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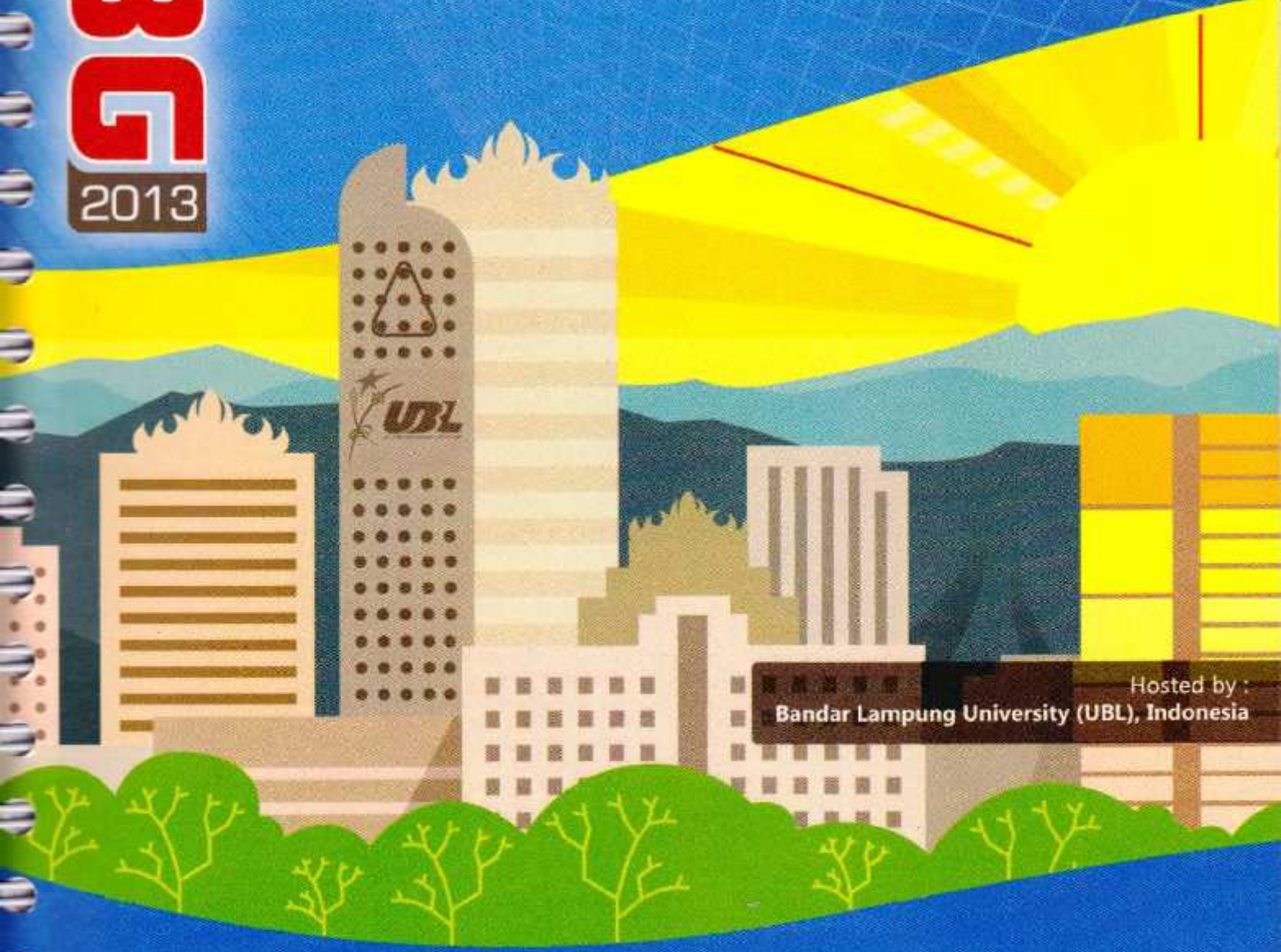
THE FIRST  
INTERNATIONAL CONFERENCE ON  
**LAW, BUSINESS  
& GOVERNANCE**

**23-24**

OCTOBER 2013  
BANDAR LAMPUNG  
UNIVERSITY (UBL),  
INDONESIA

**ICON-UBG**

2013



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**PROCEEDINGS**

# Icon-LBG 2013

THE FIRST INTERNATIONAL CONFERENCE  
ON LAW, BUSINESS AND GOVERNANCE 2013

22, 23, 24 October 2013  
Bandar Lampung University (UBL)  
Lampung, Indonesia

## PROCEEDINGS

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## **PREFACE**

The Activities of the International Conference are in line and very appropriate with the vision and mission of Bandar Lampung University (UBL) to promote training and education as well as research in these areas.

