



## Market Intervention Policy in The Case of Rising Rice Prices in Indonesia From The Perspective of Ibn Taimiyah

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**Abstract.** Rice is an important commodity and is needed by the wider community, its existence is vital as a means to fulfil the needs of life, therefore the Indonesian government's intervention in this commodity is very high. The price of rice in Indonesia continues to rise for many factors. This research employs qualitative methods which is called library research. The result of this study is the increase in rice prices in Indonesia according to Ibn Taymiyyah is entirely caused by market forces. According to Ibn Taymiyyah what is needed therefore is market intervention, instead of price intervention. The market intervention carried out by the Indonesian government is by intensifying the social assistance program, running market operations with the SPHP program, and strengthening the stock of government rice reserves (CBP). Meanwhile, the policy of setting the price ceiling should not be carried out by the government because the market conditions related to this rice commodity run perfectly and there is no market distortion.

**Keywords:** Policy, Market Intervention, Market Mechanism, Price, Ibn Taimiyah.

### INTRODUCTION

The market, as an indispensable element of economic activity, serves as a natural mechanism for the exchange of goods and services that dates back to prehistoric times. In his youth, Rasulullah SAW carried out economic development in Medina with the construction of an Islamic market for the ummah. Rasulullah SAW was fully aware that economic power is a pillar of community life. One form of economic importance at that time was the existence of the market as the heart of the economy. The market built by the Prophet gradually grew rapidly. In the market, the Prophet tried to condition the market to run according to the principles and basis of Islamic morality. For the sake of the realization of a conducive market, and the mechanism runs well and ensures the security of doing business in the market, the Prophet Muhammad SAW always controls and provides direction to sellers and consumers. Sometimes he acted as a law enforcer (Qardhawi, 2016). Often in his inspections, he found dishonest business practices so he reprimanded him. Rasulullah SAW also gave

many opinions, orders and prohibitions for the creation of an Islamic market (Hakim, 2015). The supervision of the Prophet Muhammad in the market is now called *al-Hisbah*.

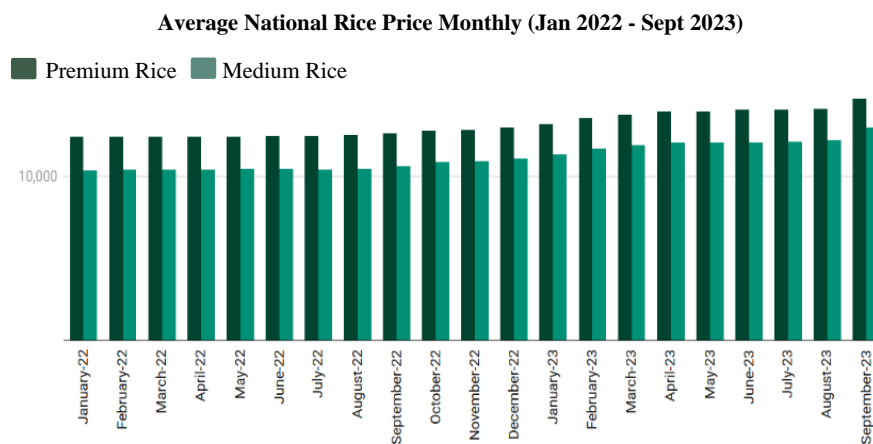
The existence of the market cannot be separated from its role as a place for buying and selling transactions (Karim, 2020). As long as there is no disturbance that can disrupt the market balance. In this concept, the reciprocal relationship between the forces of demand and supply is recognized, forming a market community. If demand and supply take place naturally and normally, the market can operate in a stable and conducive manner. However, the risk of economic damage arises if the market experiences abnormalities and manipulation (Karim, 2020).

For Indonesians, rice is not only considered a staple food, but also a social commodity that plays a significant role in maintaining political stability and supporting economic growth. Rice plays an important role in the economic sector, including in labor absorption, economic growth in rural areas, and general economic dynamics. In addition, the role of rice also includes impacts in environmental aspects, such as maintaining water use and maintaining air quality. Socio-politically, rice serves as the glue of the nation, influencing order and contributing to security. Therefore, any changes in the rice sector can easily affect other aspects of socio-economic life (Tjitrosemito, 1993).

Rice pricing has special features that require discretion in the process, as rice is a major necessity for the people of Indonesia. The price must be carefully considered, and this uniqueness is due to the role of rice as a staple food in society. In pricing, it is necessary to ensure that the price reflects a fair benefit to the buyer and provides a reasonable profit to the seller. The Islamic perspective on markets indicates that markets have both advantages and disadvantages. In other words, the market mechanism is not considered a perfect or standardized system, so it does not require any intervention or engineering (Anwar, 2013). In the Islamic perspective, the market is considered a legitimate and good place of commerce, so that as a whole it is considered a very ideal mechanism of commerce.

