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Market Efficiency, Consumer and Producer Surplus from an Islamic Economics Perspective: An Analysis of Price Equity and Welfare (Falah)

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Abstract

Total economic surplus was generally used to assess market efficiency but did not establish whether economic benefits were distributed justly. This article examined consumer and producer surplus through the concepts of price justice and falah in Islamic economics. A qualitative library-based approach combined descriptive, analytical, and comparative readings of conventional and Islamic economic literature. The analysis distinguished allocative efficiency from the legitimacy of price formation and the distribution of economic gains. In a theoretical market illustration, competitive equilibrium generated consumer surplus of 450 and producer surplus of 337.5, producing total surplus of 787.5. A binding price ceiling increased consumer surplus to 550 but reduced producer surplus to 150, leaving total surplus of 700 and deadweight loss of 87.5 under the stated allocation assumption. Islamic economic reasoning assessed market outcomes through informed consent, the absence of distortions such as ihtikar and tadlis, and the objectives of maslahah and falah. Competitive equilibrium could align with just pricing when transactions remained legitimate, whereas corrective intervention required demonstrated distortion, proportionality, and accountability. The study proposed an integrated framework comprising surplus-based efficiency, price equity, and comprehensive welfare. Its conceptual findings require rigorous empirical validation in specific commodity markets using observable pricing, distributional, and welfare indicators.

Keywords: *Consumer Surplus, Falah, Market Efficiency, Price Justice, Producer Surplus.*

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INTRODUCTION

Market mechanisms play a fundamental role in coordinating economic activities by determining prices, allocating resources, and distributing the benefits of exchange between consumers and producers. Conventional microeconomic theory evaluates allocative efficiency through consumer surplus and producer surplus, whose combined value represents the aggregate economic gains generated by market transactions under specified competitive assumptions (Greenlaw et al., 2022). However, the maximization of total surplus does not necessarily establish whether economic benefits are distributed equitably among market participants or whether prevailing prices satisfy broader ethical standards. Contemporary Islamic economic scholarship extends efficiency assessment beyond resource allocation by incorporating distributive justice, public benefit, and the ethical consequences of economic decisions (Surya et al., 2025). The relationship between Islamic economic principles and socioeconomic well-being is further developed through maqāṣid al-sharī'ah, which recognizes welfare objectives extending beyond immediate financial advantages (Alam & Haider, 2022). Comparative discussions of material prosperity and falah likewise identify the limitations of evaluating social welfare exclusively through monetary indicators without considering justice and broader dimensions of human well-being (Saputro et al., 2026). These distinctions establish a substantive analytical problem concerning whether market outcomes classified as economically efficient can simultaneously satisfy Islamic requirements of price equity, legitimate exchange, and socially beneficial welfare distribution.

Contemporary scholarship on Islamic market mechanisms has developed substantial theoretical explanations concerning price formation, legitimate exchange, and the conditions governing state intervention in commercial activities. Historical examinations of Ibn Taymiyya and the Ottoman Hanafi tradition demonstrate that the meaning of a just price has evolved through different doctrinal

interpretations and institutional arrangements (Ağır, 2025). Comparative analyses of Ibn Khaldun and al-Ghazali similarly position market mechanisms within a legal and ethical framework that considers economic transactions alongside normative responsibilities (Aziz et al., 2025). Studies of government responses to rising rice prices in Indonesia introduce the practical distinction between market-driven price changes and circumstances that may require corrective public intervention (Bella et al., 2024). Legal-economic discussions of maslahah ‘ammah and compulsory price determination further emphasize the limitations of unrestricted governmental intervention and the necessity of examining its public-interest justification (Hikmah, 2026). These approaches collectively establish that price justice cannot be determined solely from observed market prices because the legitimacy of economic outcomes also depends on market conduct, institutional conditions, and the consequences of regulatory intervention.

Despite these theoretical developments, the relationship between conventional surplus analysis and Islamic conceptions of economic justice remains insufficiently integrated within the selected literature. Conventional welfare economics provides analytical instruments for identifying changes in consumer surplus, producer surplus, and total economic welfare, but these instruments do not independently establish the ethical legitimacy of the resulting distribution (Greenlaw et al., 2022). Recent discussions redefining economic efficiency through maqāṣid broaden the criteria of welfare evaluation without necessarily establishing an explicit procedure for interpreting surplus distribution against principles of price equity (Surya et al., 2025). Research on producer–consumer relationships under Islamic economic law provides a normative basis for evaluating transactional obligations, although its legal-ethical orientation does not automatically translate into measurements of surplus redistribution (Sultan et al., 2026). Historical scholarship concerning just-price doctrines additionally demonstrates the conceptual complexity of determining legitimate prices, particularly when doctrinal standards must be related to observable market outcomes (Ağır, 2025). The resulting research gap concerns the absence of a sufficiently explicit analytical connection, within these selected studies, between allocative efficiency, the distribution of consumer and producer benefits, and the normative requirements of falah. This limitation constitutes a conceptual integration problem rather than evidence that existing scholarship has entirely neglected economic justice or the welfare implications of market mechanisms.

