

The Role of the Islamic Economic System in Tackling Global Economic Recession in the COVID-19 Era

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Abstract. Since the Covid-19 outbreak, several countries have experienced paralysis and even experienced an economic downturn due to several regions making lockdowns causing various economic problems, including inflation and uneven distribution of logistics. This paralyzed economic activity can trigger a global economic crisis if it is not dealt with quickly. This study aims to provide alternative solutions to the problems of the global economy in the Covid-19 Era. This research method is qualitative with a literature review from various reading sources. The hope of the results of this study is that the Islamic economic system can provide alternative solutions to the problems of the global economy in the COVID-19 era.

Keywords: economic, islamic economy, recession, global crisis economy, COVID-19

1 Introduction

The World Economy is currently in shock. Since the Covid-19 pandemic occurred, various community activities have been hampered by preventing the spread of the Covid-19 outbreak from spreading. The domino effect of the multidimensional crisis has succeeded in paralyzing the economy. In addition, vital activities such as schools, offices, several companies etc. are closed also contribute to the economic "congestion". This effect got worse when the government set PSBB in various regions, so that the community was increasingly limited in carrying out economic activities. As a result, public opinion decreased which resulted in decreased purchasing power. Many companies have been forced to "go out of business" because they have not been able to survive the current conditions. The decreasing purchasing power of the community causes the company to make production efficiency including employees by laying off employees. According to the Team of Economic Experts from the Task Force for the Acceleration of Handling Covid-19 from Economics and Business, University of Indonesia, Dr. Beta Yulianita Gitaharie said that workers affected by layoffs in Indonesia had reached 6 million in the formal sector which came from data from the Chamber of Commerce and Industry [1]. Apart from the increase in layoffs, factors such as the poverty rate, decreased purchasing power of the people and the weakening of the international trade balance have become indicators of a continuing recession.

Badan Pusat Statistic (BPS) has recorded that Indonesia's economic growth in the second quarter of 2020 reached minus 5.32%. Previously, Indonesia's economic growth rate grew positively 2.97% in the first quarter of 2020 [2]. Negative growth was due to large-scale social restrictions (PSBB) that hampered various economic activities, which was marked by a sharp decline in household consumption because some people saved and prioritized basic needs so

that ultimately it also affected the declining manufacturing industry and a downward trade sector [3]. The most difficult impact that people will face and feel in a recession situation is an increase in the unemployment rate, where the subsequent impact is an increase in poverty and hunger.

This recession did not only occur in Indonesia, but also occurred in various countries. For example, the United States is entering into the abyss of recession, where Uncle Sam's country recorded a negative growth of up to 32.9 percent in the second quarter of 2020, dragging the superpower into a recession phase after recording negative growth of -5 percent in the first quarter of 2020 [4]. Apart from Uncle Sam's country, the Singapore economy also recorded a contraction of 42.9 percent (quarter to quarter) in the second quarter of 2020 [5]. The British economy also experienced a contraction of up to 20.4 percent in the second quarter of 2020 when compared to the previous quarter caused by the corona virus pandemic (Covid-19) which made the government implement a policy of total isolation or lockdown. Another country that is also experiencing a recession is Germany. The German Federal Statistics Office stated that Germany's economic growth was minus 10.1 percent in the second quarter of 2020. In the previous quarter, German economic growth was reported to be minus 2 percent and was the lowest since the Federal Statistics Office collected data on German economic growth per quarter in 1970 [6]. Meanwhile, in developing countries, there has not only been a sharp decline in the number of layoffs and unemployment, but the poverty rate and the number of people experiencing depression are increasing.

Various ways have been done by the government and economic experts to overcome the recession that has become increasingly sharp. However, what happened was a pseudo-pragmatic solution that brought the country into a deep recession. In order to find a solution in an economic recession that has occurred massively and globally, the economic system of capitalism today is unable to play both fiscal and monetary instruments as has been done so far to face economic crises cyclically and continuously. The fiscal and monetary policies undertaken by the government to suppress the negative rate of recession by lowering various tax rates and lowering interest rates proved unsuccessful in moving the country's economy which had stalled. In addition, the New Normal policy has no visible effect in moving the wheels of the economy, purchasing power has never increased, production cannot be increased because the threat of an outbreak can not be predicted to be broken down from any area and tends to fluctuate and tends to endanger the safety of the community because it is feared the spread of the virus increasingly widespread.