Increasing rice consumption in Indonesia, in line with a large population growth, has created significant challenges in managing rice supply and demand. Recent data from the Ministry of Trade's Basic Needs and Market Monitoring System (SP2KP) shows an upward trend in premium and medium rice prices throughout 2023. The increase in premium rice prices, which reached IDR 14,696.41 per kilogram in September, reflects persistent pressure on supply and demand. The 4.23% increase from the previous month indicates instability in the

availability of premium rice. Similarly, medium rice experienced a significant price spike, reaching IDR 12,941.87 per kilogram with a 6.07% increase in one month. In addition, during 2023, the price increase of premium rice by 13.29% and medium rice by 16.79% indicates significant inflationary pressure in the rice sector (Setiawati, 2023). This could affect the purchasing power of the community, especially the middle to lower economic groups, who are usually hit harder by increases in the price of basic necessities (RI, 2023).



The case of soaring rice prices was caused by a number of factors, including high demand for rice that was not matched by an adequate increase in rice production in the country. Coupled with the dry season, there was no bumper harvest. In addition, extreme dry conditions or el nino are predicted to reach their peak in August to September 2023. This also causes public concern resulting in panic buying which can lead to increased demand for rice. The increase in rice prices in Indonesia is also influenced by global factors, which are mainly reflected in the restrictive policies of rice exporting countries. For example, India, the world's largest rice supplier, banned the export of non-basmati rice last July. This decision directly impacted the rice price situation in Indonesia, causing a significant increase.

As an essential and much-needed commodity for the community at large, rice plays an important role as the main means to fulfill life's needs. Therefore, it is imperative for the government to focus more attention on the management of rice stocks in Bulog, with the aim of anticipating potential rice shortages. The Indonesian government's involvement in regulating this commodity reaches a significant level, which is reflected through the implementation of various food aid programs and the organization of cheap markets involving cooperation with various parties. In addition, the government involves the Logistics Agency (Bulog) to obtain rice supplies from farmers through partners or through import activities. The government through the Ministry of Trade, Bapanas and Bulog also often

conducts market operations as an effort to stabilize rice prices. HPP and Het rice prices are also set by the government.

The Islamic economic market system is a free market system governed by the laws of supply and demand accompanied by a system of perfect competition that does not lead to harm and injustice. Among the scholars of Islamic jurisprudence, the market mechanism has been discussed although still in a simple pattern. In certain cases, the Hanafiyah and Malikiyah Ulama allow market intervention. This is done to avoid undesirable things, and to create justice. If the owner of the merchandise sets a high price, then under these conditions, the government has the right to determine the price with the aim of benefiting the community (F & Riyadi, 2014). The form of intervention may include supervision, regulation, or implementation of economic activities that cannot be carried out effectively by the community. In some situations, Ibn Taymiyyah acknowledged the existence of price intervention by the government as an effort to stabilize prices, so that the role of the market can function as a means of meeting the basic needs of the community in accordance with the principles of Islamic teachings (Santi, 2009).

Based on the context that has been described, the author is interested in exploring further related to market intervention policies, especially in the case of rising rice prices in Indonesia, using Ibn Taimiyyah's perspective. To address the issue of rising rice prices in Indonesia, it is important to do more research and explore Ibn Taimiyyah's views on market intervention in depth. This is expected to provide a more comprehensive insight into the relevance of Islamic teachings to economic policy and government intervention in maintaining the balance of rice prices in Indonesia.

## **LITERATURE REVIEW**

### **Market in Islam**

The market in Arabic is called the word *sūq* which means driving, carrying, transporting, and delivering. The market is called souq according to Ibn Manzhur because the trade or goods being traded are brought and lifted to that place. So that Ibn Manzhur concludes that *sūq* is a place of buying and selling (Ibn Mandzur, n.d.). Imam Al Ghazali assumed that the market is an element of natural order, the market has a very high and important role in the economy and in front of God the market has a special position because the market as a means of life that can be utilized by the community to sustain life. Imam Al Ghazali argues that economic

activity in the market is a gift from Allah SWT given to his people and humans must be grateful and enjoy the blessings of God given. Imam al-Ghazali also viewed positively the activities in the market. However, according to him, activities in the market should be carried out at an unemotional level, but with realistic calculations, such as aimed at not begging, being able to provide for the family, and for charity (Al-Ghazali, 2003).

The market is an important part of Muslim life because in the market there is interaction and it is worship for Muslims in economic life. This has been done by the Prophet Muhammad SAW. During the hijrah to Medina, the apostle often went to the market to fulfill the needs of life (Hidayat, 2010). In Islam, the market is considered as a legitimate location of commerce, and generally is an ideal trading mechanism. The description of the Islamic market system is a market in which competition is carried out in a healthy manner and wrapped in moral values. The character of the Islamic market has three separate concepts that distinguish it from the conventional market concept, the realization of the Islamic concept has three fundamental characteristics, namely the principle of justice, avoiding prohibited activities and paying attention to aspects of benefit. These three principles are oriented towards the creation of a balanced economic system, namely the balance between maximizing profits and fulfilling sharia principles which are fundamental in market activities (Ali, 2008).