The separation between surplus-based efficiency assessment and Islamic welfare criteria creates difficulties when evaluating market interventions that redistribute economic benefits without necessarily increasing aggregate surplus. Research addressing rice-price intervention in Indonesia demonstrates the relevance of distinguishing ordinary market adjustments from policy responses intended to address particular economic conditions (Bella et al., 2024). Islamic legal scholarship concerning compulsory price intervention similarly emphasizes that regulatory measures require justification based on public benefit rather than an unrestricted assumption that administrative price controls produce equitable outcomes (Hikmah, 2026). Philosophical analyses of maslahah identify social welfare and distributive considerations as foundational elements of Islamic economic reasoning, indicating that aggregate monetary benefits are insufficient as exclusive criteria of economic success (Ritonga & Mawardi, 2025). An intervention may redistribute consumer and producer benefits while simultaneously generating efficiency losses, making it necessary to distinguish the distributive consequences of regulation from its effects on total economic surplus. Without an integrated evaluative framework, assessments of market performance risk confusing allocative efficiency with distributive justice and overlooking the ethical conditions under which economic benefits are generated and distributed.

The present study positions conventional welfare analysis and Islamic economic principles within a unified conceptual framework that distinguishes economic efficiency from price equity and comprehensive welfare. Conventional surplus theory provides the analytical foundation for examining how market equilibrium and changes in prices affect the distribution of economic benefits between consumers and producers (Greenlaw et al., 2022). The normative treatment of producer–consumer relationships under maqāṣid al-sharī‘ah offers complementary criteria for examining whether market transactions and regulatory arrangements satisfy broader legal and ethical obligations (Sultan et al., 2026). Philosophical scholarship concerning maslahah establishes a welfare orientation through which economically advantageous outcomes may be evaluated against considerations of social benefit and distributive fairness (Ritonga & Mawardi, 2025). The distinction between material welfare and falah

further requires that economic benefits be assessed without treating monetary gains as a sufficient representation of comprehensive human well-being (Saputro et al., 2026). The proposed novelty lies in integrating three analytical dimensions: the magnitude of consumer and producer surplus, the justice of price formation and benefit distribution, and the compatibility of market outcomes with the objectives of falah. Unlike approaches that examine these dimensions separately, the proposed framework provides a structured basis for identifying situations in which economically efficient outcomes may remain ethically problematic or distributive adjustments may require justification beyond changes in aggregate surplus.

This study aims to analyze the relationship between market efficiency, consumer surplus, producer surplus, and Islamic principles of price equity and welfare through a qualitative descriptive-analytical review of relevant economic literature. The first objective is to clarify the theoretical assumptions underlying conventional measures of allocative efficiency and the interpretation of total surplus as an indicator of economic welfare (Greenlaw et al., 2022). The second objective is to examine the contribution of just-price doctrines to evaluating market conduct, legitimate price formation, and the conditions governing corrective economic intervention (Ağır, 2025). The third objective is to assess how distributive justice, socioeconomic well-being, and maqāṣid-based welfare considerations can inform the interpretation of economic outcomes beyond their monetary value (Alam & Haider, 2022). The analysis integrates these objectives through a comparative conceptual examination of surplus allocation, normative pricing criteria, and the broader welfare dimensions represented by falah. Its intended contribution is an integrated evaluative framework for distinguishing allocative efficiency from equitable market outcomes and identifying the theoretical conditions under which economic exchange can be assessed as both efficient and consistent with Islamic welfare objectives.

RESEARCH METHODS

This study employed a qualitative library-based design using descriptive-analytical and comparative approaches to examine market efficiency, consumer and producer surplus, price equity, and welfare in Islamic economics. The research relied on published academic literature rather than primary empirical data, with conventional microeconomic materials providing the conceptual foundations for market equilibrium, economic surplus, and deadweight loss (Greenlaw et al., 2022). Islamic economic sources addressed market mechanisms, price justice, and the economic thought of Ibn Khaldun, al-Ghazali, and Ibn Taymiyyah through secondary scholarly interpretations rather than direct examination of their original writings (Aziz et al., 2025). Additional literature concerning maqāṣid al-sharīʿah and socioeconomic well-being provided the normative foundation for evaluating economic outcomes beyond monetary efficiency (Alam & Haider, 2022). Relevant publications were identified through Google Scholar, Garuda, and open-access journal portals using Indonesian and English search terms related to market efficiency, consumer surplus, producer surplus, just price, falah, tasʿir, and ihtikar. Sources were selected based on thematic relevance, academic credibility, full-text accessibility, and publication within the preceding ten years, except for foundational references, while bibliographic records were organized using Zotero Reference Manager.

