

MEDIA SYARI'AH

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Tawhidic Based Public Policy: A Theoretical Overview

Tawhidic Based Public Policy: A Theoretical Overview

Nurul Hilmiyah

Bayu Taufiq Possumah

Muhammad Hakimi Mohd. Shafiai

Abstract: *The role of government is always significant in every aspects of lifecycle of the state. In pursuit this role, government should decide an appropriate policy to face an economic phenomenon. In Islam, the government is a vicegerent of Allah which is government policy is fundamental not merely for progressing of the state itself but also socio economic welfare of the community. The government is, hence the policy should not bias and unequal. Focusing these issues, this paper attempts to formulate the concept on how the government use religious values in establish economic policy based on Tawhidic approach. This paper focuses on the economic role as reflection of the divine nature of Islamic economics by emphasizes not only on the human aspects of economic actors, but also on the rules or a system that must be obeyed by economic actors. Thus, this paper attempts to formulate the concept and the framework of Tawhidic based economic regulation using by descriptive qualitative method.*

Keywords: State, Government, Policy, Tawhidic, Justice

1. Introduction

In economics science there are three major decision making actors; household, firm and government (state). The first two are microeconomic decision makers and the main actors of the private economy. The latest one is a macroeconomic decision maker and authority, as well as a major actor of the public economy. It is not easy and mostly even impossible for the government to pursue optimization and efficiency in its economic activities. The problem here is whether the market should be left alone in executing economic activities or the government should completely undertake or guide the market and other economic activities.

As a theory the conventional economic inherited from Adam Smith (1776) and David Ricardo (1817), and currently have could say almost reached a stagnant point. Not only because capitalism has caused tension between the economic systems in developed and developing countries but also because of the advanced economies countries (as represented by the United States, Great Britain, Germany, France, and countries such as Japan and Korea), has spawned an unjust economic system. Capitalist economy or neo-liberalism has created exploitative state; and the mentality of greed.

In other side, since Islam assert on moral values, it is the responsibility of the Islamic state to look after the spirituality of its people; the Islamic state cannot be passive observer of the ethical scene in society. The state need to bring moral code of Islam to reality as has been stressed by *Shari'ah*. This does not mean that Islamic state by coercive power as a police forcing people into certain behavior. There is some kind of built-in indoctrination in all system, including the capitalist, and the Islamic system is no exception. The Islamic system, however, in compliance with the

spirit of the *Qur'anic* verse: "*There is no compulsion in religion*"¹, shuns the extreme course of regimentation of thought and action (Chapra, 1979). In giving significant value of freedom to every individual; Islam has stressed on education and conducive conditions to the moral practice on which the edifice of the whole Islamic way of life is raised. In Islam the state is an instrument to realize the ultimate goals, are spiritual and material not only for Muslim but also for mankind. However, the authority exercised by the state is not absolute. The authority basically is a trust from Allah and should be implemented as laid down in the *Shari'ah*. Two of the most important terms of this trust are that the state should be *shuratic* and *maslahah*-oriented.

Based on the problems mention above, thus this paper focuses on the economic role as reflection of the divine nature of Islamic economics system by emphasizes not only on the human aspects of economic actors, but also on the rules or a system that must be obeyed by economic actors. More, the Unity of mankind as considered Chapra (2001) is an essential part of Islamic concept of the Unity of God (*Tawhid*). If God is one, then mankind is also should be one. For Islam which stands for human brotherhood there are no distinctions created by nationality, race and color. All are artificial. The people as the Qur'an clearly states were created as one nation (*ummah*) that then divided by their differences, the conflicts of interest, prejudices, exploitation and misuse of power². Hence, reunite all mankind is the ultimate objective of Islamic way of life³.

1. Role of State in Economy

The role of government as has been discussed by many economist scholar is vital and strategic for improving

¹ QS.2:256

²QS.10:19

³ QS.11:119

sustainability of economic development. But beside consensus that governments play a vital role in successful development efforts, we also recognize that there is wrong kind of government intervention which can be highly detrimental. Refer to Stiglitz (2007) the scope and effectiveness of government activities is the key issue and more important than the size of the government's budget or fiscal policy. Through widely effectiveness activities, government can do too much of some things and too little of others, as well as the state's efforts could produce benefits on both accounts. These are all important issues.

