



VALUE-BASED MANAGEMENT CAPITALISM VS SOCIALISM PROBLEMS IN THE ISLAMIC ECONOMIC

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ABSTRACT

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The problem with both economic systems, capitalism and socialism, is that they cannot achieve the desires and aspirations of the people as actors of economic policy. Both systems prioritize profit over satisfaction or people's rights. Departing from the various problems that exist in society, the author tries to examine this problem by organizing the two Islamic economic systems. The aim is to examine the problems faced by the economic systems of capitalism and socialism in dealing with economic problems and also to see how the Islamic economic system deals with economic problems. Desk research, or "book research," is the methodology used. This is a qualitative type of research, and the data presented is more subjective and literature-focused. Unlike capitalism, which grants ownership rights over the means of production to each person, socialism does not recognize individual ownership rights and instead grants ownership rights to the collective.

Keywords: *Capitalism Value Based Management, Islamic Economics, Socialism based Management.*

ABSTRAK

Masalah dari kedua sistem ekonomi, kapitalisme dan sosialisme, adalah bahwa keduanya tidak dapat mencapai keinginan dan aspirasi masyarakat sebagai pelaku kebijakan ekonomi. Kedua sistem ini lebih mengutamakan keuntungan daripada kepuasan atau hak-hak masyarakat. Berangkat dari berbagai permasalahan yang ada di masyarakat, penulis mencoba mengkaji permasalahan ini dengan mengorganisasikan kedua sistem ekonomi Islam tersebut. Tujuannya adalah untuk mengkaji permasalahan yang dihadapi oleh sistem ekonomi kapitalisme dan sosialisme dalam menangani permasalahan ekonomi dan juga untuk melihat bagaimana sistem ekonomi Islam dalam menangani permasalahan ekonomi. Penelitian kepustakaan, atau "penelitian buku," adalah metodologi yang digunakan. Penelitian ini merupakan jenis penelitian kualitatif, dan data yang disajikan lebih cenderung subjektif dan berfokus pada literatur. Tidak seperti kapitalisme, yang memberikan hak kepemilikan atas alat produksi kepada setiap orang, sosialisme tidak mengakui hak kepemilikan individu dan sebaliknya memberikan hak kepemilikan kepada kolektif.

Kata Kunci : *Manajemen Berbasis Nilai Kapitalisme, Ekonomi Islam, Manajemen Berbasis Sosialisme.*

INTRODUCTION.

Many things, such as the number of people, cooperation, and goals, can form an organization. These depend on each other and need each other so that they cannot stand alone without help from other factors... Management cannot manage the entire operation of an organization for success. No matter what type of organization it is, management is still necessary. The organization will run well because management and organization complement each other. (Hakim, 2014) Management is a branch of economics that is very important for the success of a company or organization.

Management can be applied to companies to achieve optimal results. In practice, management is responsible for organizing all planned or carried out properly, precisely, neatly, and directed actions to achieve common goals. (Umam, 2019) Most economic systems in all countries, including those based on Islam and those that are not, can be categorized into one of two types: a centralized socialist economic system or a capitalist economic system that is concerned with business freedom. (Ash-Shadr, 2002) These are the two basic modern economic systems used mainly by every country. This question is fundamental and attracts public attention. In the modern era, these two types are more suitable and beneficial to humanity because they do not overcome all the disadvantages of globalization. Initially, there was a greater tendency to build an economic system accordingly. Capitalism creates a free enterprise system. (Gustiawati, 2020) In this case, this economic system can be explained as follows: from an economic point of view, this system is supposed to cause an imbalance of wealth among people, and the wealthiest and most intelligent groups will own the means of production. The first group of society comprises the most well-off and most intelligent individuals, while the second group comprises the least well-off and least intelligent individuals.

It has been proven that such a system will only create inequality between factory owners, landlords, and loan sharks on the one hand and laborers and farmers on the other. It abolishes mutual aid, mutual responsibility, and compassion in society. In a society without mutual assistance, everyone must have a source of living, and everyone strives to acquire as much wealth as they can, hoard it, and not spend it except for development and investment. (Hadi, 2018) No one has the heart to mourn or help someone who loses the competition or cannot participate. As a result, they may resort to crime or despicable acts to escape the hardships of life or commit suicide. In the structure of capitalism, this is an unavoidable reality. Nothing circulates in this project except one thing: accumulating wealth by legal means or by usury. From the perspective of the capitalist system, there is no significant difference between trade and usury: both are considered the same merchandise in business law. In this system, trade and usury are mutually dependent on each other and can only thrive together. The capitalist system will collapse if there is no usury. (Sharma, 2023)

