

## CHAPTER II

### REVIEW OF RELATED LITERATURE

#### A. The Figure Of Ibn Khaldûn

Ibn Khaldûn is one of the famous thinkers in Islam. He wrote many things about some knowledge, not only in the one side. The complete name of Ibn Khaldûn is Abdurrahman Abu Zaid Waliudin Ibn Khaldûn . He was born in the beginning of Ramadhan 732 H. <sup>10</sup>He was died in Cairo 25 of Ramadhan 808 H (19 of March 1406).<sup>11</sup> He born on the scientific family, his family also has the honor from the society.

As we already know that Muslims have given significant contribution to the development of science and civilization of human being. However, their contributions are often ignored and neglected. Joseph Schumpeter, for instance, was of the view that this world has been in the darkness for almost 500 years. It seems that at that time there was no improvement in the human's life and science development was stagnant. Obviously, this is totally incorrect. History has shown us that during this period a lot of brilliant Islamic scholars emerged. They have built critical foundation for modern sciences. A number of scholars have made Islamic heritage become very rich, such as Abu Yusuf, Al-Ghazali, Ibn Taimiyyah, Ibn Khaldûn, etc. They have

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<sup>10</sup> Adiwarman Azwar Karim, *Sejarah Pemikiran Ekonomi Islam* (Jakarta: PT Raja Grafindo Persada, 2010), p. 391.

<sup>11</sup> Badri Yatim, *Historiografi Islam* (Jakarta: Logos Wacana Ilmu, 1997), p. 139.

lightened the world with their valuable works. This paper, however, will focus only on one personality, namely Ibn Khaldun.

His family came from *Hadharamaut* and from genealogy side, his family still has the relation with the prophet's friend namely Waly Ibn Hujr from Kindah group. One of his grandchild came to Andalusia with the Arabian in submission era in nine century. Khalid's family called by *Bani Khaldun*. From this family *Bani Khaldun*, the name of Ibn Khaldûn taken.

Ibn Khaldûn is the philosophy figure of history, he was capable scholar in his era. He was one of many thinkers who has born in the world. He was the founder of sociology knowledge which has the specification in differentiate about using history as the knowledge, he also give the supporting reason for the real equilibrium.<sup>12</sup>

This big family developed for the first time in Qarmunah in Andalusia. In this city, they stayed before going to Seville city. In the Seville, this family was famous in this city, some of family's member have the strategic position. When the Muwahhidun Dynasty decreased, *Bani Hafs*, the leader of Seville went to Tunis, Africa because of the powered region of it taken by Christian. Then Khaldun's family also went to the same place.

Abu Bakar gave the position as the governor in Tunis, while his son Muhammad Abu Bakar took a place as the Ministry of Justice, he was the grandfather of Ibn Khaldûn. Although the power of *Bani Hafs* in Tunis taken by the leader of Muwahhidun, but the grandfather of Ibn Khaldûn still has the strategic position in

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<sup>12</sup> Jamil Ahmad, *Seratus Muslim Terkemuka* (Jakarta: Pustaka Firdaus, 2003), h. 503.

711 H, except Ibn Khaldûn 's father namely Abu Abdillah Muhammad, he was not political person, but he was scientist. He learnt more about the knowledge and education than political practice.

As the tradition in that era, Ibn Khaldûn begun the lesson with his father. Then, he went to some teachers to understand much knowledge from them. His teacher are Abu Abdillah Muhammad bin al- Arabi al- Hashayiri, Abu al- Abbas Ahmad ibn al- Qushshar, Abu Abdillah Muhammad al- Jiyani, and Abu Abdillah Muhammad ibn Ibrahim al- Abili to learn more about Arabic language structure, hadith, fiqh, theology, logic knowledge, mathematic, and astronomy.<sup>13</sup>

In the beginning of his learning process, he learn about al- Qur'an, Hadith, *Fiqh*, he learnt all with some scholars in that era, because of Tunis is one of the central of the development of knowledge in *Maghrib*.<sup>14</sup>

As the member of aristocrat family, Ibn Khaldûn has the strategic position in administration of country and took place in most of political practice in North Africa. But, because of the Spain culture which stayed in his life, Ibn Khaldûn never been the truly complete member from the society and he has been the observer out of the society.