The analysis proceeded through three stages comprising conceptual description, normative interpretation, and comparative synthesis to establish the relationship between conventional welfare economics and Islamic economic principles. The descriptive stage examined market equilibrium, consumer surplus, producer surplus, total economic surplus, and deadweight loss as analytical indicators of resource allocation and market efficiency. The normative stage evaluated price justice, legitimate market transactions, and the ethical foundations of pricing through scholarly interpretations of the just-price concept in Islamic economic thought (Ağır, 2025). The comparative stage examined the relationship between allocative efficiency, distributive justice, maslahah, and falah to identify conceptual similarities, differences, and potential points of integration (Surya et al., 2025). Interpretations concerning governmental price intervention were assessed against Islamic legal-economic arguments addressing public welfare, proportionality, and the limits of compulsory price regulation (Hikmah, 2026). Analytical credibility was addressed through comparison of scholarly arguments, examination of cited conceptual foundations, and verification of traceable publication information, with the synthesis presented narratively and through comparative tables without claiming empirical estimates or statistical relationships.

RESULTS AND DISCUSSION

Market Efficiency, Economic Surplus, and Welfare Evaluation in Islamic Economics

In conventional economic theory, market efficiency refers to an allocation of resources that maximizes the aggregate benefits generated through voluntary exchange under competitive market conditions. The interaction between consumer demand and producer supply determines equilibrium prices and quantities, allowing market participants to coordinate consumption and production decisions through prevailing price signals. Allocative efficiency is achieved when resources are distributed among competing uses without leaving unrealized gains from mutually beneficial transactions, assuming the absence of market failures and relevant external distortions. Greenlaw et al. (2022) explain that competitive equilibrium maximizes the combined value of consumer and producer surplus, providing a measurable representation of the economic benefits generated through exchange. This framework treats prices as instruments for coordinating economic decisions, while changes in equilibrium conditions influence the distribution of benefits among market participants. Islamic economic literature also recognizes demand and supply as fundamental mechanisms of price formation, although market transactions remain subject to ethical obligations and restrictions on prohibited commercial conduct (Sopitri et al., 2026). The analytical distinction concerns the criteria used to evaluate market outcomes, since conventional efficiency emphasizes aggregate economic gains whereas Islamic economics additionally considers the legitimacy and distribution of those gains.

Consumer surplus represents the difference between the maximum amount consumers are willing to pay for a commodity and the expenditure actually required to acquire it at the prevailing market price. Producer surplus measures the difference between the revenue received from selling a commodity and the minimum amount producers would accept to supply the corresponding quantity, reflecting gains associated with production and exchange (Greenlaw et al., 2022). The combination of these measures produces total surplus, which represents the aggregate economic benefit obtained by buyers and sellers within the relevant market. Under linear demand and supply functions, consumer surplus can be represented geometrically by the area below the demand curve and above the equilibrium price, while producer surplus corresponds to the area above the supply curve and below that price. Islamic microeconomic literature also employs surplus calculations to explain market equilibrium and the economic consequences of changes in prices and quantities (Insawan et al., 2021). Although these measurements identify the magnitude and distribution of monetary gains between consumers and producers, they do not independently determine whether the resulting allocation satisfies ethical principles of economic justice.

The quantitative illustration presented in the initial literature uses a linear demand function of $P = 120 - 4Q$ and a supply function of $P = 15 + 3Q$ to demonstrate the calculation of economic surplus under competitive equilibrium. Equating the two functions yields an equilibrium quantity of $Q = 15$, while substitution into either equation produces an equilibrium price of $P = 60$. Consumer surplus is calculated as one-half of the difference between the maximum willingness to pay and the equilibrium price multiplied by the quantity exchanged, resulting in $\frac{1}{2} \times (120 - 60) \times 15 = 450$ (Insawan et al., 2021). Producer surplus is determined by the area between the equilibrium price and the supply curve, producing $\frac{1}{2} \times (60 - 15) \times 15 = 337.5$. The combined surplus consequently reaches 787.5, representing the total gains from exchange under the assumed demand and supply conditions. Conventional welfare analysis interprets this equilibrium as allocatively efficient because mutually beneficial transactions are exhausted at the equilibrium quantity, provided that the underlying competitive assumptions hold (Greenlaw et al., 2022). These numerical values constitute a theoretical illustration rather than observed market data and cannot establish the actual distribution of welfare within any particular economy.

The introduction of a hypothetical binding price ceiling of 45 changes the allocation of economic benefits by preventing the market price from reaching its competitive equilibrium level. At this controlled price, the supply function yields a quantity of $Q = 10$, indicating that producers are willing to supply fewer units than under unrestricted equilibrium conditions. Assuming that the available units are allocated to consumers with the highest willingness to pay, consumer surplus increases to 550, while producer surplus declines to 150. The combined economic surplus consequently decreases to 700, compared with the competitive equilibrium value of 787.5. The difference of 87.5 represents deadweight loss arising from unrealized mutually beneficial transactions, consistent with conventional analysis of binding price controls (Greenlaw et al., 2022). Although the intervention appears to increase aggregate consumer surplus under the stated allocation assumption, actual rationing

arrangements could distribute available goods differently, demonstrating that the hypothetical calculation cannot independently establish equitable consumer access or the social desirability of the intervention.