Generally, markets can be classified into two categories, namely Perfect Competitive Market and Imperfect Competition Market. According to Mankiw, in a perfect competitive market, there are many sellers and buyers offering similar products, so each seller and buyer can only accept the price that has been set, referred to as a price taker. In other words, the pricing of goods must be in line with the market price due to the high level of competition among market participants. In this context, intense competition ensures that no single party can significantly influence prices, so that the market mechanism runs efficiently and fairly. (Santi Merlinda et al., 2022).

### **Market mechanism and intervention from Ibn Taimiyah's perspective**

Conventional market mechanisms are formed through complex interactions between supply and demand, where the price of a good or service is determined by market forces. In the Islamic context, this economic system requires market participants to follow the guidelines of Islamic ethics and law. They are not only required to ensure the fulfillment of needs in accordance with Islamic teachings, but are also obliged to pay attention to the benefits that involve many people. In the Islamic perspective, supply and demand activities are governed

not only by the desire to achieve personal gain, but also by social responsibility. Market participants are expected to consider the impact of each transaction on society and ensure that justice and public benefit are maintained.

Furthermore, Islam emphasizes that in conducting economic activities, both supply and demand must be voluntary and must not involve elements of coercion. Economic transactions must be carried out in good faith and must not harm the parties involved. This reflects the values of fairness, transparency, and morality that are emphasized in Islamic economics. (Santi Merlinda et al., 2022).

The concept of market mechanism was already taught in Islam before it was introduced by Adam Smith. At the time of the Prophet Muhammad SAW, he rejected price intervention. (Wahyuni, 2019). This is due to policies that must prioritize the benefits of all parties. In the context of Islamic economics, adherence to ethics and shari'ah values is a key element in carrying out economic activities. This ethics involves commands, prohibitions, recommendations, and appeals to seek Allah's pleasure and achieve the benefit of society. In the Islamic perspective, the pricing mechanism is based on the natural interaction between demand and supply. In other words, price fixing occurs through market mechanisms that follow natural rules, without any unilateral intervention, either from the government or certain groups. This principle emphasizes the importance of healthy and fair market freedom in achieving economic balance.

Market intervention is a measure taken by the government to address imbalances that arise in market activities. Market intervention, or the act of intervening in the market mechanism, occurs when the government is inefficient and has not optimized the use of available resources. In this context, government intervention may include various measures, such as price regulation, subsidies, or other policies that aim to improve market conditions that are deemed not functioning optimally. However, the effectiveness of market intervention measures may vary depending on their implementation and the government's ability to respond to market dynamics. (A. A. Karim, 2010). In the Islamic economic concept, the method of price control is determined based on an analysis of the cause. If the cause is a pure change in demand and supply, control is done through market intervention. However, if the cause is a distortion of the pure supply and demand mechanism, control measures are taken by eliminating these distortions, including through the determination of price intervention to restore prices to their original condition. The concept put forward by Ibn Taimiyah in 1976

states that price intervention can be carried out by the government under certain conditions. This reflects the recognition that there are situations where markets experience imbalances or disturbances that require government intervention.

Ibn Taimiyah emphasized the need for proportionate action to overcome these conditions, including price adjustments through interventions aimed at returning prices to their original condition (Halim, 1976). Thus, this approach reflects the view of Islamic economics that not only considers economic aspects, but also ethics and justice in price regulation. These principles serve as a foundation for the government in determining appropriate measures to maintain market stability and ensure public welfare within an economic framework based on Islamic values. Ibn Taimiyah distinguishes between price increases due to market forces and those due to injustice, such as hoarding. Price fairness depends on a fair, perfect, open market mechanism and the absence of monopolistic practices. However, if there is a difference in market prices caused by injustice in the market as a result of market imperfections, Ibn Taimiyah placed the basis of price regulation on the authority of the government as a supreme authority of the people (Islahi, 1997):

The role of prices in the market mechanism has great significance, and Ibn Taimiyah paid particular attention to issues related to pricing. His focus was to emphasize the aspect of justice in setting prices in the market and ensuring the fulfillment of people's basic needs. In his view, Ibn Taimiyah distinguished two types of price fixing: those that are considered unfair and unlawful, and those that are considered fair and lawful. Unfair and unlawful price fixing occurs when there is an increase in prices due to competition in the free market, such as a shortage of supply or an increase in demand (Islahi, 1997).

Ibn Taimiyah underlined the importance of maintaining fairness in pricing, especially to ensure that people's basic needs are met. In this context, he identified the difference between sharia-authorized and unauthorized pricing practices. For example, price increases that are not ethically justifiable or that violate Islamic law may occur when there is a shortage of supply or a surge in demand in the free market (Purwanti, 2020).