In that era, the East countries lead by the international technocrat aristocratic develop the art and science. If there is one of member of this elite group, both of

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<sup>13</sup> Karim, *Sejarah Pemikiran*, p. 392.

<sup>14</sup> Syamsul Kurniawan dan Erwin Mahrus, *Jejak Pemikiran Tokoh Pendidikan Islam* (Yogyakarta: Ar-Ruz Media, 2011), p. 101.

because of the decline or education, they will get the offer of the government, or king to take place in important position. Within the revolution happened, the offered income, and private connection, they went to a city then move to other city to follow the subjugator or run away from the law.

Ibn Khaldûn is one of this group, depend to education or decline. In 1352 M, when he was twenty years old, he became the master of seal and he began his political carier until 1375 M. His life story is very amazing. He ever stayed in the jail, live with the full wealthy or poverty, become the minister, etc. He was always take a place in political condition in his era, and he was always keep relation to other scientist, from Muslim, Christian, and other. It shows that Ibn Khaldûn never stop his study.

Ibn Khaldûn is the historian and the father of Islamic sociology who memorized the holy Qur'an from his child. Ibn Khaldûn also famous as the political expert, and the father of Islamic economics because of his perspective about the economic theory which had stated before Adam Smith (1723- 1790) and David Ricardo (1772- 1823) stated their economic theories. But, when he was teenager, his writings have spread out to any places.<sup>15</sup>

Ibn Khaldûn lived when the decreasing era of Islam. He lived for about 1332-1406 M, when the army of Mongol attacks Islam brutally. Beginning from 1258 M, Hulaghu Khan leads Mongol to dissolve *Abbasiyah* dynasty.

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<sup>15</sup> Ibn Khaldun. *Mukaddimah*. Terj. Masturi Irham, dkk. , (cet 3; Jakarta: Pustaka al- Kautsar, 2001), p. 1086.

The situation of that era was so bad, Muslims in some places are divided. Each of them are separated, they also involved to political conspiracy which is different with the united concept in Islam. Ibn Khaldun sees about the equilibrium and wants to give the solution from the academic and knowledge side.<sup>16</sup>

The background of his family and the situation when he was born and the pattern of his way of life is the factor which has influenced in developing of his perspective. His family gave the intellectual tradition. Beside that, the era of his life shown about the prosperity and the decline of Umayyah and Abbasiyah dynasty. It gives the influence to the way of thinking and developing of his social theories.<sup>17</sup>

The biggest opus of Ibn Khaldûn is *al- 'Ibar* (The History of World) . This book is divided to seven volumes. The first is *Muqaddimah* (one volume), *al- 'Ibar* (four volumes) and *al- Ta'rif bi Ibn Khaldûn* (two volumes).<sup>18</sup>

In *Muqaddimah* book which is the first volume of *al- 'Ibar*, after giving the appreciation of history, Ibn Khaldûn shows about the history's false when the historian doesn't care about the environment. He looks for the impact of physical environment, social, institutional, and economist. Beside explaining about the history, *Muqaddimah* also explains about production theory, value theory, distribution theory which becomes an economic theory.

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<sup>16</sup> Muhammad Iqbal dan Amin Husein Nasution, *Pemikiran Politik Islam Dari Masa Klasik Hingga Indonesia Kontemporer* ( Jakarta: Kencana Prenada Media Group, 2010), p. 42.

<sup>17</sup> Abudin Nata, *Filsafat Pendidikan Islam* (Jakarta: Gaya Media Pratama, 2005), p. 221.

<sup>18</sup> Karim, *Sejarah Pemikiran*, p. 393- 394.

Some false of the historian explained by Ibn Khaldûn can be grouped in for aspect.<sup>19</sup> it does not hold to the objective principle, while from the story aspect or the explainer aspect. Second is that it does not give much attention the law nature. Actually the historian should have the thinking before about is the information talked will be happen or not. Third, the historian does not understand about law of social changing which is related to law of society. Fourth, the historian are still confuse to make sure about the goals of history. Actually, the historian should understand about the situation of his era, because every history opus should show the situation and perspective of human in that era.