Relative to competitive equilibrium, the hypothetical price ceiling increases calculated consumer surplus by 100 units while reducing producer surplus by 187.5 units. The redistribution produces a net welfare reduction of 87.5 units, illustrating how a policy can transfer economic benefits between market participants while simultaneously generating allocative inefficiency. The calculated consumer gain depends on the assumption that the restricted supply reaches buyers with the highest willingness to pay, whereas alternative rationing mechanisms could produce different distributions of benefits. A reduction in market prices therefore cannot automatically be interpreted as an equitable improvement in consumer welfare without examining accessibility, purchasing capacity, and the consequences for producers. Research on commodity price dynamics from an Islamic economic perspective emphasizes the relevance of price movements to consumer welfare and the broader economic consequences associated with market conditions (Lazuardi et al., 2026). Conventional surplus analysis can quantify changes in the gains obtained by consumers and producers, but its monetary indicators do not independently establish the fairness of the resulting distribution (Greenlaw et al., 2022). Table 1 presents the original comparison between conventional and Islamic market assessment frameworks, highlighting their differences in evaluative objectives, measurements, price formation, distribution, and regulatory intervention.

Table 1. Comparison of Conventional and Islamic Market Assessment Frameworks

Aspect	Conventional Economics	Islamic Economics
Objective	Maximize total surplus (allocative efficiency)	Achieve falah through maslahah and justice
Measures	Consumer and producer surplus; deadweight loss	Surplus together with price and distributive justice
Prices	Determined by demand and supply	Formed in competitive markets through consent and without distortion
Distribution	Not assessed by the surplus measure itself	Assessed through distributive justice
Intervention	Binding price controls may create deadweight loss	Conditional upon evidence of distortion, proportionality, and accountability (Hikmah, 2026)

Table 1 demonstrates that conventional and Islamic economic approaches recognize market exchange and price formation while assigning different roles to economic efficiency in the evaluation of welfare. Conventional analysis concentrates on the maximization of aggregate surplus and the identification of deadweight loss, whereas Islamic economics treats economic performance as one component of a broader assessment involving justice and public benefit. Surya et al. (2025) conceptualize efficiency in Islamic economics through substantive, distributive, and sustainable dimensions, indicating that resource allocation must be evaluated alongside the social consequences of economic activity. Islamic microeconomic scholarship similarly connects economic welfare with maslahah and justice, emphasizing the normative responsibilities associated with market participation and the distribution of economic benefits (Beik et al., 2024). The comparison does not imply that competitive price formation is incompatible with Islamic economic principles, since undistorted demand and supply interactions may support legitimate exchange when accompanied by acceptable transactional conduct. Its principal implication is that aggregate surplus provides necessary analytical information about economic performance but remains insufficient as an exclusive criterion for determining whether market outcomes satisfy the broader objectives of Islamic welfare.

The concept of falah extends economic welfare beyond the accumulation of material benefits by incorporating ethical conduct, social justice, and the broader objectives of human well-being. Scholarship concerning maqāṣid al-sharī‘ah identifies socioeconomic welfare as a multidimensional objective, requiring economic institutions to consider public benefit rather than treating financial advantage as an independent measure of social progress (Alam & Haider, 2022). Contemporary discussions of falah similarly distinguish material prosperity from comprehensive welfare by

incorporating spiritual considerations and the relationship between economic development and equitable distribution (Aulia et al., 2025). The concept of maslahah also provides a normative basis for interpreting demand, supply, and economic exchange through their implications for social welfare rather than exclusively through monetary outcomes (Mursal, 2018). Philosophical analyses of Islamic economic thought further identify maslahah as a central principle connecting legitimate economic activity with justice, public interest, and collective well-being (Ritonga & Mawardi, 2025). These considerations suggest that changes in consumer and producer surplus must be interpreted in relation to the legitimacy of exchange, the distribution of benefits, and the consequences experienced by economically vulnerable market participants. An allocation that maximizes aggregate monetary gains may consequently remain normatively incomplete when the processes generating those gains or their distribution conflict with the substantive requirements of equitable welfare.

The comparative analysis establishes that conventional market efficiency and Islamic welfare principles address related but analytically distinct dimensions of economic performance. Research comparing material welfare with falah demonstrates that economic outcomes cannot be evaluated exclusively through financial gains when the relevant normative framework incorporates justice and broader human welfare objectives (Saputro et al., 2026). Classical Islamic economic discussions concerning community welfare also recognize the relationship between productive economic activity, market organization, and social well-being, providing a conceptual basis for assessing economic development beyond individual commercial returns (Nurcahyo et al., 2024). Normative analyses of producer–consumer relationships under maqāṣid al-sharī‘ah further emphasize that the responsibilities of market participants must be considered when evaluating economic transactions and their distributional consequences (Sultan et al., 2026). These theoretical considerations support the integration of surplus measurement with criteria addressing legitimate price formation, equitable distribution, and the broader objectives of falah without replacing established microeconomic calculations. The resulting synthesis identifies allocative efficiency as a measurable economic condition and comprehensive welfare as a wider evaluative objective, establishing the conceptual foundation for examining price justice, market distortions, and permissible regulatory intervention in the subsequent analysis.