Ibn Taimiyah viewed that price increases do not always stem from unfair practices by traders or sellers. Instead, factors such as a decrease in supply due to production inefficiencies, a reduction in imports of demanded goods, or market pressures can be the cause. In Ibn Taimiyah's view, there are two main sources of supply, namely local production and imports of demanded goods. Changes in supply are explained as increases or decreases in the

availability of goods, caused by local production and imports. If demand rises while supply remains constant, then prices will increase. Ibn Taimiyah highlighted that price increases caused by a decrease in supply or an increase in demand are part of the impersonal market mechanism and are considered an act of Allah SWT (Rasti, 2019).

### **Previous Studies on Market Price Intervention**

Santi Merlinda et al., (2022) the role of government through market intervention in Islamic Perspective (Case Study: Fuel Price Inflation in Indonesia). The research explains that prices are left to the forces of demand and supply. The government is not allowed to intervene in normal the government is only allowed to intervene in an emergency. In concept of the Islamic market mechanism, commodity prices are set by the market mechanism, meaning that prices apply depending on demand and supply.

Sukanto (2012) Understanding the Mechanism of Market in Islamic Economics explains how the Prophet SAW respects the mechanism that occurs in the market as sunatullah that must be respected. Mechanism that occurs in the market as sunatullah that must be respected. views on markets and prices from some great Muslim thinkers such as Abu Yusuf, Al-Ghazali, Ibn Taymiyyah and Ibn Khaldun are also revealed in this study. Ghazali, Ibn Taymiyyah and Ibn Khaldun are also revealed in this study. Their thoughts Their thoughts on the market mechanism are not only able to provide a sharp analysis of what happened at that time, but also classified as modern for today. Many of their thoughts were only discussed by western economists hundreds of years later.

Farma (2018) Market Mechanism and Price Regulation: An Examination of Ibn Taimiyah's Thought. The result of this research is that the market has an important position in the economy. Islam views the importance of government intervention in pricing. Only in cases where prices rise due to the injustice and inequality of the market mechanism, then the government may intervene in setting prices. However, if the rise or fall of prices occurs naturally under normal conditions, the government should not interfere at all. under normal conditions, the government has absolutely no authority to set prices.

However, literature that discusses in depth about market intervention from Ibn Taimiyah's perspective is still scarce. This study will discuss market intervention through policies carried out by the government in overcoming the case of rising rice prices in Indonesia, then it will be analyzed through the perspective of Ibn Taimiyah.



## **METHOD**

This research uses a qualitative approach method. A qualitative approach is a research method that produces descriptions that include various forms of data, such as speech, writing, or observable behavior. In this approach, the role of the researcher becomes the main instrument, and the emphasis on research results is more focused on interpreting meaning rather than forming generalizations (Sugiyono, 2011).

This research is a type of library research, which involves collecting data from various sources of library information such as books, scientific journals, encyclopedias, magazines, newspapers, and documents (Sukmadinata & Syaodih, 2009). Literature research or literature review is a study that conducts a critical review of the knowledge and ideas contained in academically oriented literature. The purpose of this research is to formulate theoretical contributions to a particular topic. This research is a descriptive analysis, in which the data obtained is described in an organized manner to provide understanding and explanation so that it can be well understood by the reader.

## **RESULTS AND DISCUSSION**

### **Biography of Ibn Taimiyah**

Ibn Taimiyah, whose full name is Taqi al-Din Abu al-Abbas Ahmad ibn Abd al-Halim ibn Abd al-Salam ibn Abdullah ibn Abu Bakr Muhammad ibn al-Khald ibn Mahmud al-Zahiri al-Harrani al-Hanbali, was born on January 22, 1263 M (10 Rabiul Awwal 661 H) in Harran, Turkey. He came from a family of religious scholars. His father, Shihabuddin ibn Abd al-Halim ibn Abd al-Salam ibn Abdullah ibn Abu Bakr Muhammad ibn al-Khald ibn Mahmud al-Zahiri al-Harrani al-Hanbali, was a Shaykh, judge, and preacher who also had proficiency in religious sciences. His grandfather, Majduddin Abul Birkan Abdussalam ibn Abdullah ibn Taimiyah al Harrani, was a scholar who had extensive expertise in various fields of knowledge, including fiqh, hadith, tafsir, ushul science, and memorization of the Qur'an.