With the explaining about the false which has done by the historian, actually Ibn Khaldûn has begun about scientific history. This history model has implemented by Leopold van Ranke (1795-1886) in 19 century in Germany, so depend on this condition it proves that Ibn Khaldûn has been the beginner that Ranke. In the perspective of Ibn Khaldûn, the history becomes rational, factual, and it is free from mythology aspect. Actually Ibn Khaldûn has shown low profile character which has balanced both of like or dislike side in history aspect.<sup>20</sup>

From 1375 M until 1378 M, he begun the writing of his monumental book in Gal'at Ibn Salamah, in a home in Oran. Because of he wanted to search some materials from books, he got the permission from Hafsid government to come back to

<sup>19</sup> Toto Suharto, *Epistemologi Sejarah Kritis Ibn Khaldûn* (Yogyakarta: Fajar Pustaka Baru, 2003), p. 160.

<sup>20</sup> Ahmad Syafii Maarif, *Ibn Khaldûn dalam Pandangan Penulis Barat dan Timur* (Jakarta: Gema Insani Press, 1996), p. 25- 26.

Tunis. He stayed there until 1382 M, when he went to Iskandariyah, he became the lecturer of law knowledge.

The concept of Ibn Khaldûn about the wealth of nation stated that the wealth of a country is not depend on the money distributed there, but it depended to the production level in that country and the positive payment measure. It may be that a country prints much money, but it is not the reflection of production improvement, its money does not have the value any more. Then, the production sector is the motor of improvement.<sup>21</sup>

He wrote many writings and product many perspective. He ever been the important position in Fez, Granada, and South Africa and he ever been the lecturer of al- Azhar University, Egypt.

There are some statements about Ibn Khaldûn from some scholars and thinkers. S.Colosia stated in his book *Contribution A L' Etude D'Ibnu Khaldoun Revenue Do Monde Musulman* that if his opinions about the social life made him becomes the pioneer of philosophy knowledge, then his understanding about the work position, the own, and salary makes him becomes the pioneer of economic modern knowledge.

Ibn Khaldûn has a wide range of discussions on economics including the subject value, division of labor, the price system, the law of supply and demand, consumption and production, money, capital formation, population growth,

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<sup>21</sup> Karim, *Sejarah Pemikiran*, p. 55



macroeconomics of taxation and public expenditure, trade cycles, agricultural, industry and trade, property and prosperity, etc. He discusses the various stages through which societies pass in economics progress. We also get the basic idea embodied in the backward-sloping supply curve of labor.<sup>22</sup>

## B. The Book of Ibn Khaldûn

There are two famous book as his opus:<sup>23</sup>

1. *Al-‘Ibar, wa Dîwân al-Mubtada’ wa al-Khabar, fi Târîkh al-‘Arab wa al-‘Ajam wa al-Barbar* book. This is history book which talked about the history about the beginning era, the ending era talked about the political situation related to Arabian, non Arab, *Barbar* and the kings in the same era. It has been famous as al- ‘Ibar. There are three volumes.
2. *Al-Ta’rif bi Ibn Khaldûn wa Rihlatuhu Syarqan wa Gharban* book. The western people called it the autobiography systematically with the scientific method, because it arranged in the chapters, but it related each other.

The most monumental of Ibn Khaldûn is *al-‘Ibar wa Dîwân al-Mubtada’ wa al-Khabar, fi Târîkh al-‘Arab wa al-‘Ajam wa al-Barbar*. This book is divided to seven volumes. The first is *Muqaddimah* (one volume), *al-‘Ibar* (four volumes) and *al- Ta’rif bi Ibn Khaldûn* (two volumes). Generally, this book talked about the general history of

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<sup>22</sup>Muhammad Nejatullah Shiddiqy, *Studies in Islamic Economics*, (Jeddah :International Centre for Research in Islamic Economics King Abdul Aziz Jeddah and The Islamic Foundation, 1976), p. 261.

<sup>23</sup> Fuad Baali and Ali Wardi, *Ibn Khaldûn dan Pola Pemikiran Islam* (Jakarta: Pustaka Firdaus, 2003), p. 20.