The classical economists, such Adam Smith in his *Wealth of Nations* (1776), as quoted by Goldsmith (1995), has stressed the case for minimalist free markets but essential role for government. For the classical economists, the role of the state would be mainly confined to the provision of essential public goods such as national defense, law and order, defining and enforcing property rights and contract enforcement. But Smith (1776) did not support a minimalist state across the board. Smith (1776) also accepted that the state has an important role to play in term of the education provision and "certain public works and institutions", including a stable monetary framework. '*Capitalism and markets do not just happen*' (Goldsmith, 1995). The economic role of government, during the nineteenth century as viewed percentage of GDP under government expenditure was around 10%. In some developed countries at 1996 the government expenditure had risen to an average of 45%⁴.

Recently, it is interesting to be note here, that on the question of government involvement, theses two sides have witnessed a lot of borrowing between them. In case of Europe and America, primarily capitalist economies have warranted more

⁴ see Middleton, 1996; Tanzi and Schuknecht, 2000

government controlling by economic recessions, while pressure from populations have led to freer environments in countries that were deemed to be command economies. Therefore in this case, the question of government roles in an economy from the reality of modern economic environment has had to be dealt with, not merely from the perspective of capitalism versus socialism. As such, perhaps the most effective way of defining it would be the level of effectiveness, rather than the strength of involvement. It would be much more helpful to define under what circumstances can government be involved, rather than find out how much governments should be involved in a given economic system.

One of important roles of a government in an economy is to stabilize the economy. Most modern classical economists such Stiglitz (2007) concede that if the stability of economies were to depend solely on forces of demand and supply, the scenario in the world today would be quite chaotic. Nationally and internationally, the government needs to formulate policies that govern how trade is going to be well done. These rules have informed that sometimes-economic growth alone may not be all that a country needs. Ultimately, there needs to be, not just a larger economy, but better life for everyone. Over the past century, most countries have witnessed a lot of growth, a situation may like as the 'boom'. However, there is still widely gap between the 'have' and the 'have not', many citizens have enjoyed yet the benefits of economic growth. This situation is usually pointed out as one of the shortcomings of classical economics thinking, and has more government involvement in redistribution of wealth.

On the other hand, the Islamic state also has effective role in the economy to play. It roles is providing internal and external security and removing market imperfections and market failure, to create a proper environment on removing injustice in all aspects and for achieving the society's normative goals. Actually, without

resorting to regimentation and the use of force or the owning and operating of a substantial part of the economy, these roles may have to be done. Thus, the state may have to determine social priorities to educate the using of resources, motivate and help the private sector to play role which is consistent with goal realization (Chapra, 2001). This can be achieved by internalized moral values among individuals intensively with the facility. Therefore, the government should be created the proper framework to unify the relationship between people, values and institutions to achieve the realization goal of markets without exaggerate government intervention.

In an Islamic state, the government's role in economy is not in the meaning of an intervention, which is under doctrine and commitment of *laissez-faire* capitalism. It is not only about the meaning of the secularist welfare state which, through its anathema to value judgment, accentuates claims on resources but also leads to macroeconomic imbalance. Thus, as considered Chapra (2001) it is about a positive role – a moral obligation to perform mission in compliance with the divinely best filter mechanism – to help keep the economic train is walk. In addition, the test of the Islamic state would lie in desired role of its performing effectively, that allows the possible of freedom maximize and initiative for the private sector. The people's greater motivation in implementing Islamic value, should be result in effectiveness of the socio-economic institutions and financial intermediation in creating the balance proper environment between resources and claims, the lesser will be the role that the state may be required to play in realizing its desired goals. Moreover, as quoted from Chapra (2001) that the greater the accountability of the political leadership before the people, and the greater the freedom of expression and the success of the news media and the courts in exposing and penalizing inequities and corruption, the more effective the Islamic state may be in fulfilling its obligations

The first history of Islamic state was evolved in Madinah at the time of the Prophet Muhammad and his four *Khalifah*. Kaf (1991) stated that the principles of Islamic state are the notion that all sovereignty belongs to Allah, means that to bring the state and the human beings are one and closer to him. Moreover, as quoted by Kahf (1991), Muslim scholar like Al-Mawardi defining the goals of the Islamic state as “to continue the function of prophet hood in safeguarding religion and managing the worldly affairs”. In addition, Kahf (1991) adds that the objective of statehood by Ibn Taymiyah is “*that all religion be to Allah and that Allah’s word be supreme*”. Thus, as quoted from Kahf (1991), that Ibn Khaldun has explains in the same line about the relationship between “the management of the worldly affairs” and “Allah’s world being supreme” because according to *Shariah* worldly affairs are all considered with reference to their benefits in the Hereafter”. That’s way, Ibn Khaldun clarifies the function of the Islamic state as “*getting everybody to follow the intent of the shariah’s rationale in their worldly and other than worldly affairs*”.

