

Introduction to Microeconomics

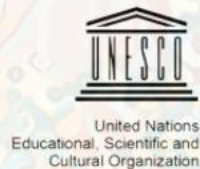
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- Anticipation for Sustainability and Well-being



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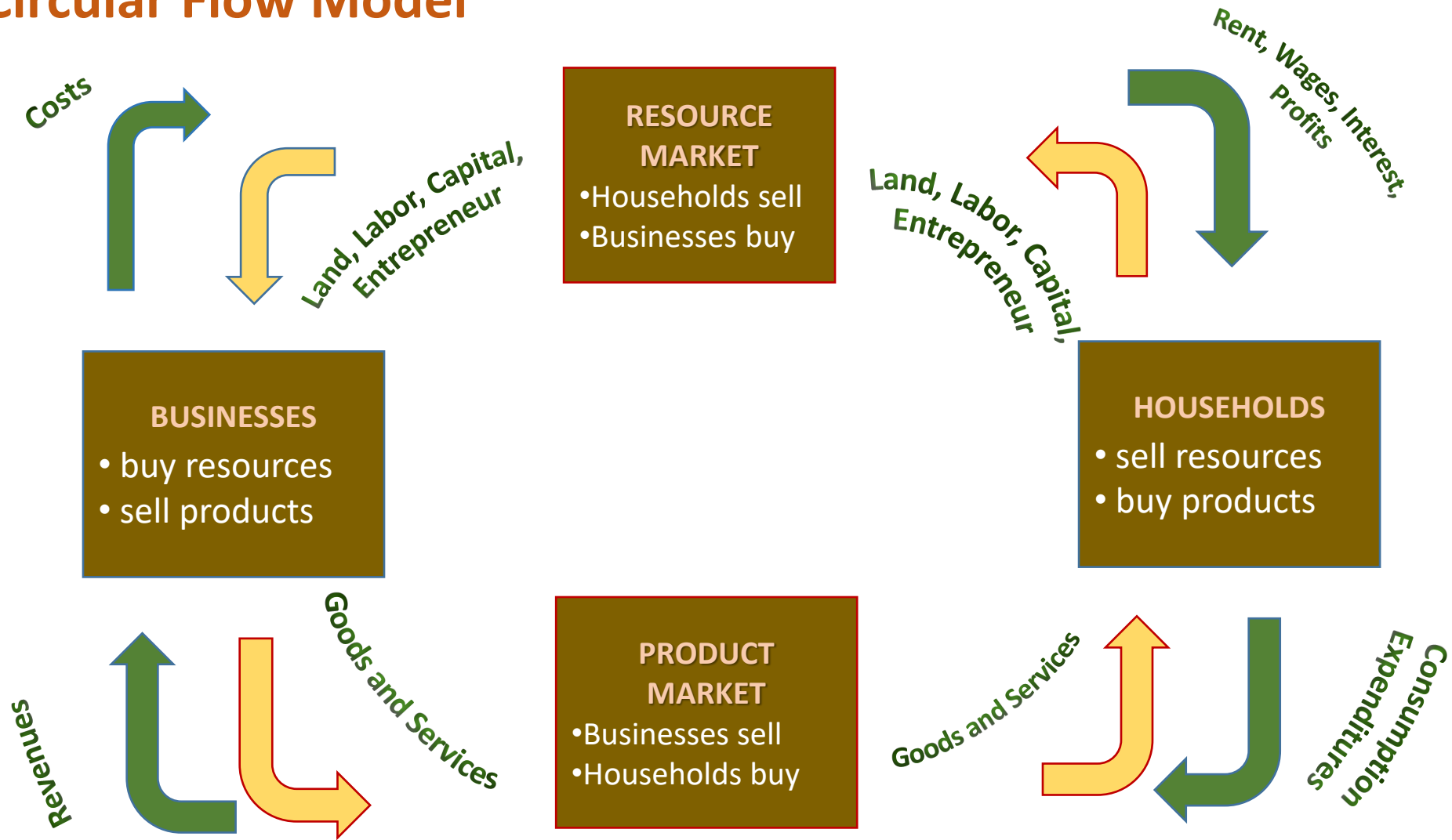
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What is Microeconomics?