After the Industrial Revolution, socialism emerged as the second economic system in the world after the capitalist system, increasing confidence in the development of the global economy. This resulted from the Industrial Revolution, which brought risks and damage to other economic systems and beliefs. Furthermore, the problem is that these two systems cannot fulfill the wishes of the people as the implementers of economic policy. It turns out that he prioritizes monetary gain over general happiness and people's rights. Starting from this problem, the author tries to research it by placing the Islamic economic system in the middle of the two systems to solve the conflict between the economic systems of socialism and capitalism. However, the facts show that the Islamic economic system still exists. (Huda, 2016) Due to the Islamic principles that give everyone human rights without disturbing the balance of wealth, the Islamic economic system implements a moderate system between the two radical systems. On the one hand, it grants people ownership rights and the right to manage their property, but on the other hand, it also ties all these rights to juridical and moral obligations. Hence, instead of being stored in one place, wealth should be distributed and shared among various individuals so everyone receives a fair and proportionate share. To achieve this goal, Islamic economics organizes the economy with an approach similar to socialism and capitalism. Both systems' principles, values, and practices have been applied to the Islamic economic system. This means that in Islamic economic doctrine, harmony and cooperation between individual and social interests are considered more important than competition and

conflict due to the close relationship between the two. Suppose a person takes society's wealth for himself without considering the public interest and spends it only for his interests. In that case, the danger falls on society and himself. Likewise, if the rules of society neglect personal interests in favor of the interests of society, the consequences will also be detrimental to society. Therefore, for the welfare of each individual, the welfare of society and the individual will be realized simultaneously if there is a healthy balance between private and public interests. One person strives to fulfill his interests while his efforts do not harm others. However, he must ensure that others have the right to utilize what he strives for and take advantage of what he strives for. (Itang & Daenuri, 2017)

By considering the distribution of wealth and profit, he instilled moral values in individuals and created rules in society on the correct way to acquire and use wealth. One should not accumulate wealth at the detriment of others; legitimately acquired wealth should be distributed among individuals, not kept in one place. The focus of this study is to understand the constraints faced by the economic systems of Capitalism and Socialism in dealing with monetary issues and to evaluate whether the Islamic financial system can provide solutions to overcome these problems. This is because both systems can be considered to hurt society in any situation. (Kambali, 2016)

METHODOLOGY

This type of qualitative research uses the "Literature Review" method. This is because a literature review is an integral part of qualitative research. After all, the data used tends to be subjective and emphasizes more on literature or book analysis.

a. Data Source

Researchers will focus on collecting data or information about the Islamic Economic System to solve the problems of the socialist and capitalist systems because this writing is based on a literature study.

b. Research Procedure

Data collection methods can be used to obtain information needed in research. To collect data, this literature study utilizes the book content analysis technique to be more convincing. This analysis is done with a comprehensive approach, which means that the book's core is taken and then thoroughly discussed in terms of its contents. After examining the book's contents, the author asked general and specific questions.

c. Data Analysis

The data that has been collected during the research must be comprehensively evaluated in order to reach objective research conclusions. The available information comes from various sources, such as interviews and content analysis of books; this is a detailed formal process of finding themes and formulating data to support those themes or ideas. Since this research uses qualitative data, the data analysis is inductive; in other words, it starts with specific cases and then generates conclusions.

RESULTS AND DISCUSSION

A. Principles of Capitalist Economics and Socialism

In addressing economic issues, there is a conflict between the economic systems of capitalism and socialism. The leading cause of conflict between capitalism and socialism is ideological differences. These two ideologies are arguing about their views on human existence as socio-economic beings. In socio-economic activities, capitalism encourages individualism in achieving prosperity, while socialism encourages collectivism in achieving prosperity. These

two forces are only concerned with ownership when solving economic problems. (Aprilya, 2021)

Capitalism allows unlimited private ownership of the means of production, while socialism only grants ownership to public bodies. This difference of opinion has a broader impact on economic activity. Ownership of the means of industry is the main difference that distinguishes socialism and capitalism, according to Swezzy. He also emphasizes that, as a result, the economic system of socialism relies on planning rather than markets, and this planning includes the division of income and the overall allocation of resources. In contrast, the capitalist system prioritizes economic activity that relies on market mechanisms.