Thus, the definition of an Islamic state’s function as Ibn Khaldun clarified above, have two pointed out as distinct and unique: first, the state can utilize the rationalization system to determine the relevance, usefulness and efficacy of political decisions and the making process of it. However, it is recognized that every political system has its own rationale, actually to fit the system with the background philosophy of state. Secondly, as Kahf (1991) stated that the balancing domain and scope of the Islamic state covers the worldly and hereafter affairs. The Islamic state have to responsible in taking more effort to help its citizens to achieve their goals due to the interests of religion which absolutely priority over the interests of the worldly life. The cornerstone of the Islamic political system is religious values for the state. It implies the contrary principal characteristic of the Islamic system

with the capitalist democracy (rule by people, for people, and from people) and the communist democracy (rule for people), which, both these democracies are tend to the worldly affairs.

As quote from Kahf (1991), the goodness of its definition and the two fundamental elements arising from it, the Islamic state is uniquely and distinctively characterized as the vicegerent of Allah, who is the origin of religion. Religion and world administration promoted by Islamic state as an institution, which 'represent' Him according to His commandments, despite of, the government is appointed by people and it acts on the basis of their deputation or attorney.

Thus, the economic objectives of the Islamic state according to Kahf (1991) are:

- a. To achieve the economic objective for powering Islamic state such as, the safeguard of religion, the protector of the society and the name of spreading Islamic *da'wah* in the world. This includes level of performance especially in scopes of economic development, science and technology, and military strength.
- b. In general, to work towards securing economic satisfaction of the society and to promote general material welfare and guarantee the basic needs of every people.
- c. To maximize the benefits and expansion of public properties, and use for the benefits of all people.
- d. To obtain beneficial resources of financial for government expenditure and spend them according to *Shari'ah* compliance.
- e. Protect the moral and legal framework and create conducive environment of working towards success in the hereafter. This includes ordaining the goodness and preventing the badness.

In economy, the role of the government depends on the objectives of that particular economy. The principal objective of the Islamic economic is to establish 'justice and benevolence' (*Adl wa Ihsan*), as the Holy Quran said: "*Allah commands justice, the doing of good and liberality to kith & kin and He forbids all shameful deeds and injustice and rebellion*"⁵.

Establishment of justice and equity have commanded by Allah in all aspects of our life. We have to ensure justice and good conduct in our individual life and socio-economic sphere. To establish justice in economic activities, is to close all the economics exploitation and an economic system that will ensure justice and equality between people at different classes and regions. The end of exploitation of one country by another, is to establish economic justice in the international arena. Moreover, Chapra (1979) noted that the developed countries exploit the poor countries by giving lower prices for the raw materials and charging higher prices for the industrial products. There still means other ways of exploitation. Thus, the ultimate objective of the Islamic economy is to establish social justice. Establishing social justice is the main issue and this primarily basic principle should not be undermined.

2. Regulation: Theory and Designs

The Government's actions and the commitments are the principles for economic regulation. The Government's aim is also to guide the high-level institutional design of the regulatory frameworks. In establishing the policy direction together with appropriate guidance, on a periodic basis, and maturing regulators

⁵ QS.An-Nahl:90

to carry out their duties independently, is a key part of reinforcing the Government's role.