Just Price, Market Distortions, and Government Intervention in Islamic Economic Thought

The concept of a just price (*al-ṡaman al-‘adl*) occupies a central position in Islamic economic thought because market prices are evaluated not only through their capacity to coordinate exchange but also through the ethical conditions governing their formation. Classical Islamic economic discussions recognize demand, supply, and mutual benefit as legitimate determinants of ordinary market prices while distinguishing lawful commercial profits from advantages obtained through prohibited trading practices (Sahir, 2021). Historical examinations of Ibn Taymiyya and the Ottoman Hanafi tradition demonstrate that the interpretation of just prices developed through different doctrinal approaches, particularly concerning transactional consent, appropriate profit margins, and the institutional regulation of commercial activities (Ağır, 2025). These distinctions indicate that the existence of an agreed market price does not independently establish the legitimacy of the economic benefits received by consumers and producers. Contemporary interpretations of Ibn Taymiyya's economic thought similarly connect fair pricing with legitimate market transactions and recognize that governmental interference requires justification according to the prevailing market conditions (Salsabila & Malahayatie, 2026). Price justice consequently requires an examination of the processes through which prices emerge, the conduct of participating economic actors, and the implications of exchange for public welfare rather than an exclusive assessment of nominal price levels.

Classical Islamic economic thinkers developed explanations of market pricing that acknowledged changes in demand, supply, production conditions, and commercial behavior without establishing a universal requirement for administratively fixed prices. Comparative scholarship concerning Ibn Taymiyya and Ibn Khaldun identifies market mechanisms as relevant determinants of prevailing prices while emphasizing the ethical obligations associated with economic exchange (Baroroh, 2018). Secondary interpretations of al-Ghazali and Ibn Khaldun further connect market activities with legal responsibilities and the institutional conditions necessary for legitimate commercial transactions (Aziz et al., 2025). Studies examining the contemporary relevance of Ibn Khaldun's economic thought identify demand, supply, and broader economic circumstances as central components

of price formation (Nisak, 2022). Comparative analyses of Ibn Khaldun, al-Ghazali, and Ibn Taymiyya similarly demonstrate the importance of market conditions while recognizing differences in their explanations of economic conduct and regulatory intervention (Nurhikmah et al., 2026). Recent scholarship addressing the relevance of Ibn Khaldun and Ibn Taymiyya to modern markets reinforces the distinction between explanations of price movements and normative assessments of their legitimacy (Masyhudi, 2025). The convergence between classical price theory and conventional market analysis therefore concerns the recognition of economic forces, whereas the principal difference emerges from the ethical requirements governing the generation and distribution of commercial benefits.

Mutual consent constitutes an essential element of legitimate commercial exchange, although agreement between buyers and sellers cannot independently guarantee price justice when information is concealed or bargaining conditions are manipulated. Ağır (2025) explains that Ibn Taymiyya's treatment of the just price recognizes consent as necessary but insufficient, demonstrating the importance of additional conditions in establishing the legitimacy of market transactions. This distinction becomes relevant when market participants voluntarily accept prevailing prices despite incomplete information, artificial scarcity, or commercial practices that influence their available choices. Comparative examinations of classical Islamic economic thought indicate that price increases and decreases may emerge from ordinary supply and demand adjustments without necessarily reflecting injustice or prohibited economic conduct (Nurhikmah et al., 2026). A higher market price should consequently not be classified as unjust merely because it reduces purchasing power, since its normative status depends on the circumstances responsible for the price movement. The assessment of price equity must instead distinguish legitimate scarcity and changes in demand from manipulative conduct that undermines informed consent, restricts market participation, or produces unjustified economic advantages.

Market distortions demonstrate the limitations of interpreting observed economic gains as indicators of legitimate welfare because certain commercial practices redistribute benefits through mechanisms that undermine competitive exchange. Islamic economic literature identifies *ihtikar*, cartels, *tadlis*, *najasy*, *taghrir*, and *talaqqi ruqban* as practices associated with artificial scarcity, coordinated market behavior, deception, or unequal access to relevant commercial information (Vitadiar, 2023). The practice of *ihtikar*, involving prohibited commodity hoarding under relevant circumstances, may restrict available supply and contribute to artificial price increases that disadvantage consumers while creating additional benefits for those controlling the withheld commodities (Handika et al., 2025). Historical and interpretative research concerning commodity hoarding also emphasizes the ethical significance of restricting access to goods and the implications of such conduct for community welfare (Saifullah, 2023). Contemporary hadith analysis concerning *ihtikar* provides an additional normative basis for examining the relationship between market conduct, commercial advantage, and the prohibition of harmful trading practices (Kamala et al., 2026). Cartel arrangements may similarly restrict competition and sustain prices above competitive levels, whereas deceptive practices undermine the reliability of information used by economic actors when making transactional decisions. Table 2 presents the conceptual relationship between these market distortions, their potential implications for economic surplus, and the corresponding responses identified in Islamic economic thought.