Starting from the above, the author tries to explain the economic principles of capitalism and socialism in terms of dealing with economic problems, among others:

1. Capitalism

Capitalist economics believes that economic progress is based on several things, including:

a. Trade Liberalization

Trade liberalization in capital theory shows that everything related to economic issues is made in the form of trade liberalization, a type of exploitation of capital using natural and human resources. Capitalism always believes that all resources are managed for profit solely without considering the negative impacts. Market mechanisms determine everything, so this liberalization impacts the market economy. (Havel, 2022)

In the theory of capitalism, the market mechanism always focuses on high profits. As a result, the economies of poor and developing countries will be affected by market mechanisms. This market mechanism is part of the liberal or free school of thought and is more commonly called the free market mechanism.

b. Monopoly

An economic structure based on market mechanisms results in unhealthy competition. This competition relies more on efforts to bring each other down, which in the context of political economy is known as a monopoly economy. In a monopoly economy, mergers between small and large companies have a significant impact. These mergers lead to the formation of oligarchies, which is when two or more companies merge into one holding company that controls all economic policies. (Spanish, 2022)

2. Socialism

Suggest some ways for socialization of people's lives to overcome economic problems, such as:

- a. Abolition of private ownership of the means of production; they will be owned by the government and overseen by critical industries and services;
- b. The shape and extent of industry and production are oriented towards social needs rather than profit;
- c. In capitalism, private profit will be replaced by social service interests (Khusna et al., 2023)

Socialism claims to reduce waste and eliminate depression and unemployment with centralized economic planning. In addition, socialism hopes to eliminate income earned without work, reduce inequality, and improve the welfare of the masses. Instead, they will lose some of their initiative, and their performance may be impaired by strict bureaucratic obstruction and supervision. This limits consumers' and producers' freedom.

B. The Superiority of Islamic Economics in Economics

In this case, Islamic economics solves the problem between the two prevailing systems, namely capitalism and socialism, by providing a balance by not eliminating private and collective ownership rights. Allah SWT's absolute ownership gives humans the right to own in

this dualism. This occurs in both individual and collective ownership. These Islamic values show that Allah alone owns the universe and its contents. Human ownership is derived from Allah's original ownership, as humans are only Allah's representatives to prosper and welfare the Earth. So, whatever is done by humans to increase the prosperity of the universe must not contradict the rules set by the all-possessing God.

In Islamic economics, the market mechanism focuses on the common good rather than the pursuit of financial gain or wealth at the expense of poverty. "All mining products that are the main pillars of the common good of life, such as water, salt, sulfur, asphalt, gifts, oil, coal, and others, should not be controlled by individuals whose purpose is not for the common good, because it will cause harm and misery to people's lives," said Ibn Qodamah. (Marathon, 2004)

Desiring power and wealth is an essential human trait. Hence, Islamic law permits ownership but not absolute ownership. Seeking, managing, and spending wealth must be done using Sharia principles. Balance is a hallmark of Islamic economics, as Allah has created everything in balance. Public ownership offsets individual ownership, one form of balancing human ownership. Sharia establishes public ownership. The common good is the basis of public ownership.

Public ownership is commodities that support the common good of life that individuals cannot own. Similarly, the Islamic economic system provides hydraulic resources, waqf properties, and other resources, which are considered public goods that individuals cannot own. The fear is exploitation in order to profit from the commodities owned. Undoubtedly, this will lead to an imbalance in society.

Islamic economics does not focus on the individual, capitalism, society, or socialism. It relies on paying attention to two common interests and balancing them. In other words, as long as there is no conflict or possibility of conflict, Islam recognizes the interests of the individual and the multitude.

In providing a solution between the two systems, the Islamic economic system says that individual and social interests have a close physiological relationship, so there should be harmony and cooperation rather than competition and opposition. Suppose a person takes society's wealth for himself without considering the public interest and spends it only for his interests. In that case, the harm will befall society and himself. Likewise, if the rules of society neglect private interests in favor of public interests, harm will also befall society.

It is, therefore, for the welfare of each individual. If there is a healthy balance between the interests of society and the interests of the individual, the welfare of society and the individual will be realized together. One person strives to fulfill his interests so that others are not harmed by his efforts, on the condition that it is the right of others to utilize what he strives for. By paying attention to the sharing of profits and the distribution of wealth, he instills morality in people and creates rules in society on the proper way to acquire and spend wealth.

Conclusion

After the previous discussion, some conclusions can be made: The economic systems of capitalism and socialism have similar problems in dealing with economic issues, with private property rights recognized for everyone. In contrast, the economic system of socialism does not recognize private property rights and only grants property rights to the public. In capitalism, high profits are the primary goal of the market mechanism, and the economic structure relies on this idea to solve economic problems, leading to unfair competition.

By realizing a balance between the interests of the individual (capitalism) and the interests of society (socialism), the Islamic economic system offers a solution to the problems faced by both economic systems. By realizing a balance between the interests of the individual

(capitalism) and those of the community (socialism), the Islamic economic system offers a solution to the problems faced by both economic systems.

On the one hand, it grants private property rights and the right to manage their property, but on the other hand, it binds all such rights with moral and juridical ties. As such, wealth is not kept in one place; instead, it must be distributed and divided between various people so everyone has their rightful and appropriate share.

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