On behalf of the First International Conference on Law, Business and Governance (Icon-LBG 2013) organizing committee, we are very pleased with the very good response especially from the keynote speaker and from the participants. It is noteworthy to point out that about 67 technical papers were received for this conference.

The participants of the conference come from many well known universities, among others : International Islamic University Malaysia, Utrech University, Maastricht University, Unika ATMA JAYA, Universitas Sebelas Maret, Universitas Negeri Surabaya, Universitas Jambi (UNJA), Diponegoro University, Semarang, Universitas 17 Agustus 1945 Jakarta, Universitas Bandar Lampung, Universitas Andalas Padang, University of Dian Nuswantoro, Semarang, Universitas Terbuka, Universitas Airlangga, Bangka Belitung University, President University, Tujuh Belas Agustus University Jakarta, International Business Management Ciputra University, Surabaya, University of Indonesia, Business School Pelita Harapan University, STIE EKUITAS, Bandung, STAN Indonesia Mandiri School of Economics Bandung, Lampung University.

I would like to express my deepest gratitude to the International Advisory Board members, sponsor and also to all keynote speakers and all participants. I am also gratefull to all organizing committee and all of the reviewers who contribute to the high standard of the conference. Also I would like to express my deepest gratitude to the Rector of Bandar Lampung University (UBL) who give us endless support to these activities, so that the conference can be administrated on time

Bandar Lampung, 22 October 2013

**Mustofa Usman, Ph.D**  
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**22, 23, 24 October 2013**

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## THE ECONOMIC OF UMAR BIN KHATT B POLICY IN MODERN ECONOMIC POLICY

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### Abstract

Along with the famous term of the shari'ah economics in Indonesia today, many financial institutions are using Shari'ah-based system. Ranging from syari'ah banking, syari'ah hotels, syari'ah supermarkets, etc. In fact, it shows the amount of interest in addressing public demand for the implementation of shari'ah system in financial institutions and businesses. The Islamic economists face big challenges, that's disability of shari'ah economics implementation. It means the economic policy can not be applied by Shari'ah system optimistically at stage of government policy.

The economic of Umar bin Khattab policy is reasonable as a comparator (comparison tool) because he was a proper and powerful head of government in managing the government, he is also a successful entrepreneur, as well 2<sup>nd</sup> Kholifah, at which time the majority of its policies relating to the economic radicalization.

The purpose of this study was to determine the economic of Umar bin Khattab policy and analyze its relevance to the context of the current economic. The method of analysis is used qualitative study by a thematic approach to observe and analyze each Umar bin Khattab policy which on occasion of economic. Then it is combined with library research by reading the works of Umar economic policy. Data processing techniques is used the content analysis method, to make inferences Umar economic policy. Then analyzed to obtain the relevance of the development policy.

The results of this study is indicating that some economic policy during the reign of Umar has been adopted by most countries in the world with improvement in certain parts in accordance with its time. This suggests that the current economic policy of Umar bin Khattab still relevant if implemented on a modern economy.

*Keywords:* policy, economy, Umar bin Khattab.

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### 1. INTRODUCTION

Along with its booming trend "Syari'ah Economic" in Indonesia today, it has an impact on the emergence of many financial institutions that use Syari'ah-based system. Ranging from banking, hotel, convenience store or supermarket to Syari'ah. This fact is attributed to the magnitude of the public demand Syari'ah system. The biggest challenge faced by the Syari'ah economic is the fact that the Shari'ah current economic policy can not be applied (not to touch) on the stage of government policy.

Such as the world economic recovery after the financial crisis and global recession on 2008, the world economy faced back on the European debt crisis and the slowdown in the world economy. However, Indonesia's economic growth in 2012 to reach 6.23 percent was still dominated by household spending grew 5.28 percent, 1.25 percent government consumption expenditure, gross fixed capital formation 9.81 percent, 2.01 percent of exports, and imports of 6.65 percent (*Bappenas, Economic Outlook 2013*).

Based on the current data about the growth of the Indonesian economy, presumably Syari'ah economic policy have no contribution in modern economic growth? Therefore, it seems urgent to discuss about some of the economic policies that have been done by Kholifah Umar bin Khattab during his reign (caliphate). And how do economic policy of Umar Bin Khattab still relevance to the context of today's economy?

