

IMF Driven Budget will Never Bring Prosperity

News:

The government plans to present an austerity-oriented budget providing a "Slight" relief to middle and low grade government employees, including military personal, with no increase in the salaries of army officials of high ranks. This was said by special assistant to the Prime Minister Dr.Firdous Ashiq Awan. (epaper.dawn.com)

Comment:

These are nothing but rhetoric to cool down the anger of poor people of Pakistan who are squashed under the immense burden of taxes. This IMF driven budget will only bring more hardships and difficulties to the majority, as one can already sense the change and gear shift in inflation in New Pakistan.

The monetary solutions offered by the institutions, like IMF or World Bank, for battling economies of developing nations, similar to Pakistan, are for the most part dependent on the approach dictation of what has come to be known as the "Washington Consensus." Apparently, the agreement prescribes basic changes that increase the role of market forces in exchange for immediate financial help to strengthen economies. Nonetheless, a point by point look uncovers inconvenient and distressed that compound a desperate monetary circumstance.

The prescriptions include the removal of subsidies, increasing tax burdens, free-floating currency exchange rates to drive devaluation, market driven interest rates, free trade policies, privatization of state that enterprise and encourage foreign direct investment by relaxing conditions of investment and enforcing favorable rules for private ownership rights. These prescriptions carry the promise of economic recovery in the long term, but in reality only ensure immense benefits for the large capitalists, foreign and local. It ensures concentration of wealth in the hands of the few, increasing gap between the rich and the poor.

Under capitalism, the deprived states generate substantial wealth through taxes, but at the cost of burdening the poor, whilst choking production and trade. In the capitalist era, states whether with a hybrid communist-capitalist model like China and Russia, or pure liberal capitalist economies like United States or the so called social welfare states in Europe, all have to enforce high rates of income tax to generate enough revenues for state expenditures. In Pakistan, even those who are eligible for Zakah are taxed on their food, clothing, utilities, education, medicine and shelter.

Adding to the burdens of future generations is the state dependence on interest based debt. Colonialist institutions have ensnared potential competitor states in a trap of (interest based loan) debt servicing. PKR 5.4 trillion, is spent every year on debt 9 servicing. This amount is more than double the government spending on all public service development projects.

The solution to this problem lies in a system of revenues that does not burden the poor and instead takes in a just manner from the wealthier in society, such as those who have capital for owning land or industry or trading merchandise. The solution lies in a system where the evil of interest is forbidden and a policy to escape the debt trap, rather than repeatedly taking more interest based loans, is adopted.

Islam is an ideology that offers a comprehensive economic system. Moreover, the Islamic economic system has a proven track record of success, spanning over several centuries. It was implemented and practiced at the state level in the era of the Khilafah, over a large geographical area, ensuring centuries of stability and prosperity. The solution to Pakistan's economy neither lies in incremental changes nor tweaking the existing failed capitalist economic system. It certainly does not lie in waiting and seeing, because IMF prescriptions are constantly laying waste to the economy. The solution is the radical and immediate implementation of the Islamic economic system and its ensuing policies.

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