Ibn Taimiyah was born at a time when Baghdad was the center of Islamic power and culture during the Abbasid Dynasty. At the age of seven (in 1262), Ibn Taimiyah moved with his father to Damascus due to Mongol attacks in Iraq. From an early age, Ibn Taimiyah was educated in various fields, including Islam jurisprudence, hadith, Quranic exegesis, mathematics, and philosophy. His prowess and intelligence were apparent from childhood, and upon arriving in Damascus, he immediately memorized the Qur'an and pursued lessons

from the city's scholars, hafizh, and hadith experts. His intellectual achievements impressed the scholarly luminaries. By the age of a dozen, he had mastered the science of ushuluddin and specialized in tafsir, hadith and Arabic. Ibn Taimiyah examined Imam Ahmad's Musnad several times, then studied *Kutub al-Sittah* and *Mu'jam at-Thabarani al-Kabir*.

Ibn Taimiyah's life was not limited to the world of writing and words. When the situation required it, without hesitation, he also engaged in political and public affairs. That is, Ibn Taimiyah's excellence not only included his skill in writing and speaking, but also included his bravery on the battlefield. The high esteem in which Ibn Taimiyah was held by the people and the government led to envy among some, who tried to defame him. History records that throughout his life, Ibn Taimiyah was imprisoned four times as a result of the slander hurled by his opponents. He died in the prison of Qal'ah Dimashq witnessed by one of his students named Ibn Qayyim. Ibn Taimiyah spent two years three months and a few days in prison, facing illness for more than twenty days. Afterward, his body was placed in the Jami Bani Umayyah mosque after Zhuhr prayer, attended by government officials, scholars, soldiers, and local citizens. He died on the 20th of Dhul-Hijjah 728 AH and was buried at Asr time next to the grave of his brother, Shaykh Jamal Al-Islam Sharaf al-Din (Islahi, 1997).

Ibn Taimiyah had an impressive number of scholarly works, covering a wide range of topics such as law, economics, philosophy, and others. Although the number of books authored by Ibn Taimiyah cannot be ascertained, researchers estimate that the range is between 300-500 books of scientific works. One book that mentions Ibn Taimiyah's works, *Fatawat al-Wafayāt*, states that his works reached 300 books, including *Majmā' Fatāwa Shaykh al-Islām*, *al-Sarim al-Maslūl 'Alā Syātim al-Rasūl*, *al-Jawāb al-Sahīḥ Li Man Baddala Din al-Masīh*, *al-Jawāmi' fī al-Siyāsah al-Ilāhiyyah wa al-Ayat al-Nabawiyyah*, *al-Radd 'alā al-Mantiqiyyīn*, *al-Siyāsah al-Shar'iyyah fī Ishlāh al-Ra'i wa al-Ra'iyyah*, *Fatāwa Ibn Taimiyah*, *al-Ḥisbah fī al-Islām*, and so on (Azhim S, 2005).

### **Market intervention policy in the case of rising rice prices in Indonesia**

In the market mechanism, supply plays a crucial role, where there is a direct correlation between the price and quantity of goods available. The basic principle of the law of supply states that if the price of a good increases, the quantity of the good available will also increase; conversely, if the price decreases, the quantity of the good available will decrease (Muhammad, 2005). The trigger for the increase in rice prices is the unstable production of rice in the country as it is currently the dry season so not many farmers are harvesting rice. In

addition to this, extreme drought conditions or el nino are predicted to peak in August to September 2023. This has also caused public concern resulting in panic buying which can lead to increased demand for rice. Another factor that continues to push up rice prices is the global dynamics reflected in the restrictive policies of rice exporting countries. For instance, India, the world's largest rice exporter, banned the export of non-basmati rice last July 2023. Of course, this action has had a significant impact on rising rice prices in Indonesia.

Global dynamics, especially the policies of major rice exporters such as India, play an important role in determining rice prices in the international market. India's export ban on non-basmati rice created supply pressure, which in turn contributed to the rise in rice prices globally. In this context, Indonesia, as one of the major rice importers, was forced to face the impact of the policy, which resulted in higher rice prices at the domestic level. This illustrates how global events can affect the dynamics and stability of rice prices in the local market.

In the face of rising rice prices as a daily staple, the Government takes market intervention measures and proactive measures to mitigate risks and maintain economic stability. When conducting market intervention, the measures taken by the government involve establishing and enforcing regulations related to rice commodities, with reference to the provisions in Law No. 18/2012 on Food. Currently, the efforts made by the government in the context of market intervention to stabilize rice prices are in several ways:

#### 1) Social assistance program

The government is implementing a social assistance initiative by providing 10 kilograms of rice to beneficiary families (KPM). The program will be implemented in two phases over three months, starting from September to November 2023. The main objective of implementing this social assistance program is to reduce the economic burden faced by the community as a result of rising rice prices. In addition, this program was initiated as a concrete step by the government in maintaining stability and lowering the overall price of rice.

The government's move to provide rice assistance to KPM is in line with efforts to respond to the economic challenges faced by the community due to rising prices of basic necessities, especially rice. By providing assistance of 10 kilograms in two stages during the quarter, it is expected to provide significant assistance to beneficiary families. In addition to being a concrete effort to overcome economic difficulties, this program also reflects the government's attention to the stability of rice prices in the domestic market.

