laying of the foundations and economic rules in Islam began during the time of Rasulullah SAW. Where the Prophet practiced economics among the people of Medina, at that time Islamic economics had begun. Which is built on the basis of Qur'anic values based on brotherhood, equality, freedom and justice (Mudhiyah, 2015). As explained by Sa'id Sa'ad Marton in his book *Madkhal lil-fikri al-iqtishadiyah fii al-Islam*.

The economic and trade practices of Arab society at that time did not only recognize barter, but also a buying and selling system that used Roman gold (dinar) and Persian silver (dirham) as effective transaction tools. Foreign exchange activities, factoring and non-cash payments were also known and practiced at that time. And from the beginning of the history of Islamic economic development, Muslims have had an established system, with the prohibition of usury in allocating resources for production and consumption purposes. The applicable financial system also uses the principles of fair profit sharing and cooperation. Even trade and interest-free loans have been practiced in public financial transactions. As explained by Umer Chapra in his research paper "Regulation and Supervision of Islamic Banks":

"From the very early stage in Islamic history, Muslims were able to establish a financial system without interest for mobilizing resources to finance productive activities and consumer needs." The system to finance business activities was based largely on the profit-and-loss sharing (PLS) modes of mudārabah (passive partnership) and mushārahah (active partnership). Deferred trading and interest-free loans (qurūd hasanah) were also used to finance consumers' as well as business transactions." (Chapra, 2000)

So to eliminate usury, the Qur'an provides a solution by means of zakat, shodaqah and the like. This is marked by the obligation of shodaqah fitrah in the second year of the Hijriyah. In later times, tradition

Islam has the concept of a universal, integral and comprehensive system of life, which has established a complete order to regulate human life. As a way of life, Islam regulates all aspects of life, from simple things to the most complicated matters. Both in social, economic, political, educational aspects, even arts and culture. If the concepts of the Qur'an and Sunnah are used as the basis for a country's economy, of course the economy will run better and be directed according to its goals. However, in reality, not all Muslim countries in the world have implemented this basis. Furthermore, this article explains how Islamic Economics, which is also commonly referred to as sharia economics, contributes to national economic development, especially Indonesia as the country with the largest Muslim base in Asia.

The concept of economic development in Islam is the concept of economic development based on sharia principles, which originate from the Koran and Sunnah, with the awareness that successful development must be accompanied by the application of classical and modern development concepts, as well as learning from the experiences of other countries. who have been successful in carrying out development efforts. The concept of Islamic economics refers to sharia principles which guide Muslim society, so that every human activity, including economic and development policies, as well as community economic activities should refer to Islamic law.

Islam formulated an economic system that is different from other systems. This is because Islamic economics has its roots in sharia which is a source and guide for every Muslim in carrying out his activities. Islam has sharia goals (maqosid asy-syari'ah) as well as operational instructions (strategies) to achieve these goals. Apart from referring to human interests in achieving prosperity and a better life, these goals themselves also have very important values for brotherhood and socio-economic justice, and require a balanced level of satisfaction between physical and spiritual satisfaction.

Islamic economic principles are the basic rules that build the structure or framework of Islamic economics which originate from the Koran and hadith. This principle functions as a basic guideline for every individual in economic behavior, but in order for humans to move towards falah, human behavior needs to be colored by the spirit and norms of Islamic economics which are reflected in Islamic economic values.

The Islamic economic values that have been explained previously, based on the foundations of aqidah, morals and sharia (rules/laws) can be further abstracted and formulated into 6 (six) basic principles of sharia economics and finance. The 6 (six) basic principles of sharia economics and finance are as follows:

1) Control of Individual Assets

Individual assets must be controlled so that they continue to flow productively. Individual assets should not be accumulated, but should flow productively into economic activity. The flow of assets released can be in the form of productive investments in the real sector in the form of zakat, infaq, alms and waqf. With the productive flow of assets, economic activities will continue to roll continuously.