The economic of Umar bin Khattab policy is reasonable as a comparator (comparison tool) because he was a proper and powerful head of government in managing the government, he is also a successful

entrepreneur, as well 2<sup>nd</sup> Kholifah, at which time the majority of its policies relating to the economic radicalization.

Umar bin Khattab thought and ideas about economic policy has been to contribute and benefits to modern economic studies. Of course, it is important to be studied and look in the mirror to see historical events through writing and thinking, the point equality conditions, social-religious setting of the future caliphate Kholifah Umar at the present context should be taken into consideration for the current government to set up a modern economy.

**Previous Research.** Previous Research underlying this research include, research conducted Monzer Kahf in his “Principles, Objectives, And Tools Of Market Regulation in Islamic Perspective” reveals that government regulation is needed by the economy, but to a minimum and bring to the public interest (Kahf, 2000).

Second, Jaribah Ibn Ahmad Al Harris in “Economic Fiqh of Umar bin Al-Khattab” said the Kholifah Umar bin khattab took a policy decision to delay a special zakat on livestock due to the crisis in *Ramadah* with many cattle died. It is related that the Kholifah Umar ordered the managers of the charity (*amil*) at the time of crisis *Ramadah* with his order, “Give alms (*zakah*) to the people during this crisis still has a hundred goats, and not to those who are still in crisis has particularly two hundred goats”. (al-Haris, 2006).

In Islamic economics, the role of the state in economic policy is based on the hadith narrated by Umar bin Khattab that the Prophet tells reluctance to intervene in the market price. However, an agreement between the scholars that the government should be involved in the economy because of the existence of monopolies, *talaqqi rukb n*, and *bay’ al-h dir lil ba’di*. It was also agreed that the State should ensure the welfare and prosperity of the community, including doing the steps in the economy. Muslim leaders is the difference in how far the involvement of the state and the instruments used to manage the economy (al-Maqrizi, 1999).

Niccolo Machiavelli in his work “The Prince” (Ages 16-18) was the first author to formulate the theory of economic policy in the form of advice. He did this by stating that the nobles and the government should limit spending, and prevent looting by the rich (*aghniy*) and by the less fortunate or poor. That way, the state would be considered “good-hearted” because it does not burden the citizens (www.wikipedia.org).

## 2. METHODS

In discussing economic policy during the government of Umar bin Khattab the writer uses a thematic approach. Because it does not carry the story of Umar as a whole or a comprehensive, yet take and analyze each Umar policies relating to the economy. Then it is combined with library research by reading the works of the century Umar economic policy on 13-23 H (634-644 AD) as the primary source of books, and other modern economics as a secondary source.

Data processing techniques is used the content analysis method, which is the technique of making inferences that can be replicated and the accuracy of data with respect to the context (Nazir, 1988). In order to get the content of Umar bin Khattab thought and ideas about economic policy. After that grouped and analyzed in order to obtain the relevance of the development policy, if it is applied in the modern economy.

## 3. RESULTS AND DISCUSSION

### 1. Understanding Economic Policy

Economic policy is a statement of objectives and methods to achieve the objectives (policy instruments) conducted by the government, political parties, businesses, and others. Some examples of the government’s economic objective is to provide optimal employment, This was done in order to achieve high levels of economic growth optimally, reduce regional development disparities, and maintaining price stability. Policy instruments is including fiscal, monetary and financial policy, and also legislative control (eg, price, wage, and rent controls) (Donald, 1960).

### 2. Know More Closely the Figure of Umar bin Khattab

Umar bin Khattab is the son of Nufail al-Quraish, the tribe of Bani ‘Ad. Before Islam Bani ‘Ad tribe is known as a prominent noble, majestic, and noble in the city of Mecca.

In times of ignorance Umar worked as a businessman. He has always been a delegate of his nation when critical events arise between them with other Arab tribes. Well before Islam, and thereafter, Umar

known as a courageous person, who does not know fear and trembling, and have the fortitude and strong will, and was dubbed “the father of the judiciary” for being fair (*al-Haris, 2006*).

