Distributive Justice Perspective of Sharia Economic Law in Indonesia

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Abstract. Injustice is a traditional and current issue that all economic systems encounter. This economic injustice and disparity of income and wealth is the origin of the poverty problem. The idea of distributive justice emerged in Islamic economics in response to the inability of current economic theories to address the issues of poverty, income, and wealth disparity. As a result, the study of distribution has long been an intriguing topic in Islamic economics. This study defines distribution from an Islamic economic standpoint, examines problems related to injustice in the Indonesian distribution system, criticizes capitalist economic distribution, and concludes with a study of Islamic economic distribution in discovering distributive justice and distribution mechanisms in Islam as an answer for justice and social welfare.

Keywords: Distributive, Justice, Sharia Economic Law

1 Introduction

In addition to production and consumption, one of the human economic activities is distribution. The study of distribution has always been an issue of concern in Islamic economics since the talk on distribution is not only about economic issues but also about social and political factors that have piqued the interest of both Islamic and traditional economic thinkers up to this point[1].

One of Islam’s most significant teachings is that humanity should seek to live an equitable existence, focusing on the welfare of life in this world and the protection of life in the afterlife. How economic resources may be employed optimally and properly inside the framework of Islam is a necessity for the well-being of life on Earth. The Qur’an also offers a basis for mankind’s economy in this regard. In the distribution industry, the Qur’anic motive has also been expressed openly. Distribution passages like QS. al-Anfal (8): 1, QS. al-Hasyr (59): 7, QS. al-Hadid (57): 7 and QS. at-Taubah (9): 60 includes the value of the accumulation of property or items of basic requirements in just a few individuals. Unfair and uneven wealth distribution will enrich the affluent while making the poor poorer. As a result, the distribution pattern must underline the components according to necessity.

These things are the background of the formation of the idea of distributive justice in Islamic economics. Present economic theories are incapable of realizing an equitable and civilized global economy. Instead, there is a conflict between the interests of people, communities, and the state, as well as the connection between countries. In addition, the remaining economic theories are incapable of resolving the problem of poverty and income inequality as well as of harmonizing inter-regional relations in a country and among nations around the world, particularly among advanced and underdeveloped countries[2].

The current capitalist economic theories, models, and systems are used by developed countries to enrich their own countries by exploiting the natural resources of developing and underdeveloped countries through investments and loan interest. Funding programs carried out by international financial institutions are not intended to help third-world countries, but rather to impoverish and trap them in a vicious cycle of poverty that results in the decline of developing countries[2].

The current reality in the community is that there is an unfairness and disparity in the distribution of money and wealth, both in advanced and emerging countries that employ the capitalist system as their country’s economic structure, resulting in poverty globally [3]. Aside from the reasoning and fact indicated above, Islam, as a rahmah lil ‘alamin religion with complete and general teachings, in anticipated to be able to give different answers to people’s economic issues. This study concentrates on the problem of disparities in the distribution of revenue and wealth in
Indonesia, condemnation of distribution in the capitalist economy, and concludes with a review of Islamic economics distribution in recognizing distributive equity and distribution mechanisms in Islam as an answer to justice and public welfare[4].

2 Research Methods

A library study is a sort of research. Library study is a series of research activities that use library data collection, by examining readings related to the topic of discussion and recording and processing the reading results as research material. This research utilizes library sources to obtain data according to the research topic. The data source in this research is secondary data, namely data that has been handled and compiled. The author traces books both classical and contemporary to then reduce which data is appropriate and relevant to this research. [5]

The data analysis approaches used in this library research are divided into two parts. First, the analysis is demonstrated during the data collection to more accurately represent the core of the heart of the study to be executed through the sources acquired and included in the linguistic variables. This procedure proceeds aspect by aspect, depending on the research map. Second, when the data gathering procedure is completed, re-examine the data in the format of raw data that must be decided related to one another[5]. Because the acquired data does not always fully address the issues identified in the research, it is important to re-examine the explained data. This data analysis is executed by first reducing the data, then displaying the data, and then drawing conclusions from the data reviewed. The author employs critical descriptive research in this study, stressing the strength of the analysis of currently available sources and data by depending on current theories and concepts to be construed according to writings that are relevant to the debate.