2) Inclusive Income Distribution

Income and opportunities are distributed to ensure economic inclusiveness for the entire community. Based on this principle, the distribution of income from people with assets exceeding the nisab is distributed through zakat to 8 (eight groups) entitled to receive it (mustahik), namely the poor, poor, amil, converts, servants, ghorimin, Fiisabilillah, ibn sabil.

3) Business Optimization (Buying and Selling) and Sharing Risk

Sharia economics upholds justice and emphasizes sharing of results and risks (risk sharing). Freedom of exchange; freedom to choose destinations and trading partners in accordance with sharia principles; market as a place of exchange; intervening in the bidding (supply) process; no trading area restrictions; completeness of the transaction contract; and the authority of authorities and law enforcement to maintain compliance with regulations and contracts.

4) Financial Transactions Closely Related to the Real Sector

Sharia economics requires that every financial transaction must be based on transactions in the real sector. According to this basic principle, financial transactions only occur if there are real sector transactions that need to be facilitated by financial transactions. Economic activities or transactions relate to the real sector, human efforts, benefits, prices of goods and services and profits obtained. In an Islamic perspective, economic activity is always encouraged to develop real sectors such as trade, agriculture, industry and services. On the other hand, sharia economics does not tolerate non-real economic activities such as money trading, ribawi banking systems, and so on.

5) Social Participation for the Public Interest

Islamic economics encourages those who own property to participate in building common interests. For example, donating land for the construction of a hospital, buying Sukuk for the construction of a bridge or toll road and so on. In Islamic economics, social goals are achieved optimally by spending part of one's wealth for the common good as He says: "Believe in Allah and His Messenger and spend part of your wealth which Allah has made you control. So those among you who believe and spend (some) of their wealth will receive a great reward." (QS Al Hadid (57): 7). The implementation of this basic principle, if managed optimally and productively, will increase public resources in active economic activities.

6) Muamalat Transactions

In line with Islamic economic values which uphold justice, cooperation and balance, every muamalat transaction, especially trade and exchange transactions in the economy, must comply with the regulations set out in the Shari'a. More specific rules for regulating trade transactions were established directly by Rasulullah SAW when Rasulullah SAW regulated trade that took place in the Medina market, the essence of which is still valid and can be applied today.

3. Critical Analysis of Conventional Economic Systems

Income inequality is getting bigger and wider from year to year. This can be seen from World Bank data in 2004. In 1965, the richest 20% controlled 69.5% of world income. In 1970 it became 70%. In 1980 inequality became sharper where

the richest 20% dominated 75.4% of world income, and in 1990 income inequality became even sharper, namely 83.4%.

This data shows that income inequality in the world under the capitalist economic system is getting sharper over time and there are no signs of distributive justice. This means that wealth is increasingly accumulating in the hands of a few capitalists who apply usury in their economy and ignore the values of justice in income distribution. If this system continues to be maintained, inequality will still occur, and could even be sharper. For this reason, economic experts emphasize that to improve this situation, there is no other way except to change the paradigm and vision, namely to carry out a turning point in civilization as shouted by Fritjof Capra. A turning point in civilization necessitates the construction and development of an economic system that has values and norms that can be accounted for.

a. Poverty and Unemployment

Apart from the World Bank data above, facts in East Asia in 1990 also showed a tragic economic situation. Nearly 170 million boys and girls drop out of school at secondary school level. In Southeast Asia and the Pacific, more than a third of children under five years old experience nutritional deficiencies. Nearly one million children in East Asia die before they are five years old. Indeed, an argument could be made that over time and increasing growth, these deficiencies will be eliminated. However, this seems like a mere dream, because if that were the case, then industrial countries would definitely be free from problems like that.

In reality, today more than 100 million people in industrialized countries live below the poverty line and more than five million people are homeless. In conclusion, economic concepts and policies based on capitalism have proven to have failed to create a just economy. As a result of adhering to this ideology, macroeconomic imbalances and national instability occur.