The economic system of capitalism, which focuses on obtaining numbers and detecting the parameters of its achievement, will in the end always hinder in solving problems. Meanwhile, an Islamic economy that focuses on individual level achievements will detect irregularities or economic problems quickly before they get worse. With a description of the recessions that occurred consecutively in various countries when capitalism was applied and exacerbated by the Covid-19 pandemic, as well as the Islamic Economy solution in solving the economic crisis, the author is interested in researching "The Role of the Islamic Economic System in Global Tackling. Economic Recession in the Era of COVID-19 ". This study aims to understand and describe the role of the Islamic economy in overcoming the global economic recession in the Covid-19 era. The research method used is literature review with various reading sources from journals, research articles and books related to Islamic economics.

2 Research Method

2.1 Researcher's presence

Researcher as the main instrument, where this research is directly involved in analyzing source review studies of literature, books, reports and notes related to the problem to be resolved as well as various accredited journal articles both nationally and internationally which related to economic material in general and Islamic economics in particular.

2.2 Data analysis technique

The data analysis technique used the Miles and Huberman model. According to [7] the analysis consists of three streams of research activities that occur simultaneously and continuously, namely: data reduction, data presentation, drawing conclusions / verification.

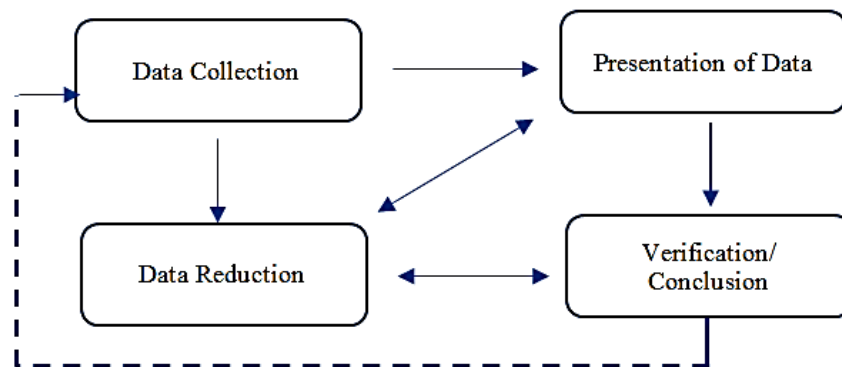


Fig. 1. Flow of Research Data Collection.

3 Research Results and Discussion

3.1 Facts and Analysis of Global Economic Problems

A recession is a condition where economic activity has slowed significantly for several months and is characterized by negative economic growth for at least two consecutive quarters. A recession has an impact that will certainly be felt in a country and the impact that is felt is domino on the economic activity of a country. With the PSBB (Large-Scale Social Restrictions) policy, a country's economic activities will be limited, resulting in a decrease in buying and selling due to limited access and decreased income causing people's purchasing power to also decline coupled with falling investment in the middle of a recession, so that a number of jobs will disappear thus causing the number of layoffs to increase and result in increased unemployment.

According to Economist and Research Director of the IMF Gita Economist and Director of Research of the IMF, Gita Gopinath, said that no country has survived the crisis caused by the Covid-19 pandemic [8]. Even a country that claims a superpower like America cannot escape the crisis that has hit. In this week alone, to overcome the crisis, the US government made a pragmatic policy by printing trillions of dollars in order to finance the depravity of the country

in the face of a pandemic quoted from an article entitled "Money losing its Meaning". China also did not escape from the threat of a crisis in which China was in the second best position to decline.

The results of the IMF projection which states that the world's economy will increase by 2.3 percent this year has been revised to negative. The International Monetary Fund (IMF) estimates that losses due to the coronavirus (covid-19) pandemic will reach US \$ 9 trillion in 2020-2021, or the equivalent of Rp. 144,000 trillion (exchange rate of Rp. 16,000 per US dollar) [9]. The deteriorating economic atmosphere is predicted to last into the next quarter and continue until 2021. You can imagine the challenges and obstacles that Indonesia will face in the next year to restore Indonesia's economy.

The economic system of capitalism, which focuses on achieving numbers in detecting indicators of economic achievement, will ultimately hamper and be late in solving problems. Various attempts were made to "patch" the damage caused by the application of capitalism. The policy that was taken started with the PSBB by stopping vital activities such as eliminating offline learning, closing several offices and limiting company activities. The 'New Normal' policy has also not been able to solve the world's economic problems, in fact it has brought the economy down further and the threat of the spread of the Covid-19 virus is uncontrollable due to the easing of human activities.