3 Results and Discussion

3.1 Criticism of Distribution in Capitalist Economics

Capitalism grew and developed from England in the 18th century, then extended to Western Europe and North America as a result of resistance to church teachings, which in turn penetrated all fields, including economics. The philosophical basis of the market economy (capitalist) thinking comes from Adam Smith's monumental work in 1776 entitled 'An Inquiry into the Nature and Causes of the Wealth of Nations'. The content of the work is very loaded with thoughts on the economic behavior of society. From this philosophical basis, it then becomes an economic system and eventually roots into an ideology that reflects a way of life[3].

Currently, Indonesia's economic system is still controlled by the market economy system, although in its development discourse, the concept of Managed Market Economy (SEP) has emerged. The latest development of SEP thinking emerged in the 13th Congress of the Indonesian Economists Association, October 10-12, 1996 in Medan. This concept is called the Concept of Managed Market Economy (KEPT) which is prepared to face the 21st century[6].

This market economic system emphasizes not wanting any government interference in the economy. The classical school with its motto "Laissez-faire" emphasizes that the efficient utilization of limited economic resources will achieve a high level of efficiency, and in turn, will encourage the achievement of equity and shared prosperity if the government does not directly intervene in the economy. According to the laissez-faire school of thought, the state's role is not to interfere in adjusting the distribution of income or to make a country affluent to safeguard its people from poverty, but instead to leave economic concerns entirely to market mechanisms[7].

Starting from the ideas formulated by Adam Smith in the early 18th century, the Laissez-faire school was dominant in economic thought in the following period. Laissez-faire is a French expression that means “let it happen”. The phrases originated from a French dictionary and were initially used by philocrats in the 18th century as a kind of commercial opposition to government intervention[8]. This laissez-faire attitude was only subsequently eased, particularly when Keynes' theory of rationalizing government involvement in the economy gained traction, specifically during the Great Depression of the early 1930s.

With the market economy, Adam Smith formulated that just as the universe functions in an ordered manner, the economic system will also be able to repair itself (self-adjustment) because there is a governing force known as invisible hands. Adam Smith's concept of invisible hands seems to refer to the Islamic Arab economy, as the Prophet's hadith explains that it is Allah who determines prices. The only difference is that Adam Smith rejected market intervention entirely, while Shariah economics looks at the law of causality. In simple language, the invisible hand is the market mechanism, which is a mechanism for allocating economic resources according to the relationship of demand and supply factors. Adam Smith's thinking was formed on his criticism of the concept of
mercaptalism, which is a thought that emphasizes the need for state intervention to handle the market, which became the dominant system in Great Britain, Spain, France, and other European countries in its heyday[7].

The foundation or value system (value-based) that shapes capitalism is materialism-hedonism and secularism. Materialism-hedonism takes a limited view of life, assuming that material possessions are all. This understanding of materialism has shifted the focus of most people's lives to riches, enjoyment, and physical satisfaction alone, neglecting the spiritual side. Secularism, on the other hand, strives to differentiate between faith and science and even tends to dismiss the conventional or ethical dimension. The further implication is that this understanding places humans as the center of all matters of life (anthropocentric), that is, humans have the right to determine their own lives[9]. These two basic values have become the frame for the formation of the worldview of capitalist economics.

At the same time, significant flaws remain in Indonesia’s economic distribution system. This is related to the predominance of the capitalist market economic system, which has flaws such as inequality and social inequality, misalignment, maximization of profits, materialism, moral crisis, and welfare aside[1]. As previously established, the market economy’s inclination renders justice, the purpose of Islamic economics, hard to fulfill.