According to Policy team The National Archives, London (2011), the objective of economic regulation is to create a system that works on the proper way. It is to ensure the system of incentives and penalties can replicate the outcomes of competition which includes the consumer prices, quality and investment and puts the protection of consumers' interests at the right place. It is important to establish a right division of responsibilities between the Government and economic regulators in achieving these objectives. In addition, the role of Government to regulate the policy direction and make politically sensitive trade-offs between objectives of democratic legitimacy and accountability. By contrast, government should be independent and detailed to set the application of regulation, which significant benefits to this approach for the stability and predictability of regulation and the concentration of regulatory expertise. The role of economic regulator should protect the interests of society in the field of infrastructure to ensure the operation is functioning properly and in accordance with the market as the outcomes of competitive markets. They stated the principles for economic regulation are:

- a. Parliament and Government set democratically accountable as independent regulation within a framework of duties and policies
- b. Roles and responsibilities between Government and economic regulators should be ensured the regulation has the legitimacy, expertise and capability to arbitrate between the required trade-offs
- c. Decision-making of regulators should be in accordance with the need to maintain confidentiality, transparent and subject to appropriate supervision

- d. Economic regulators should have clearly defined, articulated and prioritised statutory responsibilities focussed on outcomes rather than specified inputs or tools
- e. Economic regulators should have adequate discretion to choose the tools that best achieve these outcomes

In addition, The Policy team of London (2011) purpose the principles for economic regulation are:

- a. The government should be firm and committed to establish a stable regulatory framework and predictable for efficient investment vehicle and sustainable growth
- b. Set the framework of their respective roles, regulators and producer, and greater coherence interrelated with the policy context
- c. Set out the characteristics of the best framework of economic regulation to guide policy makers in assessing future developments.

In addition, the Government is setting out the commitments to ensure these Principles are worked in Government's policy-making on economic regulation. The Government commits to ensure that responsibilities are clearly divided between Government and regulator on the basis of high level decisions that involve political judgment. Moreover, according to London Policy team (2011), the Government will preserve the independence of economic regulators, it will ensure that:

- a. Regulators should be legal and functional independent from any public or private entity
- b. Regulators' management act independently from any market interest and do not seek or take direct instructions from any government or other public or private entity when making regulatory decisions

- c. Regulators can be autonomous, independent of the political body, and has separated annual budget with autonomy, and to ensure the human and financial resources sufficient to carry out its duties.

The Government must continue to ensure that all regulations can be run well, by choosing the appropriate regulatory tools to achieve the goal. The Government will ensure that future changes preserve the independence of regulators. Thus, it difficult to draw precise distinction between matters of policy and regulation as the two things are linked. However, an effective system, is the elaboration of responsibility as clearly as possible so that people and regulators know who is responsible for what and for whom they are responsible. As an institution, the regulator must be efficient and well-run, maximizing the benefits of properly in accordance with the annual budget. As a regulator, interventions and tools they need to deliver the desired results in the most appropriate manner, based on the purpose of regulations. This means that special measures are taken, if necessary, to minimize the risk, so that the regulation can be cost-effective alternative. Therefore, the Government will ensure adhere to the principles of economic regulation and approaches issued to implement it.

1. Regulation in Islamic Economics View

Islamic state must come from the entire constitution of Islamic doctrines, there are *Aqidah* and *Shariah*. For an Islamic state should consider that all the systems, laws, and regulations must come from its sources *Aqidah* and *Shariah*, and must be supported by the practice of Islam at the time of the prophet. Islam is a complete way of life that requires the state to implement *Sharia* in a comprehensive manner, both at the individual and community level. Islam also organize and teach a sphere of political, social, economic, and international relationship which require state as the

older of the authority to regulate all these to mobilize *ummah* in spreading Islamic *da'wah* (Qadri, 1973).

The objectives of the Islamic economic regulations are derived from the economic objectives itself as a way of life. Important point is to observe that some of these goals run right at each level. Thus, it is important to know these objectives at the individual level, is the private sector as an economic public sector and implementing the government's economic policies. Furthermore, the first economic goal in the Islamic system, basically assigned to the private sector with the aim of equality income distribution to fulfill the material needs of people (Kahf, 2000). That require guidance on how to use and management of resources, how to produce, how to sale, and to increase revenue and savings simultaneously. It's all about the microeconomic level (*Qur'anic* verse 11:61, 30:9, 09:19 and 52:4). In the Islamic government, through economic policy, there are many things that can assist individuals in fulfilling their primary objectives.

The Islamic system believes in the co-existence of public sector and private sector, it is clear that the Islamic economic system is productive in society, so can assist the government to form the basis for economic business community and government, according to Kahf (2000) that the essential general objectives of economic policy are as follows:

- a. Promoting the private sector and support its activities in realizing the goals of material, construction, and prosperity. This aims to improve the ability of the private sector and the realization of other objectives, in order to promote *Zakah*, *Waqf*, *Sadaqat* and other contributions, in term of increasing tax, which in turn can support other objectives of economic policy.

