

Pakistan Needs the Economic System of Islam, Not Privatization Ordered by the International Monetary Fund

News:

The Dawn Newspaper reported on 12 May 2024, “Finance Minister Muhammad Aurangzeb on Sunday said that there was “no such thing” as strategic state-owned enterprises (SOEs) as he stressed the need for privatisation. He made the remarks at a pre-budget conference in Lahore, two days after Deputy Prime Minister Ishaq Dar said the government would limit its business only to strategic and essential SOEs under its domain.” [mofa.gov.pk]

Comment:

When the thinking of the politician and the sponsor of affairs is far from Islam, in thought and way of life, his “genius” cannot devise correct and ideal solutions to the problems of the state and the people. Rather, his ideas and solutions are always a regurgitation of previous failed solutions or an imitation of other countries that are not better off than his own. For more than three decades, both civilian and military governments have advocated the policy of privatization of state owned enterprises, including Pakistan International Airline (PIA), Pakistan Railways (PR), Pakistan Steel Mills (PS). However, this policy was never fully implemented due to public and political opposition. After the fall of Imran Khan, who had caused total economic meltdown by submitting to the International Monetary Fund (IMF), the military leadership continues to march in the same direction. The previous interim regime under a caretaker prime minister made advances in privatization. Now the new government of Pakistan Muslim League (N) is following the same policy. In order to ensure that no one hinders the policy of privatization this time, the military leadership ensured the appointing of a finance minister who is a staunch supporter of privatization.

The ruling elite, which rules with disbelief and failed capitalist economic theories, avoids searching for divinely legitimate solutions to their problems, and only searches for the solutions that they find in the garbage bags of Western financial markets. The ruling elite has promoted the agenda of privatization claiming that the state must not do business. Capitalism claims that if the state enters a sector, then it usurps the freedom of private companies. They know that when the state enters a sector, it dominates over the private companies. In the Western world, through privatization, the state is excluded from many sectors, allowing the private companies to become immensely rich. However, privatization makes the state poor. Therefore, the state always finds itself in deficit and becomes dependent on loans.

Once the state starts taking loans, the cycle never breaks because of the evil of riba. So even the world’s largest capitalist state, the US, is always in deficit and takes loans. Over the past 100 years, the US federal debt has increased from 403 billion

dollars in 1923, to 33170 billion dollars in 2023. The average Gross Domestic Product (GDP) for fiscal year 2023 was 26970 billion dollars, which was less than the U.S. debt of 33170 billion dollars. This resulted in a debt to GDP ratio of 123 percent. Generally, a higher debt to GDP ratio indicates greater difficulty in repaying debt. So how can Pakistan avoid economic misery by following capitalism?

There is no doubt that currently most of the state-owned companies are suffering huge financial losses. It is argued that if the state sells its assets, the bleeding of the national exchequer will end. However, the state will also lose a potentially large supply of funds. It is not a fact that only state-run projects incur losses, whilst private companies do not. State projects incur losses through bad decisions and practices, just as private companies do. If that is changed, both can make profits.

The solution to Pakistan's economic miseries is not following the capitalist economic model. Muslims must follow the economic model of Islam. Islam does not forbid the state from entering the economy, or supervising aspects of the economy. The Khilafah (Caliphate) will dominate sectors where huge investments are required, such as aviation, railways, shipping and production of heavy machinery, vehicles and weapons. In addition, under Islam, public resources such as abundant minerals, fuel and power are publicly owned. Their revenue and utilization is for the entire public and the state supervises that. Factories that manage public resources are also considered public property. Such factories will neither be state or private. This would include coal, gold, copper and bauxite extraction plants, gas refineries and power production plants and distribution networks. Thus, under Islam, the Khilafah can raise abundant resources to look after the affairs of the Muslims, ending their misery. Allah (swt) said, ﴿وَمَنْ أَعْرَضَ عَن ذِكْرِي فَإِنَّ لَهُ مَعِيشَةً ضَنْكًا﴾ **“Whoever turns away from My Reminder will certainly have a miserable life.”** [TMQ Surah Taha 20:124].

**Written for the Central Media Office of Hizb ut Tahrir by
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