Efforts to overcome the economic recession that has occurred globally, the economic system of capitalism today has not been able to carry out fiscal and monetary instrument efforts as it did when facing a cyclic economic crisis. A recession is characterized by weakening income, reduced levels of production, skyrocketing or falling prices for goods and increased layoffs. Then, why are some countries vulnerable to recession? Even the recession happened over and over again. The implementation of the economic system of capitalism is the main cause of the economic downturn due to the recession. The economic system based on usury or the stock market and the income of a country relies on income from taxes and debt and does not rely on the real economic sector. The capitalist system also eliminates regulations regarding ownership, both individual ownership, public ownership and state ownership. So it is prone to property monopoly because it is controlled by capital ownership where only people who have large capital can control strategic assets belonging to the community. Not only that, large capital ownership can affect a country's economic policy. As a result, there is a natural resource liberalization policy, which proves that there is a large influence from a number of people who own capital or are called corporations.

Since its birth, the capitalist economic system has never been separated from crisis. The IMF stated that in a period of 30 years, there were more than 100 crises. The most famous financial crisis was in 1929, when the United States stock exchange collapsed resulting in recession and stagnation worldwide. Historically, the economy of capitalism has been very vulnerable to crises. The capitalist system cannot be separated from the innate defects of this system, which is based on aspects of secularism and liberalism. The economic system is very fragile and tends to be self-destructive, so it is always problematic like a crisis that occurs repeatedly. The basic principle error of the economic crisis is that it is not based on the correct creed, namely the creed which realizes that everything comes from the Creator. Thus, all systems related to the fulfillment of human needs come from the human Creator. Because only Allah SWT knows the ins and outs of human needs as well as the details related to humans so that humans get the best things for them that are in accordance with their nature as a human being. The Islamic economic system solves problems based on basic human characteristics, namely satisfying human reason, according to human nature and reassuring hearts.

3.2 Islamic Solutions in Resolving the Global Recession

3.2.1 Creating a Healthy Economy

The recession that occurred in the Pandemic era was a continuous result when the Capitalism system was applied. Before the pandemic era, economic inequality also occurred, which was then exacerbated by the emergence of the Covid-19 pandemic. The capitalist system, which negates religious arrangements in life and is closely related to the material in the form of capital power, has caused the economic crisis to enter into a deepening abyss. Islam is a religion that has a complete life guide for humans. both those related to supra system policies such as economy and politics, as well as sub-systems such as education, health, etc.

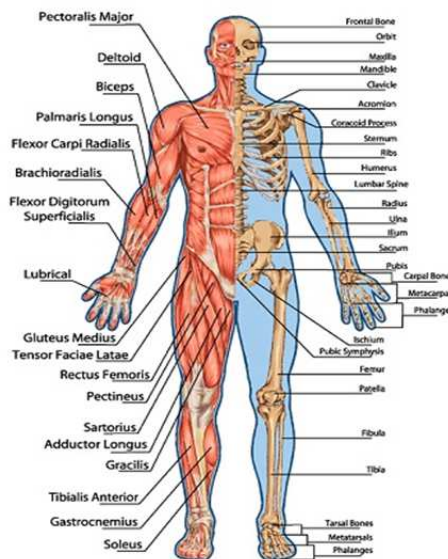


Fig. 2. Description of a Healthy Human

In dealing with problems in the economic sector, we should create an economy so that it can be said to be "healthy". An indication of a healthy economy is a circulating or perfectly distributed money flow. This means that the flow of money circulates to all levels of society normally and smoothly to realize the exchange of goods and services in human life [10]. In another sense, the flow of money in circulation corresponds to the exchange of goods and services in the real sector. Meanwhile, in the non-real sector there is no flow of money. The flow or circulation of money running normally and smoothly can be an indication of creating a healthy economy. The healthy economy is analogous to a healthy human being [11].

The human body is said to be healthy if the blood flow can circulate to all parts of the human body smoothly and normally, both the flow from the blood upward, namely from the heart to all parts of the head, then back to the heart. This also applies to the flow of blood from the heart throughout the lower body to the ends of the legs, then back to the heart. That is said to be a healthy economy. Conversely, if the flow is abnormal or there is an obstacle / constriction, it is said that the body will be sick.