Arabian life, Jewish life, Greek history, Roman history, Byzantium history, Persia history, Goth history and other famous country in that era.

As the writer in that era, Ibn Khaldûn mixed opinion aspect. Such as philosophically, sociologically, ethically, and economically in his writing. Sometimes, he write poetry to make it beautiful. But actually Ibn Khaldûn was very arranged in following the logic context.

In *Muqaddimah* book as the first volume of *al-'Ibar*, he was appreciate with the history, but after that Ibn Khaldûn shows about some history's false when the writer does not care about the condition around him. Then, Ibn Khaldûn looks for something influenced from many aspect, such as physically environment, unphysically environment, social aspect, institutional aspect, and economist aspect.

There are some methodology of Ibn Khaldûn in writing *Muqaddimah* book. Ibn Khaldun can be regarded as the first scholar introducing what we call today as "scientific methodology". This can be seen from his methodology in writing *Muqaddimah*, in which he also elaborated economic problem and various economic issues. He used, according to our view, the following methods:<sup>24</sup>

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<sup>24</sup> Irfan Syauqi Beik and Laily Dwi Arsyanti, "Ibn Khaldûn's Contribution on Modern Economics Development: An Analysis based on Selected Economic Issues," e- journal ( Journal of Agriculture), p. 3-4.

1. Historical analysis: He always tried to show the relation or the link between the economic, social, and political events through careful review, examination, and analysis of historical events.
2. Sociological analysis: He used this analysis by examining the influence of social environment and behaviour on the economic behaviour and economic activity. For example, he said that a ruler needs to exercise his political leadership and get people to submit to him to the degree he desires and be satisfied, both with his intentions regarding them and with the fact that he alone has all the glory and they have none. This requires an extraordinary measure of psychology. He further said that “moving mountains from their places is easier for me than to influence people psychologically”. These statements give clear indicator that Ibn Khaldun included sociological factor as variable determining his entire analysis.
3. Ecological analysis: He preceded his age by five centuries in showing how the economic behaviour is influenced by the relations of mankind to other creatures and by the surrounding environment.
4. Induction and deduction: He has mainly relied on induction, showing a real proficiency in employing it. He showed real skill by taking sharp observations from practice on the studied phenomenon. Then by defining, screening and classifying these observations and depending on logical inference he tried to find out an explanation to the phenomenon or to set a rule as to its cause and effect. He employed deduction in dealing with some issues to build a rule upon some known facts, after examining the truth of these facts by pure logical reasoning.

Yet, dependence on deduction was not pure, as in the Aristotelian style, because of his frequent reliance on induction to prove the truth of the primary facts before building upon them.

It will be noticed that it was only Adam Smith (1723-1790) who followed a similar style to that of Ibn Khaldûn in his economic analysis. Yet, Adam Smith was not as proficient as Ibn Khaldûn in employing induction. The reader of the text of Ibn Khaldûn will notice that his sharp accuracy in taking observations from practice has enabled him to reach some profound economic rules which came to be discovered centuries later by classical and modern economists. The use of induction has influenced the world of science. Yet, today, thinking cannot be said as a theory unless it has been proven empirically through induction method.

Actually the main explanation of *Muqaddimah* is about history. But, actually Ibn Khaldûn also explain many other knowledge depend on his perspective which has opined because of the equilibrium happen in his era. Especially in economist aspect. He explains more about production, value, distribution, price, taxation, and many more about the economic aspect.

In *Muqaddimah* book, Ibn Khaldûn wrote in a special space about the prices in the town. He has divided the primary necessary and tertiary necessary. He has opined that if the development of city is increased then the population in the town is increased. So, the price of the primary necessary should be the main priority.