Table 2. Market Distortions, Surplus Implications, and Islamic Responses

Practice	Implication for Surplus (Author's Analysis)	Islamic Economic Response
Ihtikar	Artificial price increases and lower consumer surplus	Prohibition of unjustified excessive gains; hisbah
Cartels	Prices above the competitive equilibrium with deadweight loss	Government oversight
Tadlis, najasy, and taghrir	Decisions based on inaccurate information; defective consent	Prohibition and enforcement through hisbah
Talaqqi ruqban	Producers lack reliable information about prevailing market prices	Prohibition of the practice

The classification presented in Table 2 indicates that market distortions operate through different mechanisms and consequently cannot be evaluated exclusively through changes in the observed prices of traded commodities. Commodity hoarding and cartel arrangements may restrict supply or competition, whereas deceptive commercial practices primarily compromise the informational conditions required for legitimate exchange. Legal scholarship examining monopoly and prohibited business competition in Islamic thought distinguishes market arrangements from commercial conduct that violates the normative principles governing economic transactions (Arman & Munandar, 2024). Research addressing monopoly, market accessibility, and community welfare similarly associates restrictive commercial arrangements with concerns regarding unequal access and the distribution of economic opportunities (Selvia et al., 2025). Studies of market distortions in Islamic economics identify supervision, moral accountability, and institutional intervention as relevant responses to conduct that undermines legitimate pricing mechanisms (Vitadiar, 2023). The surplus implications identified in Table 2 remain conceptual interpretations rather than empirical estimates, since determining the magnitude of economic losses would require observable market data, defined competitive benchmarks, and evidence of the particular distortion affecting transactions.

The legitimacy of commercial profits in Islamic economics depends on the manner in which economic benefits are generated, particularly where the acquisition of market power or superior information affects the freedom and opportunities of other participants. Research concerning the transformation of Islamic economic legal norms across textual sources, jurisprudential interpretation, fatwas, and formal legal instruments illustrates the need to distinguish normative principles from their institutional expressions (Nugroho & Hakim, 2025). The legal assessment of market behavior must consequently identify the prohibited conduct, the interests affected by that conduct, and the authority responsible for maintaining acceptable conditions of economic exchange. Hadith-based analysis of *ihtikar* emphasizes the ethical limitations imposed on commercial behavior when the pursuit of private benefits creates adverse consequences for the wider community (Handika et al., 2025). Contemporary interpretations of traditions concerning hoarding and monopoly further reinforce the importance of evaluating commercial restrictions through the applicable principles of Islamic economic law (Kamala et al., 2026). The institution of *hisbah* provides a conceptual basis for market supervision directed toward preventing deceptive practices, protecting legitimate transactions, and addressing conduct that disrupts fair exchange. Such supervision is analytically different from replacing market price formation with compulsory administrative pricing because the restoration of competitive and informational conditions may address the underlying distortion without requiring the government to determine every transaction price.

Government intervention in market pricing requires a distinction between ordinary fluctuations arising from economic conditions and price movements generated by conduct that undermines legitimate competition or public welfare. Islamic legal-economic scholarship concerning compulsory price setting (*tas'ir*) emphasizes that intervention should be supported by evidence of market distortion, proportionality, accountability, and a defensible public-interest justification (Hikmah, 2026). Contemporary examinations of governmental economic intervention through maqāṣid and classical concepts of justice similarly connect regulatory authority with the protection of legitimate economic interests and broader welfare objectives (Darniati et al., 2026). Research concerning state intervention in Islamic market mechanisms also addresses the necessity of assessing governmental action against the principles governing legitimate transactions and acceptable market conditions (Rahman et al., 2025). A binding price ceiling imposed without identifying the underlying source of a price increase may reduce the quantity supplied and generate efficiency losses, whereas intervention directed toward removing deception or collusion may improve the institutional conditions supporting competitive exchange. The justification for public intervention must consequently consider the existence of a demonstrable market problem, the distributional consequences of the proposed measure, and whether the expected public benefits reasonably correspond to its economic costs.

The Indonesian rice-price case provides a relevant comparison between policy responses intended to reduce observed prices and measures designed to address the economic circumstances influencing their formation. Research examining rising rice prices through Ibn Taymiyya's economic thought considers market-support operations and social assistance as alternatives to relying primarily on compulsory maximum retail prices (Bella et al., 2024). Islamic microeconomic literature similarly recognizes the distinction between market prices generated through ordinary economic adjustments and

circumstances in which improper commercial behavior may justify corrective governmental measures (Beik et al., 2024). Normative analysis of compulsory pricing further emphasizes that public benefit cannot be equated exclusively with lower prices, particularly when price restrictions impose disproportionate costs or interfere with legitimate market operations (Hikmah, 2026). These considerations correspond to the hypothetical surplus calculation presented earlier, in which a binding price ceiling increased calculated consumer surplus by 100 units while reducing producer surplus by 187.5 units and generating a deadweight loss of 87.5 units. The numerical illustration does not represent empirical evidence from the Indonesian rice market but demonstrates why intervention must be assessed through its effects on economic efficiency, the distribution of benefits, and the conditions responsible for price changes. The comparative synthesis establishes that Islamic price justice does not require a predetermined preference for higher or lower prices but evaluates whether market transactions and corrective interventions satisfy the requirements of legitimate exchange, proportionality, and public welfare.