Thus, the existence of blood and the smooth flow of blood throughout the human body are the key words for the realization of human health. That's a simple picture for the human body to be said to be healthy. The economy in a country can be analogous to the body, where an indication of its health is largely determined by the presence of blood and blood flow. The blood for an economy is money and the bloodstream of the human body is the flow of blood in the human body. Thus, money will rotate to realize the exchange of goods and services in human life [12]

From this description, we can see how important the money flow problem is. As important as the issue of blood flow to the human body, so too is the importance of the flow of money for a country's economy. The economy can be said to be healthy if money can flow to all parts of the country to remote villages that are difficult to reach and very far from the capital city. Various economic transactions can take place smoothly and normally because money can be lubricated or smoothed [13]. The human body is said to be healthy if the blood flow can circulate to all parts of the human body smoothly and normally, both the flow from the blood upward, namely from the heart to all parts of the head, then back to the heart. This also applies to the flow of blood from the heart throughout the lower body to the ends of the legs, then back to the heart. That is said to be a healthy economy. Conversely, if the flow is abnormal or there is an obstacle / constriction, it is said that the body will be sick.

Thus, the existence of blood and the smooth flow of blood throughout the human body are the key words for the realization of human health. That's a simple picture for the human body to be said to be healthy. The economy in a country can be analogous to the body, where an indication of its health is largely determined by the presence of blood and blood flow. The blood for an economy is money and the bloodstream of the human body is the flow of blood in the human body. Thus, money will rotate to realize the exchange of goods and services in human life [14]. From this description, we can see how important the money flow problem is. As important as the issue of blood flow to the human body, so too is the importance of the flow of money for a country's economy. The economy can be said to be healthy if money can flow to all parts of the country to remote villages that are difficult to reach and very far from the capital city. Various economic transactions can take place smoothly and normally because money can be lubricated or smoothed [15].

On the other hand, for a 'sick' economy, money only circulates at certain points, for example only in the capital city which results in difficulties in getting jobs, raw materials, access to goods and services, access to educational facilities, health, transportation facilities and so on. etc. With the obstruction of access to the flow of money, social problems can arise, such as a decrease in people's purchasing power which results in poverty and unemployment. After obtaining a description of the description of a healthy economy, it is necessary to make efforts to create a healthy economy.

3.2.2 Towards a Healthy Economy

To realize a healthy economy, of course, requires the role of the state as implementing policies. The role of the state in this case is the role directly played by the state in distributing money to all people without exception, both people in urban areas and people living in remote villages. In restructuring the country's economy, rearranging macro and micro economic policies becomes something important. The offer given by the Islamic Economy as a solution to a multidimensional crisis is an important matter to know and hopefully can be applied to the economic recovery of countries in the world. The macro and microeconomic policies applied in Islamic economics to resolve multidimensional crises are as follows:

a) Rearrangement of the Monetary System

In rearranging the monetary system, what was done was to make the currency value stable from inflation and anti-crisis. Maintaining the value of the currency to remain stable is maintained by monetary policy by replacing currencies that have anti-inflation properties where those currencies are substance-based or have intrinsic value and have intrinsic value, namely gold and silver. Thus, paper currency which has no intrinsic value must be abandoned because it is susceptible to inflation causing a crisis and is vulnerable to being a hegemonic tool for the West in the neoimperialism policies implemented in its colonies.

b) Reorganization of the State Financial System

A capitalism-based financial system that relies on tax revenues and debt does not provide significant income for the state, instead it makes it dependent on other countries. In addition, natural resources managed by the private sector, both domestic and foreign private companies, have eliminated the rights of the people in obtaining them, so that the gap is widening between those who have capital power and civilians. In fact, taxes and debt as a basis for state revenue do not provide adequate welfare for the community and even result in dependence on other countries. Such a mechanism is what makes the Islamic state into a debt trap.

As for the Islamic economic system which has been implemented for 13 centuries, it has contributed greatly to the state and has independence from other countries. The source of financial income comes from the management of public ownership (*milkiyyah ammah*) such as mining materials, forest sea and other people's assets with the state only as the manager and the results are returned to the people in the form of providing public facilities such as schools, mosques, fields, etc. In addition, another income is the management of state property in the form of *kharaj*, namely levies from the state on productive land. Income from *zakat* with special spending arrangements is for eight *mustahik zakat asnaf*. A large income can be seen from the leadership of the Abbasid Caliphate under the leadership of Harun Ar Rasyid, which has an income surplus of the Indonesian state budget, which is more than 2000 trillion. Thus, the state income at that time was even greater.