## 2) Market Operation with SPHP Program

The government, in collaboration with the National Logistics Agency (Bulog), has intensified the distribution of rice through the Stabilization of Food Supply and Prices (SPHP) Program. This program is a variation of market operations aimed at supporting the public in obtaining rice supplies at more affordable prices, in line with the establishment of the Highest Retail Price (HET).

The steps in the SPHP are one of the government's concrete measures designed to maintain the stability of rice supply and prices in the market, with the hope of providing economic relief to the community. Through a partnership with Bulog, the government seeks to optimize rice distribution to achieve efficiency and fairness, so that the benefits can be felt by those in need.

By running this program for a certain period, the government seeks to guarantee the availability of rice at a reasonable price, thus minimizing the impact of market fluctuations on people's purchasing power. The purchase conditions for the SPHP cheap rice program are limited to 10 kilograms per consumer. This restriction aims to prevent the public from 'Panic Buying' or buying in large quantities. In addition, the HET as a price reference provides a clear basis for the implementation of this program, promoting fairness and transparency in the distribution of rice to the community.

## 3) Determination of HET (Highest Retail Price)

The determination of the Highest Retail Price (HET) of rice is a decision taken by the government and documented in the Regulation of the National Food Agency of the Republic of Indonesia Number 07 of 2023. The Head of the National Food Agency (Bapanas) emphasized that the rice price ceiling has a crucial role as an indicator for the government in formulating food stabilization policies. Before implementing the rice price ceiling, the government carries out a careful and thorough process, including detailed calculations such as mapping production costs to the affordability of the community in each region (Pratiwi, 2023). With the determination of the rice price ceiling, the community as consumers can get affordable rice prices and farmers as producers also have price certainty.

## 4) Strengthening the stock of government rice reserves

The government through the National Logistics Agency continues to increase its efforts in absorbing rice, both domestically and from foreign imports. The process of importing rice is carefully conducted in order to maintain price stability at the farm level, and the import policy is designed so as not to have a negative impact on local farmers. The government only imports rice to fulfill the Government Rice Reserve stocks, which are the responsibility of Bulog in maintaining stable rice supply and prices. The use of rice from the Government Rice Reserve is limited to government programs of market intervention and social assistance to the community. This strengthening of government rice reserve stocks is expected to maintain stock availability and maintain rice price stability (National, 2023).

### **Market Intervention Policy in the Case of Rice Price Increase in Indonesia from Ibn Taimiyah's Perspective**

Shari'ah principles do not require government intervention when the market is operating normally. However, when market distortions occur due to the harmful behavior of economic actors, government intervention becomes a necessity to address price imbalances. This is in line with their objective of achieving general welfare. The government, entrusted with the mandate by God, has the responsibility to carry out collective duties to create prosperity, justice and a good way of life for all people. One of the main roles of the government is to supervise and prohibit economic practices that are not in accordance with Islamic principles, such as hoarding and monopoly. This prohibition involves various aspects, ranging from the buying and selling system, production, consumption, to circulation, and the supervision should be carried out by an independent team to ensure impartiality to certain parties (Adelia et al., 2023).

Ibn Taimiyah stated that the market has a number of problems that must be addressed, including the internal mechanism of the market and fair pricing (Pratomo & Taufik, 2018). Ibn Taimiyah's view of the free market states that prices are influenced by the forces of supply and demand. According to him, under natural market conditions, where changes in demand and supply occur on their own, the government should not intervene in price setting. However, if price changes are not natural and are caused by interference from certain parties, such as *ihtikār* (hoarding of goods to increase prices), the government is considered to have an obligation to intervene in prices. In the context of Islamic economics, price control is determined by the cause. If price changes are caused by pure changes in demand and supply,

the control mechanism is done through market intervention. Conversely, if the cause is a distortion of pure demand and supply, the control mechanism is done by eliminating the distortion, including the setting of intervention prices to restore prices to their original condition (Halim, 1976).

Ibn Taimiyah regarded prices as a crucial element in market dynamics, and he specifically highlighted issues related to prices. His focus was on asserting the principle of justice in pricing in the market and ensuring the fulfillment of people's basic needs. In Ibn Taimiyah's view, there are two types of price fixing: those that are considered unjust and unlawful, and those that are considered just and lawful (Karim, 2010).