The effect of developing population there is the supply will be increased. It means that the price will be decreased. In other situation, the demand of tertiary necessary will be increase as same as the increasing of the town and the changing of lifestyle. So, the price of tertiary necessary will be increased.<sup>25</sup>

In the fact, there are some thinkers and also scholars who are appreciate Ibn Khaldûn's thought. Prof. Dr. Muhammad Nejatullah al- Shiddiqy the lecturer of King Abdul Aziz University, Saudi Arabia said that "Ibnu Khaldûn has a wide range of discussions on economics including the subject value, division of labour, the price system, the law of supply and demand, consumption and production, money, capital formation, population growth, macroeconomics of taxation and public expenditure, trade cycles, agricultural, industry and trade, property and prosperity, etc. He discusses the various stages through which societies pass in economics progress. We also get the basic idea embodied in the backward-sloping supply curve of labour."<sup>26</sup>

Jean David Bouloukia also said in his writing about *Ibn Khaldun: A Fourteenth Century Economist* said that, "Ibn Khaldûn discovered a great number of fundamental economic notions a few centuries before their official births. He discovered the virtue and the necessity of a division of labor before Smith and the

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<sup>25</sup> Adiwarman Karim, *Ekonomi Islam Suatu Kajian Kontemporer* (Jakarta: Gema Insani Press, 2001), p. 163.

<sup>26</sup> Agustiano, "Pemikiran Ekonomi Khaldûn" <https://shariaeconomics.wordpress.com/tag/pemikiran-ekonomi-ibnu-khaldun/>, it has accessed on 26 February 2011.

principle of labor value before Ricardo. He elaborated a theory of population before Malthus and insisted on the role of the state in the economy before Keynes. But much more than that, Ibn Khaldûn used these concepts to build a coherent dynamics.”<sup>27</sup> Beside them, Dr. Bryan S. Turner as the Senior Lecturer of University of Aberdeen, Scotland also said that, “ His writing (Ibn Khaldûn’s writing) about social and history is the only one from the intellectual tradition which is received by the Western people, especially for whom the expert who write in English.

Spengler compares and contrasts his Ibn Khaldun's theory of the cycle of civilization with Hick's theory of the trade cycle. Abdul Sattar said that the theory of economic development through the stages derived from the Ibn Khaldun. We get the macro economic trade "that in every city there is a balance between revenues (income) and expenditure and when both (income and spending) grew, it means growing city.

Shiddiqy noted, Ibn Khaldûn also discussed the importance of the demand side (demand), especially in overcoming lethargy state spending business and maintain economic growth. TB Irving also noted, that according to Ibn Khaldun, "taxes" in terms Protects has shrunk, and inject finance is necessary to keep the business running smoothly.

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<sup>27</sup> Agustiano, “Pemikiran Ekonomi Khaldûn” <https://shariaeconomics.wordpress.com/tag/pemikiran-ekonomi-ibnu-khaldun/>, it has accessed on 26 February 2011.

### C. Equilibrium price

#### 1. The definition

Price is the quantity of money which must be exchanged for one unit of a good or service. In addition, economists often use price in a broader sense to refer to anything, whether money or some commodity which has to be paid.<sup>28</sup>

The definition of price based on Kotler perspective is the money as the burden of a product or service, or the number value which is changed by the consumer for the benefits of using that product and service.

In analyzing of a market, the economy expert does not think more about the place of transaction happen, but they just see to the conceptually (or abstractly) they think more about the market is the meeting of the demand curve and supply curve.

The supply curve shows about the willing of the consumer, and the curve of demand shows about the willing of producer. So, for example is the market of rice is actually the meeting of the demand of rice and the supply of rice, the market of employee is the meeting of the demand and supply of employee itself.<sup>29</sup>

Price is the changing value which is same as the money or other goods to get the benefit from it for some one or the group in certain time and place. The price of some

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<sup>28</sup> Suherman Rosyidi, *Pengantar Teori Ekonomi Pendekatan Kepada Teori Ekonomi Mikro dan Makro* (Jakarta: PT. Raja Grafindo Persada, 1996) p. 290.

<sup>29</sup> Boediono, *Pengantar Ilmu Ekonomi No. 1 Ekonomi Mikro*, (Yogyakarta: BPPE- YOGYAKARTA, 2002) , p. 44.

goods or services can be changed with suitable to the market situation. Actually, the changing of price is usually happen in the market. The situation makes it happen.

In the law of demand, the consumer will do rationally, that is the consumer will increase his buying when the price is lower or decreased, he will decrease his buying when the price is increase or upper. It will happen to the law of supply , the seller or the producer will do rationally, that is will making his selling more when the price is increase, and he will decrease his selling when the price is decreased.