By looking at the reality above, it is clear that there is "something wrong" in the concepts that have been applied in various countries, including Indonesia, because it seems that they are still far from what was expected. These concepts do not appear to have made a significant contribution, even for the countries that originated these concepts. This is proven by the inability to realize the desired targets such as fulfilling basic needs, full employment opportunities and equal distribution of income and wealth.

These concepts are also considered to have failed, because they foster a culture of human exploitation of other humans, environmental damage and forgetting human moral and ethical goals. In short, the concept offered by the West is not the right choice, let alone used as a prototype for developing countries. However, we must not deny that much of the experience of developing development economics is useful and important for us in building, even though its relevance is very limited.

The socialist economic system is a system developed by Karl Marx. Socialism is the idea of promoting equality, prosperity, justice, and well-being. This ideology is believed by its followers to create heaven on earth free from exploitation, injustice and poverty. History proves otherwise that the

implementation of socialism actually brings slavery, poverty and totalitarianism. The emergence of the socialist economic system is also considered a total failure and is not a solution for the welfare of the people because the socialist economic system destroys itself. The destruction of the socialist economic system was marked by the breakdown of the Soviet Union into several states and one of the factors in the collapse of the Soviet Union was the emergence of dissatisfaction between the ordinary and upper classes regarding the implementation of the socialist economic system. The two largest economies were destroyed, and they began to look for a new economic system so that the world would prosper, and new ideas emerged that combined capitalist and socialist economies which were known as mixed economies.

In this era, the socialist economic system is considered to have failed because its implementation can be detrimental to society. The principles of the socialist economic system state that individuals in the economic sector are not allowed to own property rights or use production. The principle of the socialist economic system, which does not give people the freedom to utilize existing resources, is now considered to have failed in its implementation. The failure of the socialist economic system to realize its great promises in improving the welfare of the people means that the implementation of this socialist economic system can no longer be used in modern times. This socialist economic system was eventually replaced by a new economic system that is suitable for use in this era. This new economic system is not solely based on economic values, but on providing spiritual and social values to society so that they do not deviate or harm each other.

The socialist economic system has also been deemed unsuccessful and there is no solution for the welfare of the people, as a result the socialist economic system has destroyed itself. The destruction of the socialist economic system was marked by the disintegration of the Soviet Union into several states and the fall of the Berlin Wall. The Soviet Union was the victorious superpower of World War II in 1947-1991, which became the center of the Eastern Bloc communist alliance during the Cold War. The beginning of the collapse of the Soviet Union from economic decline in 1980.

One of the factors in the fall of the Soviet Union stemmed from the dissatisfaction of the ordinary and upper classes with the implementation of the socialist economic system. The collapse of the Soviet Union was a result of the isolation of the Russian revolution that had been predicted by Lenin and Trotsky. From the beginning, Lenin and Trotsky had emphasized that socialism without revolution in Europe or in Germany would mean that the Russian revolution would be defeated. This prediction came true, as evidenced by the internal difficulties and isolation caused by economic backwardness in Russia. The socialist economic system's failure to realize its great promises has a main cause. Socialism removes incentives for individuals to innovate and innovate because economic activities are under state control. Restrictions on individual ownership lead to a decrease in individual activity.

An economic system that eliminates the role of prices in the market is also one of the main causes of the failure of the socialist economic system. The loss of

the role of prices in market economic activities can hamper the course of economic activities. Market prices help convey facts about product shortages and the efficient use of economic resources. still unable to implement policies appropriately and optimally. The aim is to improve prosperity and support equal rights for humans and workers, but instead it places abundant pleasure in the hands of high-ranking officials who are still less able to manage human resources, so that injustice and economic disharmony occur everywhere.