In relation to the distribution problem, the market economic system (capitalist) applies the idea of alleviating poverty in a country by expanding domestic output and allowing the people to acquire as much production (wealth) as they make for their nation. Individual poverty is solved by resolving domestic poverty since their focus on productivity may alleviate their poverty issue. As a result, increasing output is the greatest way to tackle society’s issues.

Therefore, the economy is only concerned with supplying the means to fulfill the demands of a community at a macro level by boosting the standard of production and enhancing national revenue (national revenue), because with a lot of national revenue, there is an instantaneous distribution of income by providing freedom of possession and freedom of attempt to all citizens in the community, so that everyone is permitted to gain as much wealth as he can based on the sources of production. The distribution principle employed by the market economic system (capitalist) ultimately has an influence on the fact that the capitalist is the true ruler (owners of capital and conglomerates). As a result, it is natural for government policies to favor owners of capital or conglomerates while compromising the needs of the people, resulting in inequality (injustice) in the distribution of revenue and wealth[3].

Generally, the primary critique of capitalism’s free market is the idea of market freedom is excessive. This liberty has given rise to what is known as social Darwinism in the allocation and distribution of economic resources. The term social Darwinism borrows the name of Charles Darwin who put forward the theory of the evolution of living things. In brief, Darwin's theory concludes that in order to survive, living things will compete with each other and those who are able to survive the competition will continue to live. While the weak will lose and then extinct by themselves. He 'suspected' the process of evolution with natural selection[9]

The market has built a life selection system that solely benefits the wealthy, with no room for the poor. The market will ignore poverty and unemployment while presenting a new rationale that is unconcerned with morality or equitable concerns. The poor will eventually be ostracized and will get poorer. Poverty is viewed as a reasonable and normal outcome of competition since it must be accepted (as a given). In reality, poverty is not only viewed as a natural result of economic failure but it is also punished for the poor’s lazy and stupid mentality, which prevents them from competing. The poor’s productive efforts and hard labor are not fully rewarded since they lack enough capital. Poverty arises as a result of an endless cycle that appears utterly indestructible; thus, it must be embraced as it is. Finally, poverty is viewed as a social and faith issue that may be alleviated by a large number of alms[9].

The belief that poverty can be resolved by enhancing the rate of production and the national revenue is a concept that is unjust in the capitalist economic system, and poverty is one of the products of the capitalistic economic system which generates unfair patterns of wealth distribution. According to empirical evidence, it is not a lack of food that causes individuals to suffer from hunger, but rather a lack of food distribution. This unfairness is also represented in the use of scientific discoveries that are only available to fairly affluent individuals whose earnings surpass the daily living revenue level, while others who survive on less than a dollar a day are forced to keep living in lifelong poverty[3]. Some of the constructive criticisms above lead us to the idea of building an Islamic economic distribution system and mechanism in an effort to realize welfare and distributive justice.

### 3.2 Islamic Economic Distribution: Efforts to Realize Distributive Justice

In Islamic economics, the basic idea is distributive justice. The Islamic economic system mandates that distribution be founded on two points; freedom and justice[10]. Freedom here is defined by the values of tawhid and justice, not as an act of leaving humans to behave and function without disruption from anyone, but as a balance among people with material and spiritual aspects that they have, a balance among individuals and society, and a balance among society, and a balance among society and other societies. In the meantime, the restriction in the
Qur’an (QS. Al-Hasyr [59]: 7) reflects equity in distribution, such that wealth is intended to contribute to the well-being of society as a whole rather than only circulate among the wealthy. As a result, under the Islamic economic system, the hoarding of money by a community of individuals needs to be prevented, and steps need to be made automatically to shift the stream of revenue to the poor.