From both of reality bellows, the next problem is how to make the exchange happen. The answer is the exchange will be happen when the seller hold out to the price he decided or the price which give him many profits. Beside that the buyer also want to have the price which does not make him loss.

The process which is happen to both of the society wants will arrive to an agreement of price between the seller and the buyer. It happen when the buyer gives his selling good with some certain price, and the consumer want to pay the certain price. The price agreement which is happen bellow then takes the name as the equilibrium price.<sup>30</sup>

## 2. Supply and Demand

One of the most important tool of economic analysis is supply and demand. With this tool, the economist can analyze almost of aspect in economy, the two aspect that

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<sup>30</sup> Iskandar Putong, *Pengantar Ekonomi Mikro dan Makro* (Jakarta : Ghalia Indonesia, 2003), p. 42-43.



related to supply and demand as the tool of analyzing are price and the goods sold in the market.<sup>31</sup>

Depend on the consumer behavior, the consumer will respect about the changing of the supply of goods or the services. The price of the other goods as the complementary goods or the changing goods, the income and other, one aspect which is influence in that is the approach from supply.<sup>32</sup>

The demand shows about the number of goods demanded by the producer in some prices. The law of demand said that usually the curve of demand has a shape like as increasing from the left bottom side, and the top right side, it means that if the price of goods is increased than the number of goods supplied also increased in the market. Logically, it should be happen because the higher price will give more profit it should be possibility for them to produce the goods more and more. It also will be attract the producers in this effort.<sup>33</sup>

Demand is the quantity of goods which demanded in a market with certain price, in a period.<sup>34</sup> The concept of demand used to show the will of buyer in the market. The demand shows about the relation between the price and the quantity of goods supplied.<sup>35</sup> The other definition state that demand is the will of consumer to buy some

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<sup>31</sup> Yoopi Abimanyu, *Ekonomi Manajerial* (Bogor: Ghalia Indonesia, 2004), p. 14.

<sup>32</sup> Soeharno, *Teori Mikroekonomi* (Yogyakarta: C.V ANDI OFFSET, 2009), p. 13

<sup>33</sup> Boediono, *Pengantar Ilmu Ekonomi No. 1 Ekonomi Mikro*, (Yogyakarta: BPPE- YOGYAKARTA, 2002), p. 44.

<sup>34</sup> Iskandar Putong, *Pengantar Ekonomi Mikro dan Makro* (Jakarta : Ghalia Indonesia, 2003), p. 32.

<sup>35</sup> Sonny Sumarsono, *Ekonomi Mikro dan Soal Latihan* (Yogyakarta: Graha Ilmu, 2007), p. 21.

goods in some prices in certain period. The law of demand explains that if the price of goods is up, then the quantity of goods demanded will be down, or the opposite of it.<sup>36</sup> The explanation about the relation between demand with the price state that theoretically, if the number of demand of goods too much, then the price of goods should be increased. But, if the number of demand of goods too little, so the price will be decreased.

The situation when the number of demand of goods so little, then the price will be decreased can be explained with some reasons. First, the available goods in producer is not enough for all of demand of that goods, then to limited the number of buying, the producer will increase the price of selling for it. Second, the seller will use the occasion to increase his income within increasing the price.

In the other hand, the opposite situation when the demand is too little so, the price will be decreased. It can be proved by some reasons. First, the available goods in the seller is too much, so when the number of demand is little, the producer will sell his product as long as his capability to sell it with decreasing the price. Second, the producer will increase his income within the quantity of selling. Then, the theory of demand said that the straight equivalent of demand to the price will happen when the demand is increased, so the price is also increased. But, if the demand is decreased, then the price will be increased too.<sup>37</sup>

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<sup>36</sup> Masyhuri, *Ekonomi Mikro* (Malang: UIN-Malang Press, 2007), p. 76.

<sup>37</sup> Iskandar Putong, *Pengantar Ekonomi Mikro dan Makro* (Jakarta : Ghalia Indonesia, 2003), p. 33.