- Microeconomics is a science regarding social behaviour - decision making by economic agents in an economy – consumers, sellers, producers and resource owners.
- It is a study on how the society chooses to use its limited resources, which have alternative uses, to produce goods and services to satisfy society's wants in the most efficient way.
- The Circular Flow



The Circular Flow Model



Microeconomics theory covers the following topics:

International Trade, Agriculture, Health, Energy, etc

Economic System

MARKET
Goods and Services

MARKET STRUCTURE

RESOURCE MARKET
Factors of Production

How different industries are classified and differentiated based on their degree and nature of competition for services and goods

Perfect Competition

Monopolistic Competition

Labour, Capital and Land

Demand and Supply

Elasticity

Market failure

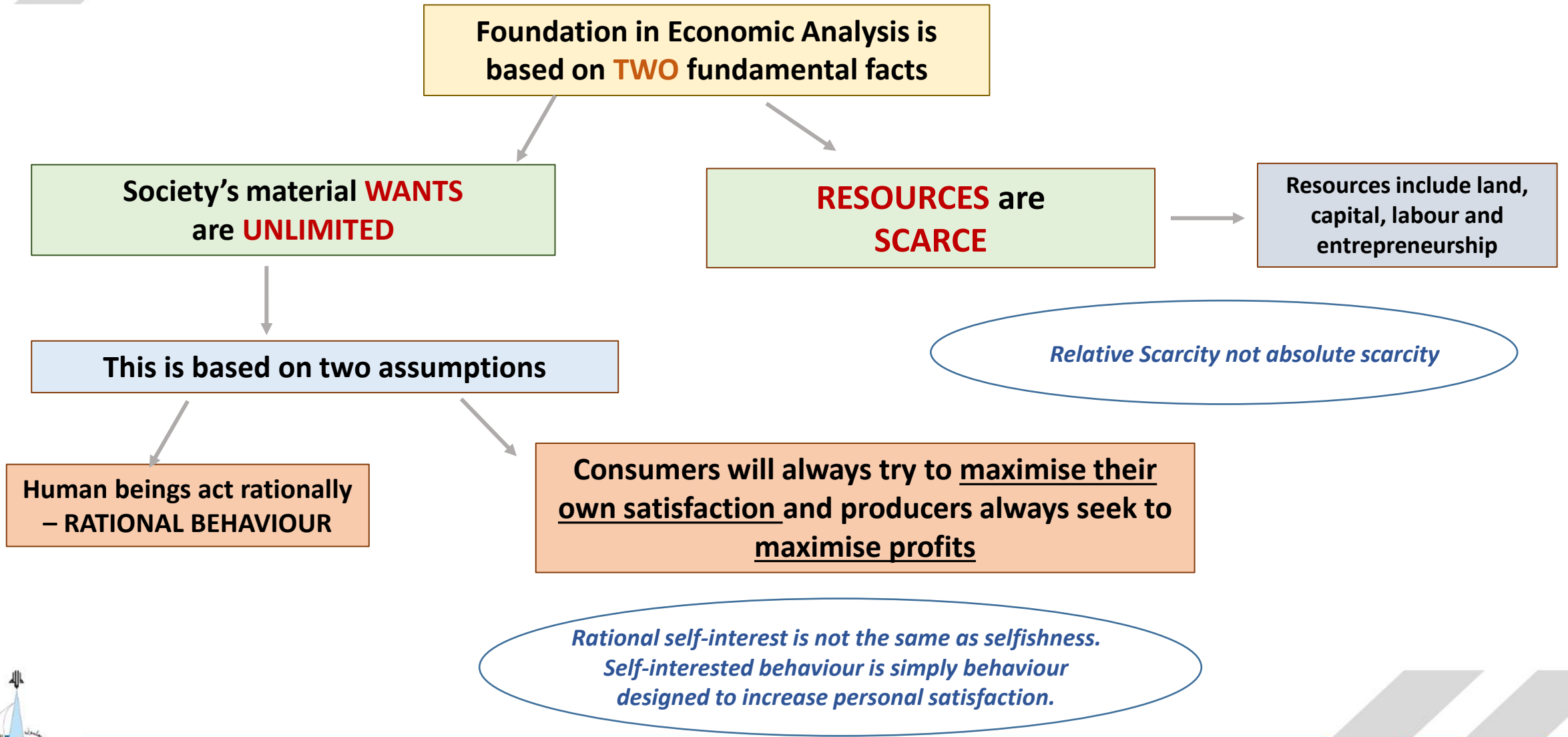
Monopoly

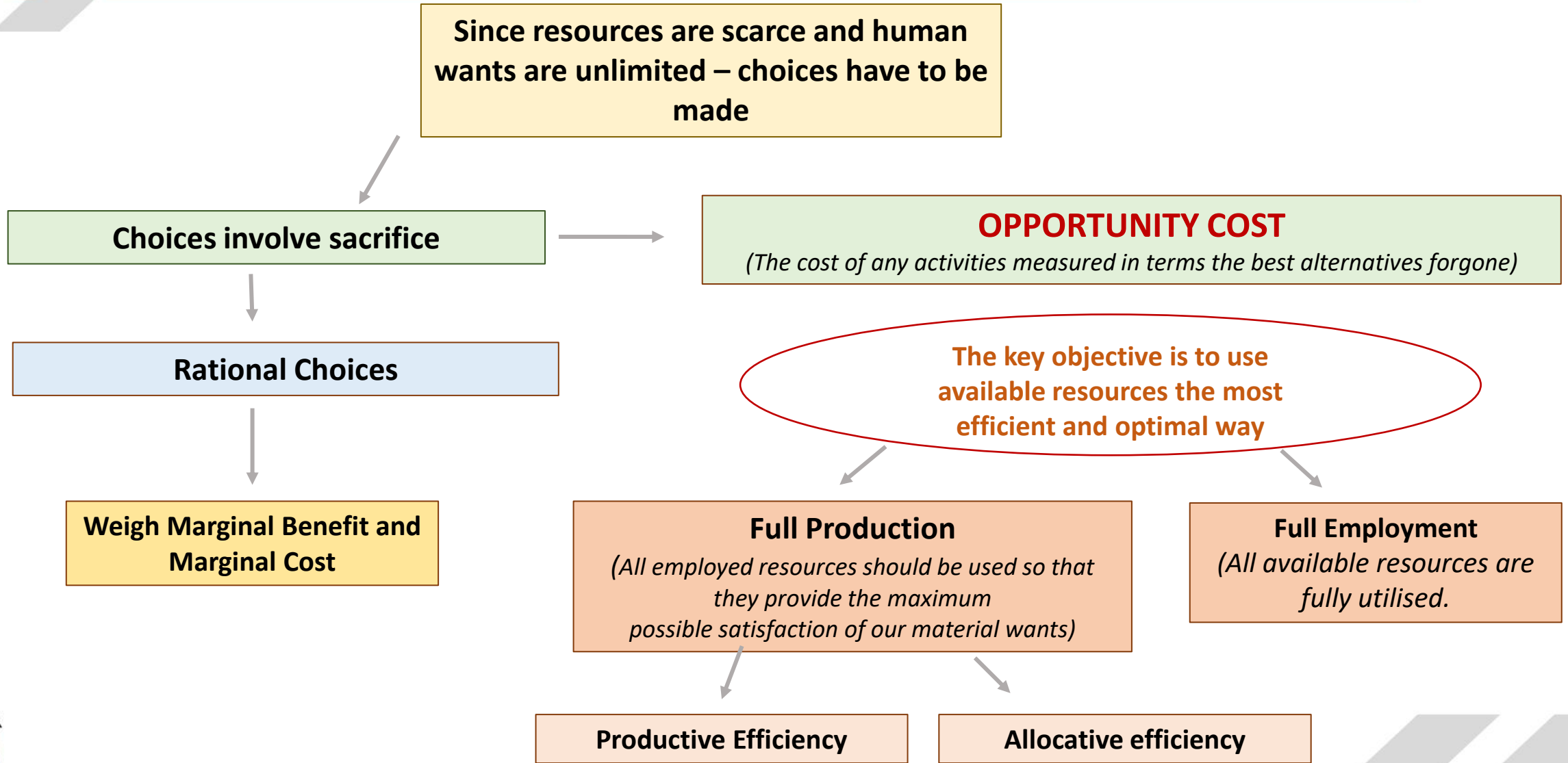
Oligopoly

Consumer Behaviour

Costs and Production







Islamic Perspectives

The core problem

- In Islam, the core problem is not scarcity but as Khalifah on earth – the main aim is to reach *falah*.
- Resources are granted as a test – how to use to achieve maximum *falah*.
- Economic agents should be guided by the Islamic principles when utilizing resources.

Are resources scarce?

- Khan (1984) said that resources are not scarce – the cause of scarcity is because of ineffective distribution and utilisation of the resources
- Inequality in distribution and availability of resources exist – thus human being must use knowledge, improve technical know-how and methods used to extract and improve the way they utilise of the resources
- Man are indeed created with natural greed and selfishness – but Allah ordained curtailing the desire and wants with the objective of getting the blessings from Allah in order to attain *falah*.