- b. Maximizing the benefits of the society from the public properties to achieve their efficient management, maintenance, and development, it would be achieved the goals of public sector.
- c. Providing economic resources for the political and military power of the Islamic state to protect the Islamic society. This implies increasing the speed of development; both macro and micro level in the economic and social, improving the scientific knowledge and technological application and optimizing the military might of the Islamic *Ummah*.
- d. Providing financial resources for the fulfillment of the administrative functions, including law and government.
- e. Supervising and monitoring (to fill the gap of production and distribution) the private sector's activities. It aims to meet the basic needs of the community in guiding their efforts to improve the happiness and well-being of the economy.
- f. Maintaining socio-economic balance and promotion of socio-economic justice by means of re-distribution of wealth and income within the boundaries permitted in *shari'ah*. These includes stability of prices and economic activity. The stability can ensure the economic growth. It is also, with regard to economic policy in market demand and supply pluralistic, which a prerequisite for economic policy objectives. This objective covers the protection and maintenance of the moral framework of economic activity. For example, the prevention and elimination of monopoly that came in fact a monopoly is exploitative and therefore immoral.
- g. Protecting the moral framework for economic activities according to *Shari'ah* compliance by promoting the goodness (*ma'ruf*) and preventing the badness (*munkar*). It also includes the realization of the principles of Islamic law,

for not practicing the economic activities that are prohibited by *shariah*.

In addition, the macro tools of economic regulation include fiscal policy and monetary policy. These policies include taxation, public expenditures, public debt management and the tools of monetary policy are well known and much discussed in both Islamic and conventional economic literatures. According to Kahf (2000) these tools must conform these guidelines:

- a. Public revenue policies go back in the Islamic history of Abu Yusuf when he suggested to the Abbasid Khalifah Harun al Rashid with *kharaj* system to a percentage system. This implies that changes in ratio, exemptions and procedures of some public revenues. It also known that Omar also reduced the custom tax, that was imposed on foreign merchants who brought goods in the country.
- b. The taxation policy system in Islam, which is implying to the *Shari'ah*. The Islamic government does not have a free hand in imposing or increasing taxes. Taxes are only a last resort for the purpose of furnishing the treasury with direly needed revenues while no other public revenues are available.
- c. The government expenditure should equate the same and not allow privileges to any area or group in the country except on the basis urgent needs of the region or group than others. In other words, government spending may favor to the needy, but they may not be in favor of the rich, entrepreneurs, urban areas, etc.

The mention above is the Islamic economic regulation about. Thus, it is the duty of the Muslims, particularly the government to establish humanity on balanced order in regulations. If in any given situation, the balance has been distorted, it is necessary to restore the balance. However, this should be done with the consent

of the people as may be expressed through the representatives of the people and with justice. Therefore, Muslims must establish the Islamic Economic State, for Islam would not have an influential presence without it (*Shari'ah* value), and their country would not become an Islamic state unless it is ruled by the Islamic State regulation. It is clearly that the objectives of Islamic economic regulation for the welfare of society at macro and micro level.

3. Tawhidic Based Economic Regulation

The concept of "*fitrah*" as an Islamic trait in a spiritual sense is the reflection of Islamic economics system, which is can bring economic justice to the people. Chapra (1992) call this as "*Tawheed*" Economics. Reflection on the divine nature of Islamic economics by emphasizes not only on the human aspects of economic actors, but also aspects of the rules or a system that must be obeyed by economic actors.

The philosophy foundation and added value of Islamic system to every Muslim in preserving what Allah commands and what He forbids is *Tawhidic* approach. It means God's unity and sovereignty or faith of Allah. Allah is our creator of this universe and all creatures (Khurshid Ahmad, 1980). Therefore, the Muslim as His servants, have subject to His laws, and undoubtedly, must submit our life wholeheartedly to Him alone. In this *Tawhidic* approach, we have to understand the *khilafah* principle, which can be defined as a man's role as God's vicegerent on earth. Islam provides a solution to any problem, which is very much appropriate, and effective to the community regardless of races, religions and culture. As *khilafah* we are obligated to motivate every member in society towards piety (*taqwa*) to remind them against falsehood, upright the truth and support the oppressed people to against the cruelty (Siddiqi, 1989).