Beside the demand of product, the supply of product also should be explained. The definition of demand is the quantity of goods which supplied by the seller in the certain market in the certain period with the certain rating of price. There are some factors which are influence the seller or producer in demanding his product in certain market, they are the price of goods or product, the price of other goods, the cost of production, the purpose of production and the technology.<sup>38</sup>

If some factors influenced the rating of demand should be constant without the price of product, it means that (the price of other goods is constant, the cost of production and the price of production also constant, the goal of production is constant, the technology also constant) then, the demand is established by the price. It means that the changing of demand is actually determined by the changing of price. In this case the straight equivalent of price and demand. As the original concept from Alfred Marshall, then the straight equivalent is the law of demand.

Then, the law of demand is the straight equivalent between the price and the quantity of goods supplied, when the price is increased, so the supply will be increased, in opposite, if the price is decreased so the supply also will be decreased.

The other situation shown about how the relation between the supply and price. While this situation also makes some explanation about the reason in implementing the law of supply. If the supply of some product is too much, then there will be some

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<sup>38</sup> Putong, *Pengantar Ekonomi*, p. 38.

conditions. First, the available goods in the market is enough for completing all of the supply, then for making easy the selling, the seller would decrease the price of product. Second, the seller will have effort to increase his income and develop his profit as fast as he can within add the number of sold product.

In the opposite of that condition is when the supply of product is very low in certain market, so the price will increase. This situation can be explained by some reasons. First, the available goods of producer or seller is very low, so when the number of supply stability, the producer will sell his product within increasing its price. Second, the producer or seller just increase his profit with increasing the price.

The theory which explain about the relation between the supply with the price is the positive statement which is called the supply theory. So the theory of supply is the upside down equivalent between the supply with the price, it happen when the supply is increase, so the price will be decreased, in the opposite when the supply is decreased, then the price is relatively increased.

The explanation about the supply and demand theory in Islam is involved to the concept of needed, the allocation of sources to fulfill the necessary, and the concept of the choice of consumption depend on the values of Islam. Depend on the statement of M. A. Mannan, the theory of production is about the theory of supply. Beside that, the theory of demand is actually related to the theory of consumption.<sup>39</sup> If the

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<sup>39</sup> M. Abdul Mannan, *Teori dan Praktek Ekonomi Islam*. terj. M. Nastangin (Yogyakarta: PT. Dana Bhakti Prima Yasa, 1997), h. 44.

consumer of a goods is increase, both of in meaning of using consumptively or productively, then the supply of that goods also will be increase. It affects to the burden for adding the production.

The adding of the supply of goods is actually cause of the high lifestyle and the civilization of human and it effected to the physiological necessary will be loss. The high willing, the selfish, the pushing to do dominant action and to be number one from other person also pushes the human beings to have the high necessary, and the demand of the goods also will be high. The glamour life will show about the increasing of necessary of human and it affects to the measure of live and the price of every goods in the market.

Actually Islam does not forbid to do the consume action which is influenced by the supply and demand too within the good wealth to get it, but Islam also remembering that for consuming goods, every people should know about the condition of their economy. Because the theory of demand in Islam is actually not just to fulfill the necessary or the willing of human but to fulfill the true necessary of human and it forbidden to do wasting, or being arrogant people because Islam asks every people to consume enough as same their needed.

3. The factors influenced the equilibrium price which are related to the supply and demand.

There are some factors influenced to both of supply and demand. They are will be explained after:

- a. The price of that goods or product

As the effect of the changing of price, within the assumption that the other factor is constant, then the number of goods demanded will be changed. This is popular by law of demand, when the price increased, then the consumer will move to the other goods or product which is cheaper than that product. In the opposite, when the price is decreased, so the consumer will move from the expensive product to the cheaper product.<sup>40</sup> So the relation between the quantity of goods or product demanded with the price of goods or product is negative.<sup>41</sup> Then, it should be fact, that the price of goods or product and the service is influence the equilibrium price.

- b. The income of consumer

Because of changing of the income, the number of goods demanded will be changed too (within the assumption that the other variable is constant). If the increasing of price pushes the increasing of demanded of product, that product is called normal product. Then, the relation between income and goods is positive.