In the context of rising rice prices in Indonesia, a number of local and global factors are the main drivers, including the instability of domestic rice production due to the ongoing dry season, which has resulted in a decrease in rice harvesting activity by farmers. This condition has a direct impact on the availability of rice in the market, creating a scarcity situation that can push prices up. Furthermore, the prediction of extreme drought or El Nino reaching its peak in August to September 2023 adds to the uncertainty in rice production and triggers panic buying behaviour. This could create a sudden spike in rice demand, which in turn could push up prices due to an imbalance between supply and demand. A further factor influencing the rise in rice prices is global dynamics. The restriction policy of rice exporting countries, especially India as the world's largest exporter, by banning the export of non-basmati rice in July 2023, has a direct impact on the availability of rice in the international market. This affects Indonesia, as a rice importer, experiencing price increases due to global supply constraints. Naturally, this move has resulted in an increase in rice prices in Indonesia. In this case, the cause of the change in rice prices is a pure change in demand and supply. Thus, according to Ibn Taimiyah, as long as the market mechanism runs naturally or changes in demand and supply occur naturally, the control mechanism is carried out through market intervention, and the government is prohibited from intervening in prices because changes in the price of rice commodities are fair price increases and are in perfect competition, not caused by the interference of certain parties that cause market distortions to demand and supply.

In the market intervention policy case of rising rice prices in Indonesia, the government made several policy efforts to stabilize rice prices. In the government's policy through the social assistance program, which is carried out by the government providing and disbursing rice

assistance of 10 kilograms distributed to beneficiary families (KPM). This social assistance program is implemented in two stages during the quarter, starting from September to November 2023. This social assistance program aims to reduce the economic burden on the community due to the increase in rice prices. This policy was taken by the government to stabilize and reduce the price of rice while still paying attention to producers and consumers. This social assistance program is a form of indirect market intervention carried out by the government, this is in accordance with the opinion of Ibn Taimiyah if the market mechanism runs naturally or changes in demand and supply occur naturally, then the control mechanism is carried out through market intervention.

The next effort made by the government to stabilize rice prices in Indonesia is through a market operation policy with the SPHP program. The government together with the Logistics Agency intensified the distribution of rice through the implementation of the Food Supply and Price Stabilization Program (SPHP). This program is a form of market operation that aims to help the community obtain more affordable rice prices. This cheap market effort was initiated by the government with the aim of controlling prices in the market so that it is expected to return rice prices to normal levels. In this case, the government through its institution conducts market operations to monitor price fluctuations, stabilize rice prices and also market supervision. Market surveillance is carried out to ensure that the market can run perfectly and avoid unscrupulous people taking actions that can damage the market balance. Market operations under the SPHP program are assigned to Bulog using Government Rice Reserves in Bulog warehouses. This effort to keep rice stocks and prices stable is very important and a priority, considering that rice is a staple food commodity consumed by the majority of the Indonesian population. This means that the government in conducting this market operation also pays attention to the benefit of the community. The market operation policy with the SPHP program is a form of market intervention carried out by the government in accordance with Ibn Taimiyah's view that if the market mechanism runs naturally or changes in demand and supply occur naturally, then the control mechanism is carried out through market intervention.

The government's next policy is to set the price ceiling for rice. The government through its agency, the National Food Agency (Bapanas) sets the HET of rice and is listed in the regulation of the National Food Agency of the Republic of Indonesia Number 07 of 2023 concerning the highest retail price of rice. The HET (Highest Retail Price) of rice has an important role because this HET of rice will later be used as an indicator for the government

to take food price stabilization policies. The government does not immediately set the amount of HET rice without a detailed calculation. In setting the price ceiling, the government is very careful and makes detailed calculations starting from mapping the amount of production costs from farmers to the affordability of the community in each region (Pratiwi, 2023). The rice price ceiling is imposed with the aim of protecting consumers and producers, so that consumers can get affordable rice prices and producers also get price certainty. The problem that occurs in the case of rising rice prices is purely due to a decrease in supply and an increase in demand. Thus causing the price of rice to increase. This is in accordance with Ibn Taimiyah's opinion that price increases are not always caused by injustice from traders or sellers. A decrease in supply due to production inefficiencies, a decrease in the amount of imported goods demanded, or market pressure can be the cause of the change. In this concept, a change in supply is explained as an increase or decrease in the inventory of goods. If demand increases while supply remains constant, prices will rise. Price increases caused by a decrease in supply or an increase in demand are considered an impersonal phenomenon and are part of the market order regulated by Allah SWT (Rasti, 2019). Of course, the intervention in government policy carried out through the setting of this price ceiling is not in accordance with the opinion of Ibn Taimiyah where he believes that price control is determined by the cause. If price changes are caused by pure changes in demand and supply, the control mechanism is carried out through market intervention. Conversely, if the cause is a distortion of pure demand and supply, the control mechanism is carried out by eliminating these distortions, including the setting of intervention prices to restore prices to their original condition (Halim, 1976).

