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Capitalism Failed: Islamic Macroeconomic and Public Policy Turning Point

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Abstract

Today's world, again faces economical crises, with intensifier and bigger scales. Many, claimed that Capitalism is being failed, following late Socialism economy. At least two main reasons for the claim: firstly, the Capitalism economy tends to be a root cause of a cyclic crisis, begin with growth until its peak, so then burst out becoming a crisis. This upper turning point followed by downswing in the economic activities (*baisse*) until the lowest part of economic growth, known as the lower turning point. Afterwards, an economical growth turns again to a positive quadrant, ends up with economic boom (*hausse*). The mentioned conditions are becoming "normal" cycle periodically, known in the economic theory as business cycle (*conjunctuur*). The common solution when economical crises occurred is hanging on government bailout in which basically using the state budget. The major revenue of the state budget is tax revenue collected from people, then basically people are always being targeted victims of the Capitalism economy. Secondly, the Capitalism economy is always making a very wide of economical gap between the have and the poor. The gap is always enhancing when the have will becoming less in the number but higher in capital accumulation, on the other hand the poor getting eliminated in the provision but growing up their number. The economical gaps between the two are common among countries using the Capitalism system. Therefore, the world's people are deserved of a new economical system which provides a total solution for the world economical disaster. There is no more option than Islamic economical system. It is not only applied partially on the Islamic financial institutions which is free of interest, but also in the more paradigmatic by switching systemically the world economical bases. This paper provides details on how Islamic economic system answering the challenge, focusing in the macroeconomic and public policy in Sharia perspective.