- Hence, the encouragement for charitable giving, i.e. *infaaq, zakat and wakaf*.
- This world is a place for test. The test is how the resources that are endowed to us are redistributed and shared to ensure the society gets what they need and permissible in Islam and fulfill the basic needs.



Decision Making

- All human beings strive to satisfy their needs by any means available.
- Economic decisions have to be made by taking into account its implication to other human being, other countries, environment, animal and all other creation of Allah.
- Islam does acknowledge human needs and desires – what emphasized however is the way and means of achieving them – must be within defined limits of Islamic rules with the intention of attaining Allah’s blessings.
- Decision making in utilizing resources therefore must intend to establish harmony between moral and the material needs.



Resource Allocation

- Islam calls for maximum exploitation of economic resources and, as a consequence, their minimum wastage. This is consistent with the conventional economic theory
- The requirement for efficient allocation of resources is clearly stated in the Quran and also Hadith.

And do not hand over the possession to those weak of understanding your economic resources which Allah has made a means of support for you, but feed and clothe them therewith, and speak to them words of kindness (Surah An-Nisa':5)

Every landlord should farm his land but if he cannot do that, he should let his brother farm it' (Muslim, Vol.4, 172)

- It is also important to note that resource must be allocated to produce and consume goods and services that permitted by shariah.



References

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