The next policy undertaken by the government in an effort to intervene in the market regarding rising rice prices in Indonesia is through strengthening the stock of government rice reserves (CBP). The government through its agency Bulog continues to boost the intensity of rice absorption from within the country and imports from abroad. Rice imports are carried out with measured imports in order to maintain prices at the farm level and this rice import policy does not harm domestic farmers. Rice importation carried out by the government is only for the fulfillment of CBP stocks that must be owned by Bulog in securing the stability of rice supply and prices. The use of CBP rice is only intended for government programs carried out in the context of market intervention and social assistance to the community. The strengthening of government rice reserve (CBP) stocks is expected to maintain stock availability and stabilize rice prices. (National, 2023). In Ibn Taimiyah's view, this is a type



of market intervention carried out to control or stabilize the price of rice. However, caution is needed to import rice. The government imports rice to minimize the scarcity of rice in Indonesia, but in this policy the government must pay close attention to how much rice the community needs so that rice imports by the government are not excessive. Rice import policies must also pay attention to producers and consumers so that they still benefit and do not feel disadvantaged. Because if rice imports are excessive, this will damage the price of rice in Indonesia, where the price of rice will fall and cause producers to feel disadvantaged.

Ibn Taimiyah's views on the market mechanism provide an invaluable foundation for economic progress, especially in the microeconomic sector. This concept not only provides guidance, but also provides a clear direction for the government in formulating public policy. By understanding the principles proposed by Ibn Taimiyah, the government can decide on the right course of action and avoid measures that could be detrimental.

The presence of this concept also has a significant impact in preventing illegal practices or arbitrary actions by the government in managing the market economy. Without clear guidelines, there is a great risk that the government may over-intervene to the detriment of market participants and society at large. For example, without the principles affirmed by Ibn Taimiyah, the government may be inclined to take arbitrary actions that restrict market freedom, leaving the public with no other option but to comply with policies that are not in line with need and justice.

With Ibn Taimiyah's concept of market mechanism, all market participants, including producers, traders, and consumers, are protected from potential injustices. The principles proposed help create a balanced and fair economic environment, where each party can operate within the framework of Islamic law and ethics. As such, this concept is not only beneficial for the government in formulating policies, but also provides protection for the interests of all parties involved in the market.

In this modern age of diversity, a clear and relevant concept is an urgent need, especially when it comes to the economic life of a country. Ibn Taimiyah, as a thinker from the past, made a very valuable contribution by compiling a solid and precise concept related to public economic policy. Ibn Taimiyah is not just a historical figure, but can be considered a source of inspiration for modern leaders who are responsible for formulating and implementing economic policies. His thoughtful insights provide a solid foundation for today's leaders to understand the complexities of the modern economy and set policy directions that benefit

society. It should be recognized that the progress and achievements enjoyed by the current generation can be viewed as a positive result of the legacy of thoughts and concepts formulated by earlier thinkers, such as Ibn Taimiyah. His concepts not only provided a foundation for leaders, but also helped shape the mindset of society with regard to public economic policy. Therefore, in celebrating Ibn Taimiyah's legacy, it is important for today's leaders and society to continue to explore and develop these concepts so that they can be applied wisely in the face of today's dynamic economic challenges and opportunities.

The concept of Ibn Taimiyah's market mechanism above is connected with the following the situation of rising rice prices in Indonesia. Overall, the rise in rice prices in Indonesia can be explained as the result of market forces or the prevailing market mechanism. Therefore, if we refer to the concept of price intervention or price regulation in the Islamic economic framework, the appropriate approach is through market intervention, not price regulation. In the Islamic economic perspective espoused by Ibn Taimiyah, the government, as the formal institution responsible for public welfare, has the right to intervene in the market when there is a shortage of rice. This means that the government can intervene to ensure the availability and stability of rice prices, but is not allowed to impose binding price regulations. Thus, Ibn Taimiyah's principles of market mechanism provide clear guidance in dealing with conditions such as rising rice prices in Indonesia, emphasizing proportional market intervention as a measure to create balance and justice in order to achieve public welfare.

## **CONCLUSION**

Ibn Taimiyah's concept of the market mechanism made a significant contribution to economic progress, especially in the realm of microeconomics. Through this concept, the government gets clear guidelines in designing public policies, determining the actions that need to be taken, and determining the aspects that should be abandoned. In the policy carried out by the government related to market intervention in the rising price of rice in Indonesia, when connected to Ibn Taimiyah's concept of market mechanism, this becomes very relevant. Overall, the rise in rice prices in Indonesia can be explained as the result of market forces or the prevailing market mechanism. Therefore, if we refer to the concept of price intervention or price regulation in the Islamic economic framework, the appropriate approach is through market intervention, not price regulation. In the Islamic economic perspective espoused by Ibn Taimiyah, the government, as the formal institution responsible for public welfare, has the right to intervene in the market when there is a shortage of rice. This means that the

government can intervene to ensure the availability and stability of rice prices, but is not allowed to impose binding price regulations. Thus, Ibn Taimiyah's principles of market mechanism provide clear guidance in dealing with conditions such as rising rice prices in Indonesia, emphasizing proportional market intervention as a measure to create balance and justice in order to achieve public welfare.

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