Furthermore, the Islamic economic system’s freedom joint gives equal opportunities and access, as well as inherent rights to all individuals. Individual ownership is safeguarded, but it must be tempered with a feeling of responsibility and constrained by moral dan legal grounds. Individuals will not participate in monopolies, acts of corruption, or disregarding the needs of others for the sake of themselves, family, or relations under the Islamic moral framework. Everyone has the same possibilities to run a business and distribute their revenue effectively without disrupting society’s economic equilibrium. Individuals cannot amass excessive riches under Islamic economic principles while a great number of people are impoverished and unable to meet their fundamental requirements. The Islamic economic system’s performance is determined by the degree to which equilibrium and balance may be achieved among material requirements and the desire for ethical and moral fulfillment. Within the context of tawhid, Islam leads the value of freedom and justice, which is to recognize that the ability that is present in humanity is a gift from God that needs to be utilized for devotion and fulfilling an unending moral duty on this world [2].

Islam also believes that material understanding is essential in life, which is incorrect because people have a non-material dimension alongside a material dimension (spiritual). Both material and spiritual dimensions are included in Islamic economics, as shown by the basic value (value-based) which is summed up in four axioms as stated by Naqvi (2003: 37), namely unity/tawhid (unity), balance (equilibrium), free will (free will) and responsibility (responsibility)[11].

First, the focus on unity in Islam is a vertical dimension that demonstrates that authentic direction comes from Allah SWT. Because all persons are viewed as equal before Allah, this may be a driving force for societal cohesion. Humans are free as well since no one has the power to oppress another. This idea is shared by all Muslims, and it can motivate an individual to engage in constructive social activities on their own.

Second, there is the horizontal dimension of Islam, namely balance (equilibrium) which requires the achievement of society’s balance, namely the existence of alignment or balance, which highlights most of Islam’s ethical teachings, such as the distribution of wealth and income, the responsibility to help the poor and needy, the duty to implement modifications in the spectrum of distribution, production and consumption relationships, and so on. This idea promotes a clear road by establishing a social order that prevents excessive conduct.

Third, freedom (free will) is freedom as defined by tawhid, which means that people are not free but are constrained by Allah’s boundaries. Human freedom to choose between good and bad attitudes originates from man’s status on earth as Allah’s representative (Khalifah) and as a free-willed creature. However, in order to be directed and helpful for societal goals, God’s freedom is implanted through the fourth axiom, namely duty as an unwavering commitment to attempts to promote the welfare of fellow human beings.

In the market economic system (capitalist), distribution is done by offering freedom of possession and freedom of attempt for all citizens of society, so that every people community is permitted to gain as much money as he is able and in line with the aspects of production he has, without regard to whether the distribution is equitable and evenly experienced by all individuals of society or only experienced by a handful of people. According to Islamic economics, the theory implemented by the market economic system (capitalist) is unjust since it means the accumulation of wealth in just a tiny number of the parties.

This is, of course, in contrast to the Islamic economic system, which fiercely safeguards the interest of all citizens, wealthy, and poor, by imposing a moral obligation on the affluent to care for the poor. The Qur’an mentioned justice as a global aim to be attained in perfect harmony. Another interpretation proposed by al-Farabi in Jusmaleslani, et al (2005: 98-99), is that justice is exactly the same as balance. According to the Qur’an interpretation, the order to be equitable is the strongest order and needs to be carried out in all parts of life. As stated in QS. Ar-Rahman (55): 7-9 which focuses on economic justice. In addition, the Qur’anic texts (QS. Al-Hujurat (49), at-Taubah (9), al-Mumtahanah (60): 8, al-Maidah (5): 42, al-Fajr (89): 20 clarify the necessity of social justice, which involves not only fairness in the distribution of individual wealth but also justice in distributing state wealth, and paying employees a wage commensurate with their labor. Social justice also entails closing the gap among people and groups, by curbing the greed of the affluent on the one hand and enhancing the living quality of the impoverished on the other. [12] Therefore, the distribution system in the perspective of Islamic economics must be founded on the Islamic economics main principles, such as individual freedom, social security, prohibition of acquiring riches, and equitable distribution of resources.
3.3 Distribution Mechanism in Islam