Integrating Market Efficiency, Price Equity, and Falah into an Islamic Welfare Evaluation Framework

The comparative synthesis identifies three analytically distinct requirements for evaluating market outcomes: allocative efficiency, legitimate price formation, and welfare consistent with falah. Allocative efficiency establishes whether mutually beneficial exchange has been exhausted under the conditions represented by demand and supply, while consumer and producer surplus describe the monetary benefits distributed between market participants (Greenlaw et al., 2022). A price can satisfy this quantitative criterion without establishing whether the exchange was informed, voluntary, or free from manipulative conduct. Islamic economic analyses extend the evaluative domain by treating efficiency as an instrument serving maslahah rather than as an independent end (Surya et al., 2025). Normative accounts of producer–consumer relations also require consideration of the rights and obligations governing the acquisition of economic benefits (Sultan et al., 2026). These requirements are complementary rather than interchangeable because each addresses a different question about the same transaction. The framework developed from the literature consequently evaluates the magnitude of gains, the conditions under which they arise, and their contribution to comprehensive welfare in that sequence.

A significant convergence between conventional microeconomics and classical Islamic market thought occurs in their recognition of demand and supply as mechanisms of price formation. In a competitive model without market failures, the equilibrium quantity maximizes combined surplus, subject to the assumptions defining that model (Greenlaw et al., 2022). Interpretations of Ibn Taymiyya and Ibn Khaldun likewise acknowledge the relevance of ordinary market forces to legitimate price movements (Sahir, 2021). Comparative literature on classical economic thinkers confirms that changes in scarcity, demand, and supply are not intrinsically evidence of improper conduct (Nurhikmah et al., 2026). This convergence permits a competitive equilibrium to function as a plausible initial benchmark for evaluating price outcomes. Its use as a benchmark remains conditional because neither the equality of supplied and demanded quantities nor aggregate surplus alone reveals deception, coercion, unequal information, or unjust distribution.

The limits of this convergence become clearest when market participants obtain financial gains from conduct that changes the conditions of exchange. The conceptual mapping of ihtikar in Table 2 associates artificial supply restriction with higher prices and diminished consumer surplus, although no market-specific magnitude was estimated. Hadith-based analysis characterizes harmful commodity hoarding as inconsistent with the ethical restrictions imposed on commercial profit seeking (Handika et al., 2025). Historical discussions of ihtikar also connect the availability of essential goods to the public consequences of private trading decisions (Saifullah, 2023). A seller's higher receipts under restricted supply cannot be interpreted as evidence of improved social welfare without accounting for lost transactions and the legitimacy of the conduct producing the price. The concept of falah requires attention to lawful and ethically acceptable means of acquiring material benefits, not only to their monetary value (Saputro et al., 2026). The first normative qualification of surplus is accordingly procedural: measured gains must be examined against the rules governing truthful information, voluntary exchange, and the absence of market manipulation.

Distribution constitutes a separate analytical issue even where the process of price formation is not demonstrably distorted. In the theoretical price-ceiling illustration, consumer surplus rose from 450 to 550 while producer surplus fell from 337.5 to 150, producing deadweight loss of 87.5. The calculation assumes that the ten units supplied at the controlled price reach consumers with the highest willingness to pay; alternative rationing could change the distribution of consumer gains. The direction of the price change thus cannot itself establish whether economically vulnerable consumers benefited or whether producers experienced an inequitable burden. Research on commodity price dynamics identifies the relationship between price movements and consumer welfare as a substantive concern, but it does not supply distributional observations for this theoretical example (Lazuardi et al., 2026). Table 3 sets out the three evaluative dimensions required to distinguish efficiency effects from pricing legitimacy and comprehensive welfare.

Table 3. Integrated Conceptual Framework for Market Efficiency, Price Equity, and Falah

Analytical Dimension	Evaluation Criteria	Islamic Economic Interpretation
Market efficiency	Consumer surplus, producer surplus, total surplus, and deadweight loss	Efficiency represents an economic instrument rather than the final objective of welfare
Price equity	Fair price formation, voluntary consent, and absence of market distortion	Economic gains must arise through legitimate and equitable transactions
Falah and maslahah	Distributive justice, public benefit, and material and spiritual welfare	Market outcomes must support comprehensive welfare beyond aggregate economic surplus

Table 3 places market efficiency, price equity, and falah within a single analytical structure while preserving the different questions answered by each dimension. The efficiency dimension uses consumer surplus, producer surplus, total surplus, and deadweight loss to represent benefits and unrealized gains from exchange. The price-equity dimension examines whether outcomes resulted from informed consent, fair competitive conditions, and the absence of practices that deliberately distort prices. The welfare dimension asks whether economic arrangements support distributive justice and public benefit rather than merely recording the arithmetic sum of individual gains. In normative scholarship, intervention can be warranted by identifiable distortions, but its legitimacy depends on proportionality and accountability (Hikmah, 2026). Analysis of Indonesian rice-price interventions illustrates why market support and assistance may merit consideration alongside direct price controls (Bella et al., 2024). The framework is consequently a sequence of complementary tests rather than a numerical index or a claim that one dimension automatically compensates for failure in another.