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<sup>40</sup> Yoopi Abimanyu, *Ekonomi Manajerial* (Bogor: Ghalia Indonesia, 2004), p. 15.

<sup>41</sup> Masyhuri, *Ekonomi Mikro* (Malang: UIN-Malang Press, 2007), p. 77.

When the increasing of income pushes the decreasing of demand of goods, then the goods is called as inferior goods, within the assumption that the other factor is constant.<sup>42</sup> The rating of income of consumer shows about the buy ability of consumer. If the consumer's income is higher, then the demand of product also will be higher because the buying ability is increased. Because of the kind of goods in related to income are two, normal goods or inferior goods, then the relation between the quantity of product demanded and the income also two, the positive relation for the normal goods and the negative for inferior goods (the demanded product is lower, if the income of consumer is increased).

c. The price of related product

The goods and consumption can be related each other in two shapes, there are substitution goods and complement goods. For the substitution, the increasing of price for certain goods will push the increasing of substitution goods (with the assumption that the price of substitution is constant). For the example if the price of *Pepsodent* toothpaste is increased, with the assumption that the price of *Colgate* is constant, so the demand of *Colgate* will be increase. The decreasing of *Pepsodent*'s price will decrease the demand of *Colgate*. The other example, if the rice substituted by the corn. When the price of rice is increase, in this situation the demand of corn will be increased because the corn as a good substitution product for changing rice (with the assumption that the price of corn is constant). For the complemener goods,

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<sup>42</sup> Abimanyu, *Ekonomi Manajerial*, p. 15- 16.



actually this goods is needed for completing the certain goods. For example the increasing of outer tire will decrease the demand of inner tire with the decreasing of outer tire (within the assumption that the price of inner tire is constant. The other example if the sugar is the complement of coffee. When the price of sugar is increase, so the demand of sugar is decrease, the same situation will be happen with the decreasing of the demand of coffee. Because sugar is the complementary goods for coffee.<sup>43</sup>

d. The estimate of price of goods in the future era

The expectation of consumer also influenced the demand of goods, especially the expectation about the price of goods in the future. For example the consumer assume that the price will be increase next month, so the demand will increase in this period. In the opposite, if the price expectation will be decrease next month so the demand will be decreased this period. So the relation is positive.

e. Taste

The taste also influenced the quantity of goods demanded by the consumer (with the assumption that the other factor is constant). As the taste or habbit in consuming the rice, or corn and other goods. Actually the usual measure in ordinal scale are 1-5, 1-10 (this scale named by dislike until very like. The relation between the number of goods demanded with the taste is positive.

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<sup>43</sup> Masyhuri, *Ekonomi Mikro* (Malang: UIN-Malang Press, 2007), p. 78.

f. The number of population

The number of population is influenced to the demand of product. When the number of society is increase, then the demand of product or service will be increase too. The meaning of population here is the potential consumer in consuming the product. So, the relation of the number of population with the potential consumer is positive.

g. The effort of the producer in improving the selling

The effort of the producer in improving the selling, such as the promotion with the advertisement will push to add the number demanded product. The other way is giving some gift or achievement for the consumer also will push the demand product. Then the relation between the variable of the number of goods with the advertisement, attribute, or gift is positive.

h. The distribution of income

This condition is about some group of society powered the economy, which is become the reason for them to have the selling ability more than other group. Then for the selling ability of other group lower than them, so it is influenced with the demand of goods. Then, it should be stated that with the expectation of consumer for their income in future will make the demand of goods increased, because they have

good expectation for it. So, the relation between the distribution income variable with the demand of goods is positive.<sup>44</sup>

i. The expectation of goods available

The expectation of goods and service available in the future is mostly happen. The society should predict it. The available of goods in the future with the demand of goods has negative relation. It means that if the available of goods in the future is much, so the demand of goods will be decreased. In the other situation, if the available of goods is little, then the demand of goods is increased. This reality happen because of there is the worry in consumer about the available of goods.<sup>45</sup>

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<sup>44</sup> Masyhuri, *Ekonomi Mikro* (Malang: UIN-Malang Press, 2007), p. 79.

<sup>45</sup> Masyhuri, *Ekonomi Mikro*, p. 79-80.