Market mechanisms solely cannot achieve welfare and distributive fairness. Because the market mechanism that relies on the pricing system relying on the law of supply and demand is incapable of adequately resolving the supply of public goods, externalities, justice, and the equal distribution of revenue and wealth. In fact, the market cannot work ideally because competitive market circumstances, such as information asymmetry, trade barriers, monopolies, distribution irregularities, and others are not satisfied. As a result, the responsibility of the government and community in achieving welfare is required[13].

The government plays an active role in the economic distribution system in the Islamic market mechanism which is not only temporary and minor, but the government takes a large and important role. The government will not only act as a 'referee' for market games (al-muhtasib), but it will play an active role together with other market actors. The government will act as a planner, supervisor, producer, and consumer of market activity.

There are two types of mechanisms in the Islamic economic distribution system: economic mechanisms and non-mechanisms. The economic mechanisms contain productive economic activities in mu'amalah contracts, such as creating the broadest potential chances for the benefits of individual ownership and property growth via investment, restriction of accumulation property, conquering movement and accumulation of wealth in a few groups, restriction of monopoly activities, and a variety fraud and restriction of betting[14].

The government plays a role in the economic mechanism, which can be broadly classified into three parts, namely first, the role related to the implementation of Islamic values and morals; second, the role related to the technical operation of the market mechanism; and third, the role related to market failure. These three roles refer to the concept of al-hisbah during the time of the Prophet as a special institution that serves to control the market from deviant practices[15]. With these three responsibilities, it is believed to be able to solve different economic issues, because the government’s job is not just as an economic device, but also includes religious and social purposes.

Non-economic mechanisms, on other hand, are mechanisms that do not go through productive economic activities but rather through non-productive activities such as grants, shadaqoh, zakat, and inheritance. Non-economic mechanisms are meant to supplement economic mechanisms, especially to conquer a wealth distribution that does not operate properly if just economic mechanisms are used[16].

Non-economic mechanisms are needed, whether due to natural or non-natural causal factors. Natural causal factors, such as barren natural conditions or natural disasters. All of these can lead to economic inequality and hinder the distribution of wealth to those who have such circumstances. With ordinary economic mechanisms, the distribution of wealth cannot take place because people who have natural obstacles cannot participate in a normal competition in economic activities, like other people. If this is left unchecked, people who are afflicted by calamities (accidents, natural disasters, and so on) are increasingly marginalized economically and vulnerable to economic changes, which in turn can trigger the emergence of social problems, such as crime (theft, robbery), immoral acts (prostitution) and so on[16].

Non-economic mechanisms are also needed because of non-natural causal factors, such as deviations from the economic mechanism. Deviations from the economic mechanism, such as monopoly, distribution deviations, hoarding, and so on can lead to inequality in the distribution of wealth. For this reason, the role of government is needed to overcome these economic problems.

The forms of distribution of wealth with this non-economic mechanism, as stated by al-Jawi include: giving governmental assets to citizens who are deemed in need, Mustahik receives zakat assets paid for by muzakki[15] giving infaq, shadaqoh, waqf, donations and presents from those who can to the destitute, and inheritance distribution to heirs, among other things. Therefore, in Islamic economics, there are numerous mechanisms that can achieve distributive justice, such as:

First and foremost, zakat must be implemented. Zakat is a highly efficient and essential device that is not present in capitalist or socialist systems. Zakat is a distributive tax, meaning it redistributes money from muzakki to mustahik and zakat provides for the distribution of consumption and investment. Zakat distribution will have an economic multiplier impact on the impoverished (dhу'afa) in the way of higher earnings and buying power. In terms of muzakki, it will inspire a strong economic drive to constantly raise their productivity to get high profits and revenue allowing them to expand their capacity to pay zakat even more than before. Furthermore, zakat protects muzakki from greed, glutony, and a hedonistic disposition that favors material and luxurious things[2].