Falah expands the meaning of welfare beyond the immediate purchasing gains of consumers and revenue gains of producers. Literature on the concept of falah relates material prosperity to spiritual welfare and distributive responsibilities, challenging the use of economic growth as a sufficient social objective (Aulia et al., 2025). Philosophical discussions of maslahah likewise locate legitimate economic development within considerations of justice and public benefit (Ritonga & Mawardi, 2025). Interpretations of Ibn Khaldun's contribution to communal welfare further connect economic activity with the social conditions sustaining collective prosperity (Nurcahyo et al., 2024). The implications for surplus analysis are not that material indicators should be discarded, but that they require complementary assessments of access, fairness, and the ethical conditions of exchange. Because this study did not operationalize spiritual welfare or observe household outcomes, these criteria remain normative guides rather than measured variables.

The principal conceptual contribution is an explicit separation of three judgments that are often treated as interchangeable in market-policy discussion. The first concerns whether an allocation maximizes realizable gains under a specified economic model, the second whether those gains arose through legitimate market conduct, and the third whether their distribution is compatible with broader welfare objectives. Research comparing material welfare and falah supports the need for such differentiation, although it does not supply an operational measure for the present framework (Saputro

et al., 2026). Maqāṣid-oriented research on economic efficiency provides a normative basis for linking resource use with distributional and sustainable objectives (Surya et al., 2025). Studies of producer–consumer relations add a legal-ethical foundation for assessing transactional rights and obligations (Sultan et al., 2026). The proposed synthesis relates these strands to surplus measurement without presenting the normative dimensions as outcomes that can be derived directly from demand and supply equations. This contribution is conceptual and comparative, and its usefulness lies in clarifying what additional evidence a future empirical assessment would need to establish.

The literature-based design restricts the findings to conceptual relationships and does not establish that the three-dimensional framework predicts observed prices or welfare in any particular market. The price-ceiling example remains a theoretical illustration whose results depend on linear demand and supply functions, efficient allocation of scarce output, and the absence of further market adjustments. Historical price-justice doctrines are interpreted through secondary scholarship, so differences in translation and doctrinal emphasis may affect their application to contemporary regulatory problems (Ağır, 2025). Subsequent research could test the framework within a defined commodity market using observed prices, quantities, market-conduct evidence, and indicators of distributional effects. Broader welfare dimensions would also require independently specified indicators and an explicit justification of how those indicators relate to maqāṣid and falah (Alam & Haider, 2022). Until such evidence is available, the defensible conclusion is that surplus analysis measures an important component of market performance while price justice and falah supply additional standards for evaluating its normative acceptability.

CONCLUSION

Consumer and producer surplus provided useful measures of allocative efficiency but did not independently establish distributive justice or welfare as understood in Islamic economics. The hypothetical price-ceiling analysis demonstrated that consumer surplus increased from 450 to 550, while producer surplus declined from 337.5 to 150, reducing total surplus from 787.5 to 700 and generating a deadweight loss of 87.5. These changes illustrated how economic benefits could shift between market participants without establishing whether the resulting distribution satisfied principles of fairness and public welfare. Islamic economic analysis positioned efficiency as an instrument serving maslahah and falah, while evaluating price justice through legitimate consent, equitable exchange, and the absence of prohibited practices such as ihtikar, tadlis, and najasy. The findings also demonstrated conceptual compatibility between competitive market mechanisms and Islamic principles of just pricing, provided that transactions remained free from distortion and governmental intervention satisfied requirements of proportionality and accountability. The resulting conceptual framework integrated three complementary dimensions of market evaluation: surplus-based efficiency, price equity, and comprehensive welfare based on falah.

The integration of conventional welfare economics and Islamic economic principles established an analytical basis for distinguishing aggregate economic gains from the ethical legitimacy of market transactions and their distributional consequences. The framework emphasized that market efficiency alone could not establish comprehensive welfare without considering the processes through which prices were formed and economic benefits were allocated. Government intervention consequently required assessment of identifiable market distortions, potential efficiency losses, distributive consequences, and public-interest considerations rather than an exclusive preference for lower prices. The study remained limited by its qualitative literature-based design and reliance on theoretical illustrations, which did not provide empirical verification of the proposed framework within an actual commodity market. Future research should examine observed market prices, trading quantities, competitive conditions, and distributional outcomes to evaluate the applicability of the integrated framework across different economic settings. Developing operational indicators for price justice, maslahah, and falah would further strengthen the empirical assessment of whether market outcomes satisfy both allocative efficiency and the broader welfare objectives of Islamic economics.

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