Umar bin Khathab is 2<sup>nd</sup> kholifah in the history of Islam in the peninsula of Arabiyah. His appointment has not by consensus but by the will of Abu Bakar left. It is not meant to antagonize the Muslim community at the time, because the Muslims are very familiar with Umar as the closest and most loyal defend Islam. Umar died in the month of Dhu al-Hijjah 23 H/643 AD and ruled for ten years over six months (634 to 644 AD), Umar bin Khattab realize a good political climate, firmness of principle, brightness planning; put various economic and management systems are important; describe lines of conquest with so much to expand Islamic territory includes the Arabian Peninsula, most of the Roman world (Syrians, Palistina, and Egypt), as well as the entire territory of the Persian empire, including Iraq by systematically setting the conquered regions; uphold justice in each area and to all relevant people; make corrections to the officials as well as expanding deliberation. For its success, the Western people dub Umar as “The Saint Paul of Islam”. Hart put Umar in 51<sup>st</sup> position from the list of influential people in the world (*Hart, 1978*).

### **3. Economic Activity in the Reign of Umar bin Khattab Government**

Result of *Fathul Buldan* by Umar, then opened economic resources are not obtained previously in the midst of the Arabian peninsula. Majority of economic activity Arabian peninsula can be broadly categorized into 3 (three) the following kinds of activities (*al-Haris, 2006*):

#### **a. Trade**

Arabs known for his tenacity in the trade. Trade are the main livelihood for the Arab population. At the time of the caliphate Umar Islam conquered regions are increasingly widespread, so it is very influential in the Arab economic society of the time. Many areas conquered the objectives of the Arab and non-Arab traders, Muslim or non-Muslim, so the area was not so stretched begun to show economic activities, in addition to the purpose of the traders are also a source of merchandise. At that point then the map trade necessarily changed as Isfahan, Ray, Kabul, Balkh and others. Sources of income also varied ranging from trade, agriculture, craftsmen, industry and government officials.

#### **b. Industry**

Industry at that time there were owned by individuals or states or regions of interest of the state, these industries are industries such as metal processing household, industrial agriculture, mining and government public works such as roads, irrigation, and other officials government.

#### **c. Agriculture and Livestock**

Irrigation development is also very influential in agriculture, vast plantations owned by the state or local individuals and many produce, such lands are the spoils of war are partly owned by individuals. Therefore livelihood another account after trade, or trade, among others: Livestock: eg camels, sheep, horses, etc. Agriculture: for example, dates, wheat, and others. Transportation and lease.

### **4. Economic policy of Umar bin Khattab**

Umar reform of government bureaucracy. During the lead in the last 10 years, he included a successful leader in the benefit and welfare of its people as well as the Islamic rules (*Q nun*) can be applied. He also jointly develop the economic principles that should be enjoyed by every person on the basis of the Qur'an and the Sunnah of Prophet of fairness and balance that does not give individuals the right to excess, do not exhale hatred in different classes (*Hushai, 2004*). To optimize human resources and maximize existing resources at the time, Umar had been utilizing all factors of production, land, labor, capital prevent the dominance of a small group. If that is the case, then it will lead to economic stagnation (*Nazori, 2003*). Among economic policy at the time of Umar bin Khattab, are as follows:

#### **a. Government's Diversification**

In his reign, Umar formed a Shura majlis' as a mediator for deliberation. according to him without deliberation, the government will not run stable. He also established the department (*diwan*) and divide into 8 regions of Islam province. Each province is headed by the mayor and each province established the Governor's office. Followed by the formation of the district chief called 'Amil. At the time, every government official prior to first sworn in wealth audit by a team that has been formed by Umar (Relevance: as practiced by the Corruption Eradication Commission (KPK) to high-level officials). Built in his time too many markets for traders to promote the domestic and international economies (*Ibrahim, 2002*).



## **b. International Trade**

Umar very concerned trade from one country to another. In fact, he was to receive traders who entered the area to trade caliphate meet the needs of its population, provided that meets the basics rules or provisions that God wants as detailed in the law. Examples of policy on this matter is to expand trade relations with the path of other countries in the world, both Muslim and non-Muslim. For example: Russia, China, India, and Africa. Export-import restrictions on goods that *halal* is an effort to keep the Muslims from consuming illicit goods. But there are exceptions when the policy was carried to the Expert Umar dzimmah by allowing them to drink and eat pork khamr on condition performed in a special place and do not open when doing so. And provide sanctions for those who break them (*Jaribah, 2006*).

Umar also forbade hoarding in the trade, as he said, "There is no hoarder in our market. Let someone with excess money accidentally bought a gift from God that fell in our area and then covering. However, anyone who brings the goods in the winter and dry season, then he is living Umar, and was ordered to sell according to what God wants, and hold according to what God wants" (*Yatim, 1988*). Advances at the time of Umar trade raises the need for currencies to facilitate transactions in business or berdagangan, then Umar trigger to make the currency in the interests and welfare of the people (*Rais, 2012*).