c) Fiscal Policy Reset

Reorganizing fiscal policies relating to the system of state revenues and expenditures. Including taxes and debt as the main source of state income which results in economic instability because it is burdensome to the public and debt to foreigners can lead to foreign domination in regulating economic policy. Thus, taxes are eliminated as the main source of state revenue and are only used in extraordinary situations in the form of natural disasters or epidemics and are aimed at the wealthy among the rich (*aghniyya*). When conditions stabilize, the tax is stopped. In addition, maximizing economic transactions in the real sector and eliminating non-real sector economic transactions will reduce the tendency to experience recession and even crisis.

d) Rearrangement of the Asset Ownership System on Earth's Surface

In Islamic economic arrangements, there are ownership arrangements, namely public ownership, state ownership and individual ownership. The current state asset ownership policy is restructured by not giving it to the private sector, both domestic and foreign. Public

ownership is the ownership of goods with a syar'i permit for the community to jointly utilize an item or property, while the state only acts as manager. Objects that are included in public ownership are public facilities where if they do not exist in a country, it will cause disputes to find them, an unlimited number of mining goods and natural resources whose formation prevents individual ownership of individuals. State ownership is property which is the right of all Muslims while its management is under the authority of the state. Items which are included in state ownership are Kharaj, Fai, Jizyah, etc. Meanwhile, individual ownership is obtained from human efforts to acquire wealth through one's own hands. With the sharing of ownership, avoiding wealth is only distributed to some people such as those who have the power of capital.

e) Prepare a Special Post to Prevent Crisis Due to Natural Disasters or War

When a non-natural disaster occurs, such as the current Covid-19 pandemic, the country has cash for emergency response in tackling the outbreak so that it can avoid a sudden hunger crisis. Disaster management posts are obtained from the baitul mall treasury to provide various needs for the community such as good and free health service financing, assistance for basic needs for the community, support for adequate education to carry out online learning effectively and efficiently. The disaster management post from the Baitul Mall Cash Office is only used in urgent situations. In addition, the state motivates the people to give alms, especially for the rich (*aghniyya*) to give alms with assets to alleviate the hardships of life due to the pandemic.

f) Rearranging Micro Economic Policies

The aspect of wealth distribution is something that needs to be considered in analyzing economic problems. The concentration of wealth on the few people will lead to greater inequality. Thus, the distribution of wealth should spread to all levels of society by taking a social approach (zakat, donations, inheritance, etc.) and commercial aspects (buying and selling, leasing, cooperation, business). In addition, optimizing the distribution aspect is done by eliminating all hoarding practices. Rearranging economic activities between individuals and entrepreneurs is part of microeconomic policy. The Islamic system prohibits the practice of usury and all transactions that violate the rules of the Sharia. Lack of capital can be resolved by performing a syirkah contract between individuals, either a mudharabah contract or other contracts. In the current pandemic era, the state is present by providing capital in the form of grants or loans without being charged with interest or usury. Meanwhile, the use of the baitul mall will be maximized as a substitute for the Central Bank. After regulating state governance in overcoming the crisis, there are efforts made by individuals to contribute to solutions to unravel the recession, namely:

First, regulating family financial spending by using the principles of the lifestyle of the Prophet Muhammad. The lifestyle exemplified by the Prophet Muhammad is a simple lifestyle, prioritizing needs rather than desires, promoting recommendations for halal goods and abandoning haram items and ignoring human views are the keys to success in achieving these things. *Second*, regulate daily expenses based on income. When an epidemic hits, it results in a decrease in the income of a family so that a process of pruning some of the needs in the previous expenditure must be carried out to match the existing income. *Third*, keep spending sustenance by investing in wealth, both in the field and in a narrow situation. God

willing, the pandemic is not an obstacle to achieving blessings in sustenance. Allah knows best.

4 Conclusion

From the description that has been described, the people should miss a country that has a strong mission and vision to become an independent country and free from the shackles of capitalist hegemony that seeks to grab the country's wealth. As well as believing that Allah SWT has bestowed humans with a complete set of life rules as an introduction to achieving happiness in this world and the hereafter. Among them by implementing everything that Allah SWT has ordered, especially to overcome the crisis in the current pandemic era. The ways adopted by the Islamic economic system to cope with a recession in the midst of a pandemic are as follows: restructuring the monetary system, restructuring the country's financial system, restructuring fiscal policy, rearranging the system of asset ownership on the surface of the earth, preparing special posts to prevent crises due to natural disasters or war, restructuring micro-economic policies. Everything will be done if the Islamic system is implemented perfectly in all aspects of human life. Thus, the vision of Islam as a blessing for all nature can be realized. Allah knows best.

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