This caused many failures in the implementation of the socialist economic system and led to the end of this economic system in various countries that adhered to it. Many people who have not been able to express their creativity, people who have lost the role of production prices and various other problems have rebelled until finally the Soviet Union (a country that adhered to socialism at that time) collapsed due to one of the factors of this economic system. Due to these events, many countries have taken their own initiative to use an economic system that is safe, suitable and avoids extremes, so they tend to use a general economic system. Apart from that, the Islamic economic system can also be a middle way between capitalist and socialist economies.

b. Problem Solving in Conventional Economic Systems

From the facts revealed above, it turns out that the capitalist and socialist economic systems are unable to bring prosperity to the world community. The destruction of the capitalist economic system was based on the many parties who suffered losses from the systems implemented. This stimulated society to create a new economic system with the aim of making the whole society prosperous, resulting in the formation of a socialist economic system which was pioneered by Karl Max, but this economic system apparently did not have a good impact on the welfare of society.

Neither capitalist nor socialist systems clearly provide prosperity to the people. Both are exploitative and unfair and treat humans as non-humans. Both systems are also unable to answer the economic, political, social and moral challenges of today. This is not only due to differences in ideology, moral attitudes and socio-political frameworks, but also for reasons that are more worldly economic in nature, differences in resources, changing international economic situations, respective economic levels and the socio-economic costs of development.

Therefore, to overcome this so that the economy can develop and experience stable growth, the causes of capitalist and socialist failure must be minimized. To minimize and even eliminate the causes of capitalist and socialist failure, the solution that can be used as a cure for the cyclical economic crisis is to solve the problem using other economic views or systems such as sharia economics, the Koran as the holy book of Muslims, not only regulates matters of ritual worship, but also provides perfect (comprehensive) and eternal (universal) guidance for all mankind. The Koran contains fundamental principles and instructions for every human problem, including problems related to economic activity. The economic principles contained in various verses in the Koran are complemented by the sunnahs of the Prophet Muhammad through various forms of Hadith and were

explained in more detail by the jurists at the time of the glory of dīnu al-Islām both in the form of Ijma or Qiyas and Ijtihad.

Based on the discussion above, the solutions that can be taken from the problems of the two conventional economic systems are:

- 1) Prohibition of usury and encouraging real sector activities. Prohibiting usury will effectively control inflation so that people's purchasing power is maintained and economic stability is created. At the same time, Islam directs capital to productive economic activities through economic and business cooperation such as mudārabah, muzāra'ah and musāqah. In this way, harmony is created between the real and monetary sectors so that economic growth can take place in a sustainable manner;
- 2) Reducing speculative economic transactions;
- 3) Strict fiscal discipline, good governance and full use of the state budget for the public interest;
- 4) Islam encourages infrastructure development which has positive externalities in order to increase economic capacity and efficiency;
- 5) Encourage policies for equal distribution and distribution of income that favor the poor. There are three main instruments in Islam related to income distribution, namely land ownership regulations, implementation of zakat, and recommending qardul hasan, infaq and waqf.

CONCLUSION

Capitalist economic concepts are considered to have failed, because they foster a culture of human exploitation of other humans, environmental damage and forgetting human moral and ethical goals. In short, the concept offered by the West is not the right choice, let alone used as a prototype for developing countries. However, we must not deny that much of the experience of developing development economics is useful and important for us in building, even though its relevance is very limited.

Meanwhile, the socialist economic system is a system developed by Karl Marx. Socialism is the idea of promoting equality, prosperity, justice, and well-being. This ideology is believed by its followers to create heaven on earth free from exploitation, injustice and poverty. History proves otherwise that the implementation of socialism actually brings slavery, poverty and totalitarianism.

The failure of conventional systems, both socialist and capitalist, requires economic thinkers to look for the best system solutions. The solution that has been put forward by previous economic experts such as Umer Chapra through his book *The Future of Economics: an Islamic Perspectives*, is Islamic Economics. Because, it is clear that Islamic economics is an economic system whose source is the Al-Qur'an and Hadith. His sharia guidance aims at human benefit and falah. This system, which is humane and oriented towards worldly and spiritual glory, is the essence of why Islamic economics is considered very suitable for solving current economic problems.

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