## **c. Currency Creation**

Money as a medium of exchange has been known since the year 4000 BC, in the Islamic world as a medium of exchange money is the dinar (gold) and dirham (silver) is used since the inception of Islam in the face of the earth, the activities and the payment of zakat and mu'amalah diyat (payment of fines). Standardize weight of the dinar and dirham follow Rasullullah SAW hadith narrated by Abu Daud, "in which the scales are scales in Mecca and Medina population dose is the dose". In the year 642 AD the Caliph Umar bin Khattab standardize the standards of the dinar and the dirham, which is equal to the weight of seven dinars weighing 10 dirhams. According to Chapra (1996) the ratio between the dinar and the dirham is 1:10 (*Gustiani, Ascarya, Jaenal Effendi, 2010*).

Umar initially wanted to make currencies made of camel skin to make it more efficient. But this idea was not carried out by it because it was feared would be depleted skinned camel causing raw material shortages (*Jaribah, 2006*). According to al-Maqrizi, who first scored Umar dirhams in his time, when he set a caliphate money in its original condition and no change in any of his time to the year 18 H. In the 6th year of his reign he scored dirham Khusraw carving style and with a similar shape. It's just that he added the word "Alhamdulillah" and the other part with the Messenger of Allah and in another section with the word "La Ilaha Illa Allah", while the image is not the image the image Khusraw Umar (*al-Maqrizi, 1999*).

Finally Umar set dinar (gold) and dirham (silver) as currency, and become monetary instruments to control the prices of goods in the market and as a flexible means of exchange.

## **d. Revenues Classification and Allocation**

Umar further economic policy is the development of the resources of the state income tax sector. For example, agricultural tax (Kharaj), protection tax (Jizya), sales tax, and the spoils of war (Usyur and Ghanimah), and others.

### **1. Kharaj and Jizya**

In Islam, kharaj is on the land areas subjugated by Islamic governments such as that practiced by Umar during his reign. Umar conquered many areas through peace agreements (*Yusuf, 1982*).

Meanwhile jizya is a tax levied on non-Muslim people of freedom in Islamic countries, which they passed with the tax treaty that ensures they are protected, or the taxes paid by the owners of the land (*Yatim, 1988*).

In his reign, Umar did receive one fifth of the booty stamps every Muslim troops who got the victory, besides Kharaj (land tax) received from those who are already involved in the agreement that they live off the land, it also Jizya (tax soul) derived of those who lost but did not accept Islam (*Wahab, 2012*).

The role of taxes in a country is very urgent, as the main pillar of development. Governments around the world used the tax as one of its policy for the people welfare. This policy is usually referred to as fiscal policy. In the reign of Umar bin Khattab, the purpose of the tax is to finance state expenditure that is required of Muslims at the time the condition is empty or insufficient *Bait al-Mal* (*Setiawan, 2010*).

2. *Usyur and Ghanimah*

Usyur is something that is taken by officers of the state are prepared to trade possessions while traversing the area of Islam, in the present usyur known by the term “Customs”. Meanwhile Syafi’i defines *ghanimah* as a treasure taken from the Gentiles through the war in the form of equipment such as war horses, guns and ammunition (Karim, 2004).

Umar apply Usyur (trade tax) after he received a report that an Arab traders came to the Byzantine tax charged 10% of the goods sold, then see the positive effects of Umar implement the system for non-Muslim traders who entered the Islamic empire. Meanwhile the dhimmis (They included dhimmis who participated in Jihad with Muslims, and women, children and the Elderly) in the country that are levied at 5%, while for Muslims to pay 2.5% of the price of the merchandise (Munshar, 2010).

Basically in Muslim countries at that time, all the non-Muslims have the same rights and opportunities with other Muslim residents in the running of economic activity (Basri, 2011).

3. Revenues Allocation

Islam is very much appreciated property (al-mal), are used for the human benefit and human welfare. The aspects of the welfare and benefit of a wealth are certainly can not be separated from the parameters approved by the Islamic Sharia (Buang, 2008).