Thus, zakat is essentially a system that ensures a more equitable distribution of income and wealth in society. Zakat is a system that will maintain balance and social harmony between the rich (muzakki) and the poor (mustahik). The implementation of zakat is a strong commitment and a concrete step from the state and society to create a systemic and permanent wealth and income distribution system. This effort is a tangible manifestation of efforts to create social justice and reflects the social commitment of Islamic economics[17].
Second, the implementation of the profit-sharing system and the development of baitul mal institutions. The profit and loss sharing system is another significant tool in the process of achieving economic distribution fairness. This method can create a pattern of collaboration and brotherhood between capital owners (shohib al-mal) and those with talents (mudharib), resulting in wealth transfer and income distribution. The profit-sharing system will lead the perpetrators to act honestly, transparently, and professionally, especially in terms of costs so that the distribution of profits and losses is known by both parties and distributed according to the agreement[2]. In the Indonesian context, this profit-sharing system can be developed in the form of Sharia Banks, BPRS, and Sharia Microfinance Institutions (LKMS) such as BMT and sharia cooperatives.

Third, cooperation in a free market structure. Islamic economics prioritizes the principle of freedom, including in the market structure adopted a free cooperation system. As long as the forces of supply and demand run naturally, prices are determined based on market mechanisms so that no intervention is allowed from any party, including the government. All people according to their potential have the same opportunity to conduct transactions legally and to establish an adequate atmosphere for the fulfillment of progress and justice[10]. The state ought to function as a welfare-oriented entity that spends moderately, respects others' property rights, and avoids oppressive taxation.

The government's or state's participation is also indispensable for guaranteeing equitable distribution in realizing welfare and justice. The role of the government has been formulated by Ibn Khaldun, which was further developed by Chapra, which is famous in the political policy of development "Circle of Equity Theory" often referred to as the Dynamic Model of Islam. The Dynamic Model is a formulation consisting of eight principles of political wisdom eight wise principles that are related to other principles in an interdisciplinary manner to form a common force in a circle[8]. This formulation illustrates Ibn Khaldun's interdisciplinary and dynamic analysis, which links all social, economic, and political variables, such as Sharia (S), political power or Governance (G), society or Nation (N), wealth/resources or Wealth (W), development or growth (g) and justice or justice (j), because they impact each other, these variables form an interconnected circle[8].

As a result, while the state is crucial in Ibn Khaldun's "Cycle of Justice" concept, it does not need a monolithic government. The state should not exercise its authority arbitrarily, but rather allow the market to work effectively and to establish an adequate atmosphere for the fulfillment of progress and justice[10]. The state ought to function as a welfare-oriented entity that spends moderately, respects others' property rights, and avoids oppressive taxation. Ibn Khaldun's idea of the state, according to Chapra is not a laissez-faire or totalitarian state, but a state that acts as a facilitator of human development and welfare[10].

4 Conclusion

Today's problem of unfairness and disparity in income and wealth distribution cannot be divorced from the economic system (capitalist). This market (capitalist) economic system, it turns out, is incapable of realizing a just and civilized global economy, even creating 'permanent' poverty for the society because this system has consequences for the hoarding of riches in a few parties.

Due to the issue of unfairness and disparity in distribution, Islam presents an economic distribution system that highlights the value of freedom of action in line with religious teachings and the value of justice in ownership that is founded on two joints, namely freedom and justice. This distribution system offers mechanisms in Islamic economic distribution, namely economic mechanisms and non-economic mechanisms, including the participation of government in productive and non-productive economic activities, in order to achieve distributive justice. With the distribution of wealth with non-economic mechanisms through the activities of giving zakat, infaq, grants, waqf and shadaqoh, it is hoped that it will be able to solve the bad reality of the income distribution gap.

References