Although all the Islamic economists or Muslim jurists agree on the concept of *Tawhid* as one of the philosophical pillars of Islamic economic⁶, it is observed that little is written on the *Tawhid* epistemological methodology to the issue of economic regulation. But, Choudhury and Hoque, (2004) discuss the resemblance of fundamental Islamic epistemology of *Tawhid* on their corporate governance model.

As the foundation of Islamic faith Al-Faruqi (1982) note that *Tawhid* the basis for the economic regulation framework also emanates from this concept. Allah says in *al-Quran* “Men who celebrate the praises of Allah standing, sitting, and lying down on their sides, and contemplate the wonders of creation in the heavens and the earth, (with the thought): "Our Lord! Not for naught Hast thou created all this! Glory to Thee! Give us Salvation from the penalty of the Fire”⁷. This verse provides principle foundation of governance where everything created by Allah has a purpose and human being is created to be the world’s vicegerent. By putting a trust to mankind as a vicegerent, Allah plays actively roles to monitor and involve in every affairs of human being and He is aware and knowing everything all the times (Chapra, 1992). As Allah knows everything and all mankind is answerable to Him, the principle of *Tawhid* shall be the foundation of the economic regulation model in Islam as the parties involved in the state and government are answerable and accountable to Allah.

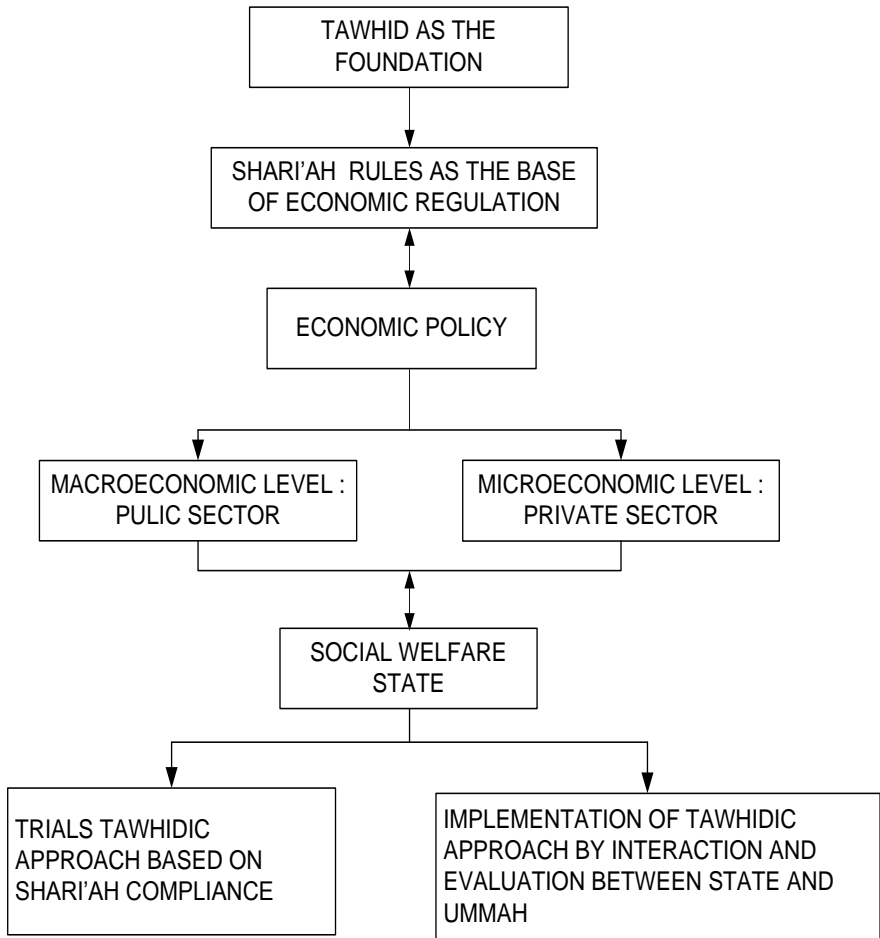
⁶ See Mannan, (1970), Siddiqi, (1978), Kahf, (1978), Ahmad, (1980), Naqvi, (1981), Taleghani, (1982), Al-Sadr, (1982) and Choudhury and Malik, (1992)