Farther, the power of a state can be observed from the structure of the state budget. In the current structure of Islam and out of foreign exchange has been known since the time of the Prophet and were maintained by Umar to perfection by. Another improvement is not happening because of the development of Islamic societies incredible. At the time, structure of revenues and expenditures includes:

Receipts	Expenditures
Zakat	Education and culture
<i>Kharaj</i> (Land Tax)	Education and culture
<i>Jizyah</i> (soul tax)	Development of Science
<i>Khumus</i> ( <sup>1</sup> / <sub>5</sub> fifth <i>Ghanimah</i> )	Development of infrastructure
<i>Usyur</i> (Customs)	Fleet Development warfare and security
<i>Fai</i> (Mastery without resistance)	Monetary Cost (Money print)
<i>Ghanimah/Anfal</i> (spoils)	Salaries and Employee officials
Whilst borrowing (debt)	to the development of al-Qadi (Justice) Development Administration of the state Social Services, Gifts and Bonuses

Source: Karim, 2004.

e. *Bait al-M l and Hisbah*

To organize the state budget during his reign, Umar improves agency called the *Bait al-M l* that party or financial institution that manages the State, ranging from collecting, picking, develop, maintain up to distribute. During the reign, Umar maintains *Bait al-M l* carefully, receive an income and something lawful and distribute it to those who deserve it according to the Shari’ah rules. He managed to prosper his people, but he remained a simple life. He was an allowance from the *Bait al-M l* of 16,000 dirhams (equivalent to USD 200 million) per year, or about Rp 17 million per month (Muhammad, 2002). When seen in the context of today's modern, Baitul Mal concept was adopted by the government for the establishment of the institution or agency *amil zakat* and the establishment of cooperative Shariah commonly referred to as BMT (*Bait al-M l wa at-Tamwil*). *Bait al-M l* could be called the Central Bank of Indonesian at this context. Because this agency responsible for collecting, storing and distributing foreign countries.

In addition to the *Bait al-M l* Umar also used *hisbah* as a market controller. The role of *hisbah* (ombudsmanship) Institution in economic activity is *hisbah* as an institution that has the authority and the authority to check the size of the dose and quantity of a commodity, it checks for the quality of the product, he monitors supply and production of goods and services, he oversees monopolistic practices, fraud, and deception (Dograwa, 2011).

*Hisbah* is a method in the monitoring of economic activity, in which Umar immediately perform the role as *muhtasib* (supervisor), he directly oversees (down to the market), to check the prices of goods so that there is no cheating (*Taymiyya, tt*).

One time ever scold Habib Umar bin Balta’ah that sells raisins too cheap, then Umar ordered to raise the price so that others too can make buying and selling. He never withhold state property,

everything is distributed to the people so that the velocity of money in society. Umar watch the prices of goods in the market so there is no monopoly, oligapoli and so on. This policy is an effort to release money into the community to the availability of working capital (*Jaribah, 2006*).

*Hisbah* activity in Indonesia is controlled by four ministries, the trade minister, minister of economy, industry minister, and the minister of agriculture and forestry.

#### 4. CONCLUSION

Referring to the research objectives and answer the research objectives are discussed in the chapter “results and discussion” some conclusions that can be drawn some conclusions that the concept of economic policy Umar bin Khattab has been contributed to the modern economy and is still viable adopted and perfected in accordance with the times. Among the contributions of economic policy is still relevant Umar is:

1. System of government in the time of Umar bin Khattab very dynamic, humane, and egalitarian (not estatist and not individualist). Concrete, the concept of the establishment government system (*Diw n*) in Umar period was also adopted by the government with the establishment of departments and ministries on certain items.
2. Financial system and the economy at the time of Umar was organized effectively and efficiently, ranging from traditional to markets and international trade. Umar also managed to make the currency as the official currency to facilitate trade transactions at home and abroad.
3. Umar was very transparent and competent in managing state finances. When it is obtained (income) from agricultural tax (*khar j*), protection tax (*jizya*), sales tax, and the spoils of war (*'usyur* and *ghanimah*). Then the income is distributed to its people fairly. No wonder even now Indonesia dominated from tax revenues, the evidence period 2007-2012 tax revenue contributed an average of 70% -75% of total revenues and grants (the target of state budget in the amount of USD 1,016 Trillion).
4. The most phenomenal economic policy on tax administration is determined Umar and without recourse and by profession, income and so forth. Which is in charge of collecting the tax is *diw n al-khar j*, then submitted to the central government. *Diw n al-khar j* formulation can now be seen on Tax Directorate in Indonesia. Improvisation is also happening on zakat and alms productive profession.
5. Umar did *hisbah* through market control and intervening in the market to set prices, in modern economic terms are often called market mechanisms that control. If there is now president of market operations and instruction found to increase when the price of a commodity (such as onion, garlic, chili, etc), the fuel subsidy, it is a real fact that dahulupun Umar had been applying.

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