⁷ Q.S.3:191

According to Choudhury and Hoque (2004) in his study that Islamic corporation, they noted that “*a legal entity where the principle and proportionate of the firm’s shares owned by the shareholders based on equity participation and profit sharing ratios and deals with legal and organizational structures that control the internal governance of a firm with an objective to define and attain an objective criterion by way of understanding the relations between variables supported by policies, programs and strategic coalition*”

Based on that view in Islamic corporation and this paper argue that is also applicable in Islamic State, there are four principles and Islamic regulation instruments i.e. extension of *Tawhid* unity of knowledge by interactive, integrative and evolutionary process to the interacting environing factors, the principle of justice, the principle of productive engagement of resources in social and the principle of economic activities and recursive intention amongst the above stages (Choudury and Hoque, 2004). All of these principles can be the core premises of the Islamic State governance where the *Shari’ah* rules embedded in the holy *Quran* and *Sunnah* make the Islamic economic regulation applied and at the same time uphold the principle of human values and social justice. Based on the framework of Choudury and Hoque (2004: 86), this paper propose the theoretical framework of *Tawhidic* based economic regulation as follow:

Theoretical Framework of Tawhid based Economic Regulation



Source: Choudhury and Hoque, (2004: 86)

The figure shows that the theoretical framework of Tawhidic based economic regulation is based on the *Tawhid* epistemology which the functional roles of government state are working according to the *Shari'ah* rules. The important concept of vicegerency (*khilafah*), trust (*amanah*) and justice or equilibrium (*aladl wal Ihsan*) are as the principle elements of *Tawhid*. The responsible of government and *ummah* as vicegerent of Allah must to uphold the principle of distributive justice by the economic

policy. *Shari'ah* rules as major guideline involved in the above process, it can be an institution i.e namely *Shari'ah* institute which serves as a guide in making economic policy. The state as institution of *Shari'ah* institute plays crucial role to ensure that all economic policy activities are in line with the *Shari'ah* principles and determine the scope of *Shari'ah*. There are two main policies embody macroeconomic and microeconomic level and involved public sector at macro level and private sector at micro level. Additionally, the government also play a crucial role as active participants in the process of decision making and economic policy framework by considering the interest and welfare of community rather than each political interest. The *ummah* as community should also play their roles to provide mutual cooperation with government to protect the interest as a whole and to stimulate the social wellbeing function for social welfare. The trials of *Tawhidic* approach based on *Shari'ah* compliance should be act, for achieving the goal of social welfare state. All of these processes are centered on toward fulfilling the ultimate objective of Islamic economic policy of complementing the private and social goals on upholding the principle of human values and distributive justice. The *Tawhidic* based economic approach provides the epistemological foundation of Islamic economic policy. This approach however seems to be unclear and ambiguous as to how it could be until it adopted and implemented in the current economic system. Moreover, the practice shows that major economic policy including fiscal and monetary policy tend to follow the existing economic policy model which is founded on the epistemology of rationalism and rationality. It is the opportunity for Islamic economic system to take advantage more on the empirical and theoretical studies to examine the operational aspects of this *Tawhidic* based economic regulation approach and implement it into economic policy.

1. Conclusions

The problem of biased and imbalance of economic policy of the state actually will be eradicated totally if the core of government (as actors of economic policy) and other economic actors are reflected by the *iman* (belief) and *taqwa* which becomes unity in the monotheistic approach (*Tawhidic* approach). State and *ummah* can take a positive measure to avoid these problems if they take into account the teaching of Islam and abstain from the prohibition of Allah towards conspicuous social economic justice regulations in setting economic policy. Islam offers the State basic guidelines for justice and fair system of the government policy, which is benefited to all human beings regardless of religions, races and castes.

Thus, this paper propose the theoretical framework of *Tawhidic* based economic regulation approach is spiritual approach which is it guides and promotes the state to have a proper rules or systems in terms for fulfilling social needs, economic policy, and welfare. With this meaning, any biased and imbalance policy for mankind can be avoided and therefore will further extend the sustainable economic development and welfare state. The distinct implementation of the government law and policy is an added value In Islam, beside belief to Allah (the reflection of *Tawhid*) is guaranteeing social economic justice.

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